

Hanoi, December 4th, 2013

PROPOSAL TO THE GENERAL SHAREHOLDERS' MEETING

On adjustments to the business targets for 2013

Dear valued shareholders!

The Board of Directors of Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank) would like to express our sincere thanks for your kind cooperation and support for the development of VietinBank so far.

The Board of Directors would like to report and propose to the General Shareholders' Meeting for approval of the adjustments to VietinBank's business targets for 2013 as follows:

1. The necessity for the adjustments to the business plan for 2013

1.1. General conditions

In 2013, due to the impacts of the financial crisis, global economic recession and domestic economic slowdown, investment, trade and production activities are stagnant. As a consequence, banking activities encountered many difficulties. As a pillar commercial bank of the banking sector, during 2013, in contributing to the joint effort of the sector, VietinBank has actively and effectively realized the policies of the Party, the Government and the State Bank of Vietnam (SBV). Significantly lower lending interest rates for all client segments, especially in economic sectors which are considered as priority sectors and growth-encouraged sectors, have made the margin between cost and income of the banking system in general and of VietinBank in particular went down remarkably. The difficulties facing enterprises and the economy had negative influence on the ability to fulfill the business targets of the banking system and VietinBank.

Besides, during the year 2013, VietinBank has taken drastic measures to enhance its risk management practice to take a step closer to the international standards. The Bank has also taken initiatives in renovation of both credit model and credit approval processes and closely controlled the credit quality by employing prudent policies and mechanisms. Combining those above issues and subjective reasons of the economy, despite the Bank's positive growth, the Bank's performance as of now is still far behind the targets approved by the GSM. To make sure that the business plan is responsive to the actual market developments, VietinBank find it relevant to propose to the GSM to adjust a number of targets for the business plan for 2013.

1.2. Key factors affecting credit growth and fund mobilization

The demand is reducing, leftover inventory of enterprises are at alarmingly high level and the liabilities of the business economy are rising which leads to the increase of NPLs and therefore, credit demand is lowered. Difficulty of the economy has strongly influenced trading and manufacturing operations of enterprises. Some enterprises that are facing difficulties are reluctant to scale down the size of their business operation, limiting borrowing, withdrawing deposits from the banks to balance business capitals. Many businesses fell into tough conditions where they have to stop or temporarily stop their trading and production activities or even wind up or go bankrupt. This is an important reason for the increasing level of NPLs of the whole banking system and lower borrowing amount of enterprises and as a consequence, a low credit growth. By the end of September 2013, banking system-wide credit growth amounted to just 6.82%¹.

In 2013, unfavorable conditions for fund mobilization was witnessed due to tightening monetary policies of the SBV. State budget deficit and difficulties in business output of enterprises resulting in limitation in income sources and reduction in deposits at banks. Meanwhile, joint stock

¹ <http://www.tapchitaichinh.vn/Bao-cau-va-thong-ke-tai-chinh/Tinh-hinh-kinh-te-Viet-Nam-10-thang-nam-2013/34758.tctc>

commercial banks including some weak banks (that need to be restructured or merged and acquired), foreign banks and foreign banks' branches eased their lending conditions to pursue credit growth and business expansion strategy, leading to a fierce competition in fund mobilization in some areas.

As at 30th September 2013, VietinBank's total assets increased by 5% YTD; total funds mobilized experienced an increase of 1.2%; outstanding loans and investments rose by 5.1%, of which outstanding loans increased by 5.9%.

1.3. Some major factors affecting banks' profit

In 2013, the global economy continues deteriorating and the domestic economy faces tremendous difficulties. In an effort to restore business activities and production and promote economic growth, the Government and the SBV has issued a series of measures to share the difficulties and support enterprises. Strictly following the guidance of the Government and the SBV, VietinBank has taken initiatives in reducing costs and making continuous reduce of interest rates in order to support businesses in rapidly discharging their leftover inventories as well as recovering. VietinBank spent a large amount of funds to provide loans at preferential lending rates (*the highest rate is 9% p.a.*) to some growth-encouraged sectors (*Rural Agriculture, temporary storage of grain procurement, production and processing exports, SMEs, supporting industries, high technology industry and the national key projects, ...*). Such preferential lending programs/packages led to lower interest income and lower profit for the Bank. However, with good managerial capacity and proactive response to economic movements, ***VietinBank's pre-tax profit as of now is still highest in the banking sector.***

Besides, in implementation of Directive No. 03/CT-NHNN dated 18th July 2013; Dispatch No. 8986/NHNN dated 29th November 2013 issued by the SBV on directing credit institutions to make more appropriation to use loan loss provisions for bad debt writing-off; to reduce operational costs to make adequate risk provisions, to make loan classification and restructuring in compliance with the law, the SBV requested credit institutions ***to review, adjust profit targets in 2013 at a reasonable level in order to create favorable conditions for NPLs settlement in 2013.*** In implementation of the guidance of the SBV, credit institutions in general and VietinBank in particular would have to make full loan loss provisions in 2013 which will, therefore, affect profit before tax.

Despite unfavorable economic conditions, VietinBank was always at the forefront in implementing policies of the Government and the SBV. VietinBank continued to enhance mobilizing and exploiting domestic and international funds to meet the demand of the economy, reducing costs to lower interest rates with the purpose of ensuring better access by enterprises to credit at reasonable costs and launching Programs/Packages with preferential rate in order to help enterprises recovering and promoting their business and production activities. The reduction in interest rates significantly contributed to a lower Net Interest Margin (NIM) of VietinBank. In addition, net interest income was reduced as a result of lower credit growth, fee income was also declined due to customers' decisions on narrowing their business and production scale, limiting the use of banking products and services. Surplus of available funds of the market led to a race in reducing lending interest rates and put NIM under a pressure of further narrowing.

2. Proposed adjustments to business plan for 2013

For the above reasons, based on the capacity of VietinBank's system, the Board of Directors respectfully submits to the GSM for approval of adjustments to some business indicators in 2013 as follows:

No	Key indicators (billion VND)	Actual figures in 2012	Plan for 2013 approved by GSM		Actual data as at 30/09/2013	Adjusted plan for 2013 submitted to GSM	
			Absolute	% increase compared to 2012		Absolute	% increase compared to 2012
1	Total assets	503,530	555,000	10%	528,609	535,000	6.2%
2	Loans and investments	467,879	524,000	12%	491,728	503,000	7.5%

No	Key indicators (billion VND)	Actual figures in 2012	Plan for 2013 approved by GSM		Actual data as at 30/09/2013	Adjusted plan for 2013 submitted to GSM	
			Absolute	% increase compared to 2012		Absolute	% increase compared to 2012
3	Loans (*)	405,743	450,000	11%	429,894	438,000	8.0%
4	Total mobilized capital	460,082	495,000	8%	465,851	475,000	3.2%
5	Chartered capital	26,218	37,234	42%	32,661	37,234	42.0%
6	Profit before tax	8,168	8,600	5%	7,047	7,500	-8.2%
7	ROA	1.69%	1.5-1.8%		1.4%	1.3-1.5%	
8	ROE	19.9%	15-18%		12.6%	13-15%	
9	Dividend	16%	12%			10%	

(*): Loans based on criteria of the SBV at CV 674/NHNN-CSTT dated 13th, Feb 2012

The Board of Directors respectfully submits for approval.

Thank you very much for your support.

ON BEHALF OF THE BOARD OF DIRECTORS *h*



Phạm Huy Hưng

