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VietinBank 

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INVESTOR NEWSLETTER

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10 HIGHLIGHTS IN BUSINESS ACTIVITIES OF VIETINBANK IN 2020

1 Affirming and promoting its role as the key bank, pillar of the economy, pioneering the implementation of policies of the Government and the State Bank of Vietnam (SBV), making positive contributions to the socio-economic development of the country.



VietinBank's Chairman Mr. Le Duc Tho handed over 10 billion VND charity support for the fight against COVID-19 pandemic.

2 Well completing Restructuring Plan in association with handling bad debts in the period of 2016 – 2020, Mid-term Business Plan for the period 2018 – 2020.

3 Developing Development Strategy for VietinBank in the period of 2021 – 2030 and Vision to 2045, Mid-term Business Plan for the period 2021 – 2023.

4 Promoting customer-centric strategy, boosting change in competitive approach with focus on developing a modern, one-stop-shop and comprehensive banking and financial solution for customers, providing in a linked chain.

5 Non-stop striving to improve capabilities towards best standards and practices in banking governance, uplifting business performance in association with improved growth quality and effective risk management.

6 Strengthening continuous coordination between organizational model and networks, personnel allocation, promoting solutions to improve human resources quality, ensuring employees' interests; promptly implementing policies to protect resources, ensuring operational efficiency in complicated and volatile COVID-19 situations.

7 Being a pioneer and outstanding bank in investing and developing modern and synchronous banking technology, promoting wide application of information technology (IT) in business and administration activities.

8 Managing finance, distributing and using financial resources methodically, efficiently, and improving labour productivity.

9 Being honoured and awarded by prestigious organizations with many noble awards, enhancing VietinBank's image and brand name domestically and internationally.

10 Contributing positively and taking the leading role in social security, effectively implementing undertakings and policies of the Party and State ■



VietinBank was awarded Vietnam Value for the 6th consecutive year.

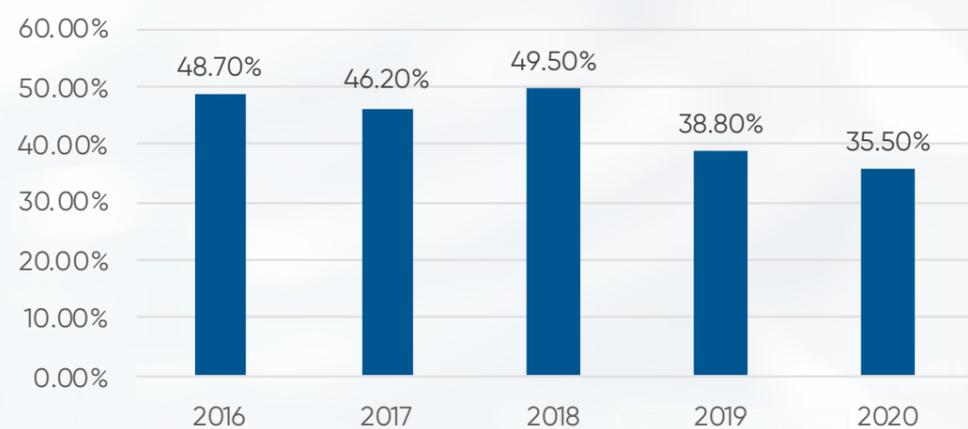
VIETINBANK'S FINANCIAL CAPACITY IMPROVED

Over the past two years since the establishment of the Finance Division, VietinBank has implemented a number of new solutions in financial management, thereby improving business efficiency, capital efficiency and financial capacity of the Bank.

Effective cost control

In 2019 and 2020, growth rate shown in NIM (input - output interest rate difference) and NII (net interest income) were much higher than growth of scale. Accordingly, the proportion of non-interest income out of total income continued to increase well. Cost to income ratio (CIR) went down significantly. These achievements resulted from the fact that VietinBank proactively built, assigned and monitored the implementation of business plan closely. In addition, VietinBank also drastically implemented solutions to manage capital balance by term, management of interest, and effective cost management. In particular, VietinBank actively worked closely with the State Bank of Vietnam (SBV), the Ministry of Finance and relevant ministries and agencies to amend Decree 91 of the Government, paving the way to increase capital for VietinBank. Up to now, VietinBank is actively working with competent State agencies to obtain approval of the plan to increase charter capital and will implement capital increase in accordance with the content approved by competent State agencies. This is the basic condition of capital for VietinBank to implement the Mid-term Business Plan 2021 - 2023.

CIR during 2016-2020



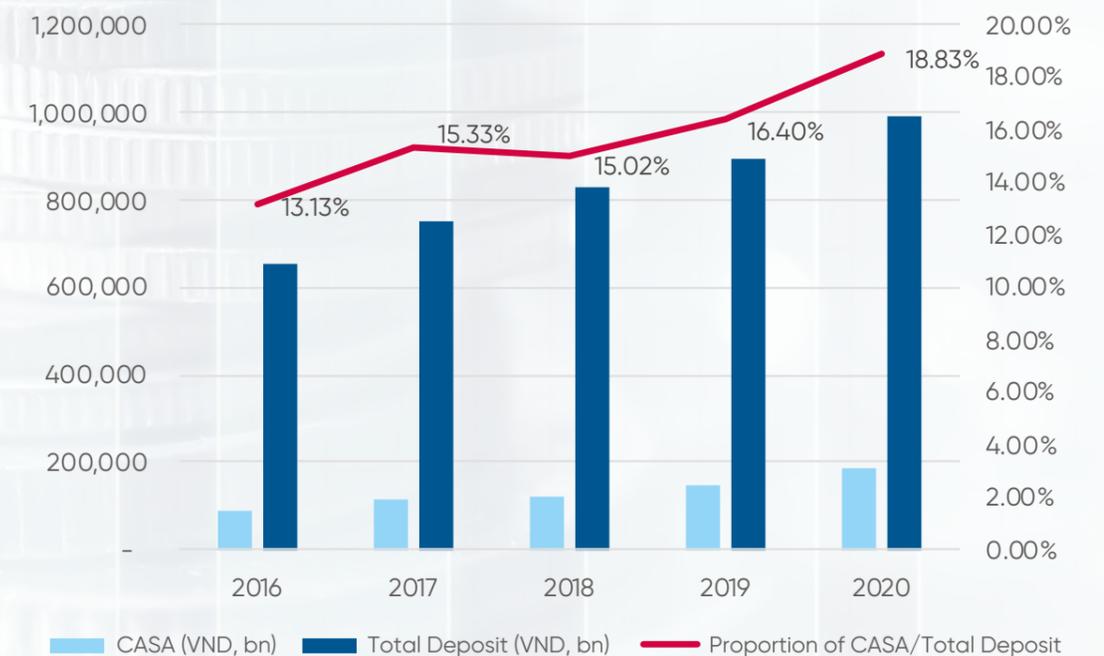
Flexible interest rates and capital balance management

Right from the beginning of 2020, given early identification of adverse fluctuations from business environment, VietinBank determined its key strategy being to reduce input cost of capital as a basis to support interest rates for customers facing difficulties due to COVID-19 pandemic, drought and saline intrusion and natural disasters as well as reducing lending interest rates, stimulating demand according to direction of the Government and the SBV. Capital cost control measures were drastically implemented through flexible interest rate management policies, reducing deposit interest rate level in the market 1, promoting restructuring of funding sources to reduce sharply capital expenditures. As a result, operating profit and profitability ratios such as ROA, ROE, the proportion of non-interest income out of total operating income increased positively yoy and exceeded the plan for 2020.

Successful data management and mining

VietinBank built a data strategy aiming at supporting business strategies and accelerating data-driven digital transformation. Hence, applying data analysis techniques, enhancing the combination of machine learning to extract new knowledge to contribute to business development and intelligent risk management. This is identified as the right development orientation of VietinBank in the process of turning data into the Bank's competitive strength in the era of the 4.0 Revolution ■

CASA growth during 2016-2020



VIETINBANK - MUFG BANK: OVERCOMING CHALLENGE TOGETHER

2020 was a year of many difficulties and challenges for banking industry in general and for the strategic alliance between VietinBank and MUFG Bank in particular. Together with their efforts to overcome challenges, the two banks cooperated closely and effectively, worthy of being a typical example for the in-depth strategic partnership between Vietnam - Japan.



15th Meeting of Strategic Cooperation Steering Committee between VietinBank and MUFG Bank

During 8 years of cooperation, VietinBank and MUFG Bank together obtained many important achievements and overcame a lot of difficulties as well as challenges. One of the biggest challenges facing the two banks was the COVID-19 pandemic. Facing this challenge, VietinBank and MUFG Bank quickly and flexibly adapted, ensured efficient business operations; at the same time accompanied, supported and shared difficulties with businesses and customers.

Prior to the pandemic, VietinBank and MUFG Bank collaborated to organize 16 global business

networking events in Japan, Vietnam, Thailand and the Philippines. In the context of constrained social contact due to the pandemic, VietinBank and MUFG Bank actively coordinated with partner banks to transform from direct to online business connections, promptly responding to customers' needs.

In the coming time, experts propose three important forecasts: the wave of production relocation to Vietnam; the increase in demand for new investments in Vietnamese companies from foreign companies - mainly Japanese companies; retail and real estate businesses have expanded due to

stable demand for Vietnam's consumption market - a country that has had very good control over the pandemic.

To grasp business opportunities, VietinBank and MUFG Bank are collaborating to develop suitable financial consulting solutions for customers. In particular, at the recent 15th Strategic Cooperation Steering Committee meeting between VietinBank and MUFG Bank, the two sides identified the need for new cooperation programs for the period 2021 - 2023 with bigger goals, a smarter approach to turn the ambitions of the two banks into reality ■

LUNA VIRTUAL ASSISTANT - 4.0 "COLLEAGUE" OF VIETINBANKER

LUNA virtual assistant is the first human-machine interaction technology solution of the Operations Division of VietinBank, capable of processing natural language, automatically communicating directly with people via text messaging, voice dialogue. Unlike the traditional form of user support, LUNA virtual assistant opens a new interactive space, diversifies experiences, utilities and improves service quality and supporting users.



The core value that LUNA brings is the ability to provide accurate and homogeneous knowledge, minimizing the risk of asynchronous information provision. Therefore, LUNA helps to form self-training habits, to spread the culture of actively exploiting and sharing knowledge while reducing training costs for VietinBank.

Moreover, LUNA proves its outstanding features in multi-channel, multi-platform communication and automatic response anytime, anywhere, ensuring 24/7/365 continuous service for many users at a time, thereby helping to minimize waiting time, increase customer satisfaction experience and reduce the pressure on staff supporting operations in the whole system. In

2020 alone, LUNA has excellently completed its mission of supporting nearly 5,000 users with about 120,000 interactions.

In 2021, LUNA virtual assistant is oriented to update new operations for internal users; at the same time expanding support for customers of VietinBank. In the future, LUNA is expected to support on VietinBank digital applications for the sale/cross-selling of products, services, customer care, answers and support customers in transactions ■

HEADLINES ON DEPOSIT AND LENDING INTEREST RATES

Deposit rates of commercial banks

In January 2021, most banks maintained deposit rates at the same level as previously adjusted by year end 2020 (deposit rates for individuals stayed at the highest level of 5.6% p.a).

For non-state joint stock commercial banks, following the listed deposit rates cut by state-owned commercial banks, a series of joint stock commercial banks also cut down their interest rates accordingly. However, the level of interest rate band differentiation among commercial banks is quite large.

Particularly for 6M tenor, in order for interest rates gap compared with 12M tenor is not too large, non-state joint stock commercial banks set interest rate for this tenor 0.5–2.0% p.a higher than that of the state-owned commercial banks.

In February 2021, VietinBank expects to maintain this current deposit rates level and will make appropriate adjustment if necessary to ensure mark-to-market situation and VietinBank's capital balance.

VietinBank's credit programs with preferential lending rates

FOR CORPORATE CUSTOMERS

Short term lending

- Accompanying with Corporate Customers Program: VND lending rate from 5.9% p.a; USD lending rate from 2.7% p.a (varies from customers and loan terms).
- Credit package to promote outstanding loans and support branches to compete in 1Q2021 with total size of VND 60,000 billion and USD 600 million: preferential lending rate from 4.0% p.a in VND and from 2.0% p.a in USD;
- Preferential package for SMEs in commercial distribution sector with total size of VND 10,000 billion and lending rate from 4.0% p.a.

Supporting policy for corporate customers affected by COVID-19 (effective until 31/03/2021)

- Supporting policy for short term and medium, long term lending rates.
- Preferential policy for fees applied in international payment & trade finance and VietinBank eFAST service fee - financial package.

Medium and long term lending

- Preferential package for commercially performing renewable energy project refinancing loans: lending rate for the 1st year applies VietinBank's preferential program for qualified customers, preferential margin for the following years starting from 2.8% p.a;
- Preferential package for medium and long term loans in VND in 2021 with preferential fixed lending rate from 7.8% p.a.
- Preferential program for medium and long term loans for SMEs in 2020 with lending rate from 7.5% p.a.
- Preferential package for SMEs who invested in ready-built factories for rent in industrial parks with a scale of VND 3,000 billion: preferential lending rate for the 1st year starting from 8.1% p.a and preferential margin for the following years starting from 3.2% p.a;
- Preferential package for corporate customers investing in real estates in industrial zones with total size of VND 5,000 billion: preferential lending rate for the 1st year starting from 8.5% p.a and preferential margin for the following years starting from 3.5% p.a.

FOR RETAIL CUSTOMERS

- Preferential lending program with gratitude interest rates starting from only 5.5% p.a for short term loans and 7.0% p.a for medium and long term loans (varies from preferential period and loan term).
- **Supporting policy to cut lending rates applied to customers affected by Covid-19 (effective until 31/03/2021):**
 - Supporting policy for medium and long term lending rates;
 - Policy to support the withdrawn amount of preferential interest rate and/or prepayment fee in case customers attempt to arrange cash flow for debt repayment before the due date for VietinBank.
- **Supporting policy for retail customers affected by floods in the central provinces and Central Highland in 2020:** interest rate support for customers who incur group 2 debts due to natural disasters affecting their ability to arrange resources for timely repayment to VietinBank. This supporting policy will help customers stabilize their lives and restore their production and business activities.

VIETNAM'S ECONOMIC OUTLOOK IN 2021

Ending 2020 amid difficulties, Vietnam's economy recovered rapidly thanks to good control of the Covid-19 pandemic domestically and the implementation of important strategic trade agreements. GDP for the whole year 2020 reached a positive growth rate of 2.91%; securities market in the last months of the year recovered significantly in both volume and value of transactions; industrial production increased by 3.36% yoy; export turnover continuously peaked, estimated at 281.5 billion USD, up 6.5% yoy.

Vietnam's economic outlook in the medium and long term is forecasted positive; however, still facing many difficulties and challenges, to name a few: the globally complicated and prolonged Covid-19 pandemic remains the greatest risk; global trade tensions, leading to increased trade protectionism and financial risks that could be exacerbated by a prolonged pandemic. Domestic consumption continued to be low as household and business incomes fell, unemployment increased, and more businesses suspended operations. Investment prospects are uneven, private investment remains weak and trade-related foreign investment continues to decline. In addition, the over-reliance on imports and exports makes Vietnam's economy vulnerable to external shocks. This situation requires Vietnam to further diversify its trading partners, thereby reducing potential shocks from a particular trading partner.

The year 2021 started with a number of positive signals in the prospect of world economic recovery, such as the US new economic stimulus plan and the COVID-19 vaccine program deployed in many countries. Many international organizations believe that Vietnam is one of the 16 most successful emerging economies in the world and will quickly recover its economy in a V-shaped model, being more than 6% -11.2% in 2021. The stability and macroeconomic growth in Vietnam in 2020 and 2021 will continue to depend on the actual success of controlling the spread of Covid-19; promoting public investment and public expenditure; effective implementation of monetary-finance measures to support businesses and people; supporting consumption recovery and increasing trade; strengthening institutional reforms and improving business environment, increasing exploration of opportunities from Vietnam's participation in bilateral and multilateral trade agreements, as well as from the relocation and reposition of regional and international supply chains to countries which offer lower cost and safer environment ■



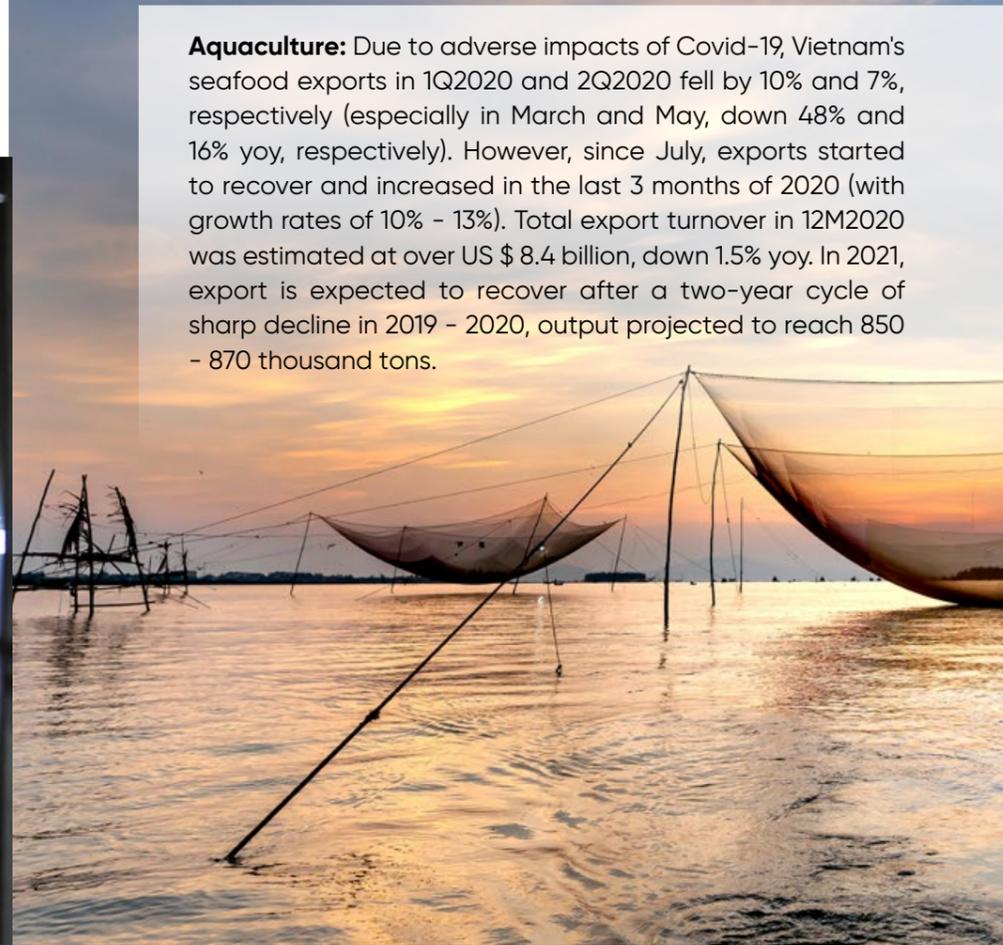
BRIEF SUMMARY OF KEY ECONOMIC SECTORS IN 2020



Steel: In the first months of 2020, steel industry encountered a lot of difficulties with the outbreak of Covid-19 pandemic, however, since August 2020, steel industry started to recover mainly thanks to Vietnam's good control of Covid-19 pandemic and fostered public investment. In 2021, steel demand is forecasted to continue improvement, mainly from public investment, growing recovery of real estates and the world economy, yet oversupply of long steel together with large inventories in warehouses at the end of 2020 pose many risks in case of decreasing demand or decreasing selling price.



Real estates: In 2020, although there were unpredictable changes due to general impact of the pandemic, it was not considered a crisis year for real estate market. The market still recorded bright points with positive changes in the last quarters of the year. Leisure and travel real estate was the sub-sector that suffered from the greatest decline due to the crisis of Vietnam's tourism industry amid the global pandemic. The Government approved new policies, effective from January 01, 2021, which were expected to help solve market difficulties and support businesses.



Aquaculture: Due to adverse impacts of Covid-19, Vietnam's seafood exports in 1Q2020 and 2Q2020 fell by 10% and 7%, respectively (especially in March and May, down 48% and 16% yoy, respectively). However, since July, exports started to recover and increased in the last 3 months of 2020 (with growth rates of 10% - 13%). Total export turnover in 12M2020 was estimated at over US \$ 8.4 billion, down 1.5% yoy. In 2021, export is expected to recover after a two-year cycle of sharp decline in 2019 - 2020, output projected to reach 850 - 870 thousand tons.



Electricity: Electricity production in 2020 reached 234,372 million kWh, an increase of 3.04% compared to that of 2019. Generally during 2016 - 2020 period, electricity production growth rate increased by ~ 8%, yet still cannot meet huge domestic consumption demand. Although massive investment in wind power and solar energy has contributed greatly in adding power to the national electricity supply network, the infrastructure has not yet met the growth rate of solar power in Vietnam. Electricity Planning No. 8 together with newly issued pricing policies in 2021 will have a great impact on potential and further development direction of renewable energy sector ■



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