

NOVEMBER  
2021



# INVESTOR NEWSLETTER



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## VIETINBANK CONTINUES TO EFFECTIVELY MONITOR CAPITAL COSTS

According to the 3Q2021 financial statements issued late October, VietinBank proved its effective control of both capital costs and OPEX as well as increased net fee-based revenue from payment, money transfer, card services... For the first 9 months of the year, VietinBank's accumulated pre-tax profit reached VND 13,911 billion. Total assets as of September 30, 2021 was VND 1,447,809 billion, up 7.9% Ytd.



### Effective control of capital costs

Thanks to proactively identifying risks and classifying debts in line with customers' risk levels, VietinBank constantly makes adequate provisioning in accordance with SBV's regulations to be proactive in debt settlement plans. To some extent, this practice affects profit of the Bank, however, thanks to effective control of capital costs and general expenses; and increasing net gain from payment, money transfer, card services, etc., 3Q2021 profit before tax therefore was VND 3,060 billion, the accumulated pre-tax profit in the first 9 months of 2021 of VietinBank reached VND 13,911 billion, up 34.2% YoY.

In which, 3Q2021 net interest and similar income reached VND 9,872 billion, up 24%

YoY thanks to the Bank's continued effective control of capital costs. Specifically, VietinBank implemented a variety of controlling methods, reducing capital costs such as developing transaction banking services, promoting eFAST and eKYC campaigns to attract customer, boosting customer deposits and diversifying domestic and foreign capital mobilization channels at reasonable costs.

Net profit from service activities continued to have a positive growth, reaching VND 1,154 billion in 3Q2021 and VND 3,794 billion in 9M2021, up 17% yoy thanks to the promotion of competitive services such as trade finance, money transfer, card services, etc., while controlling service expenses to optimize cost management efficiency.

### Proactive increase in provision

During 3Q2021, Vietnam economy was severely affected by the 4th wave of COVID-19 pandemic which resulted in social distancing in provinces and cities. The degree of impact spread in increasing sectors and fields of the economy, especially in the fields of accommodation services, transportation, construction, agriculture... Production and business activities of many enterprises were disrupted and severely affected.

To prevent risks, VietinBank proactively made additional provisions in line with Circular 03/2021/TT-NHNN, improved financial capacity, increased provision buffers to improve resilience toward possible risks from the economy. Accordingly, as of September 30, 2021, provision for customer loans was VND 21.5 trillion, marking an increase of VND 8.9 trillion (equivalent to 71% increase) compared to the beginning of the year. Provision expense for loan risks set up in

9M2021 was about VND 14,000 billion, up VND 2,500 billion (equivalent to 22% increase) yoy. Particularly in 3Q2021, the bank set aside nearly VND 5,500 billion. NPL coverage ratio in 3Q2021 was nearly 118.6%.

The bank continued to persist with its sustainable growth policy, not loosening credit granting criteria to strictly control risks in parallel with effective growth. VietinBank restructured its credit portfolio, diversified, and prioritized focusing on production and business sectors, which were encouraged by the Government, in line with macroeconomic situation and development in each industry and sector. At the same time, the proportion of outstanding loans among customer segments was rebalanced in line with the orientation of shifting to highly profitable segments such as SME and Retail. By the end of 9M2021, customer loans at VietinBank reached VND 1,084 trillion, up 6.8% ytd ■



## VIETINBANK SUCCESSFULLY HELD THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS 2021

In the morning of November 3, 2021 in Hanoi, VietinBank held an Extraordinary General Meeting of Shareholders (EGM) in 2021. The EGM was carried out online to comply with regulations on COVID-19 prevention and control. In this event, VietinBank submitted to the EGM for consideration and approval the contents of listing VietinBank bonds to be issued to the public; amending some regulations on internal management and electing an additional member of the Board of Directors of VietinBank.



Mr. Tran Minh Binh - Secretary of Party Committee, Chairman of VietinBank's Board of Directors delivered the opening speech

At the EGM, shareholders voted to approve important contents with a high spirit of consensus. Specifically, the EGM approved: the listing of VietinBank's publicly issued bonds on the stock exchange system/stock exchange after the end of the offering, amending VietinBank's Charter and Regulations of Organization and Operation

of VietinBank's Board of Directors, additional election of Mr. Le Thanh Tung - Assistant to former Politburo member, Secretary of the Party Central Committee, Head of the Central Economic Commission to the Board of Directors of VietinBank for the term 2019 - 2024; and dismissal of Mr. Nguyen Manh Toan from the position of Member of the Supervisory Board of

VietinBank for the period 2019 - 2024 to take on other position at VietinBank.

The EGM also listened to and answered questions from shareholders. Mr. Tran Minh Binh - Secretary of the Party Committee, Chairman of the Board of Directors of VietinBank said: Vietnam's economy is entering a recovery phase with many difficulties and challenges. With clear situation assessment, VietinBank planned key solutions to proactively overcome difficulties and challenges, taking advantage of opportunities, making best efforts, innovate and be creative to continue building and developing a strong VietinBank system. "The Board of Directors and the Board of Management

of VietinBank will make the best efforts to comprehensively innovate, improve governance and administration capacity so that VietinBank continues to conquer new success; maintaining its position and leading development capacity in Vietnam's banking sector, ensuring maximum and long-term benefits for shareholders," emphasized Chairman Tran Minh Binh.

After a quality time of expeditious, democratic and transparent work, VietinBank's EGM ended up successfully. The success of the EGM is the basis and foundation for VietinBank to continue its growth momentum and bring maximum benefits to shareholders ■



The Board of Directors of VietinBank took photos with Mr. Le Thanh Tung and Mr. Nguyen Manh Toan

## VIETINBANK PARTNERED WITH AMAZON WEB SERVICES TO PROVIDE THE FIRST DIGITAL BANKING SERVICE ON CLOUD COMPUTING

VietinBank acknowledges that digital transformation is an inevitable trend, as well as the "key" to meet the needs of customers through products and services. VietinBank iPay Web was designed and deployed entirely on the Amazon Web Services (AWS) platform, which was the most commonly used, most secure cloud-computing platform in the world, ensuring stability and safety and high performance.



On September 13, 2021, VietinBank officially launched the new VietinBank iPay Web at: <https://ipayvietinbank.vn>. This definitely was the big step of the overall digital transformation strategy that was determinedly implemented by VietinBank, affirming its position as the leading digital bank in the market.

In addition to being the first digital banking product in Vietnam that operates entirely on a cloud-computing platform, VietinBank iPay Web also has a uniform interface, providing a smooth experience on all web browsers, computers and mobile devices. The new version not only brings convenient experience, simple operation when performing transactions but also made a breakthrough with 41 completely new features, and improves and upgrades 33 existing features. The new version of VietinBank iPay Web is the perfect choice for customers who need to use digital banking services via Internet browsers.

Financial transactions, payments and shopping are all easily processed at VietinBank iPay Web. Some outstanding features on the mobile version have been synchronized with the new web version such as: Paying bills by credit card, activating/locking cards, registering for card services, scheduling bill payments, reminders debt payment bills, securities transfers, scheduled money transfers (within VietinBank and outside the system), Loyalty, booking air tickets, shopping VNShop... In addition, VietinBank iPay Web also provides authentication solutions with Soft OTP and FacePay which are the top security for high value financial transactions.

In the upcoming time, VietinBank will continue to research and deploy other financial and banking services that meet the standards to upload to AWS with the desire to create fast pace innovation and improve customer service quality ■

# HEADLINES ON DEPOSIT AND LENDING INTEREST RATES

## Deposit rates of commercial banks

For short terms under 12 months, VietinBank has currently listed slightly higher than other state-owned commercial banks. With tenors of 12M or longer, VietinBank is listing at 5.6% p.a applied to retail customer, 0.1% p.a higher than the other three banks in the group.

In October 2021, the level of the interest rate of joint stock commercial banks remained stable, only some fluctuated slightly. 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 0.5-1.0% p.a higher than that of the State-owned commercial banks.

In November 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 4Q2021: preferential lending rate from 4.2% p.a in VND and from 2.0% p.a in USD.
- Preferential package for trading in agricultural machinery and equipment with total size of VND 700 billion, preferential lending rate starting from 5.2% p.a.
- Credit package to accompany business customers in 19 southern provinces and cities for production and business activities in essential fields/businesses and affected by the pandemic with total size of VND 20,000 billion, preferential lending rate starting from 4.0% p.a.
- Program to support interest rate up to 0.3% p.a. for SMEs customers to disburse salary to employees' accounts opened at VietinBank.

#### Supporting policy for corporate customers affected by COVID-19 (effective until 31/12/2021)

- Supporting policy for short term and medium, long term lending rates up to 1% p.a.
- Preferential policy for fees applied in international payment & trade finance and VietinBank eFAST service fee - financial package, VND domestic transfer fee outside VietinBank system.
- Instructions for transactions via e-banking channels eFAST/Fax/Email during the complicated development of the pandemic.

#### Medium and long - term lending

- Preferential package for medium and long-term loans in VND in 2021 with preferential fixed lending rate from 6.8% p.a;
- Preferential program for medium and long-term loans for SMEs with lending rate from 6.8% 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 8.1% p.a and preferential margin for the following years starting from 3.2% p.a;
- Preferential package for corporate customers investing in Logistics sector with total size of VND 5,000 billion, preferential lending rate for the 1st year starting from 7.3% p.a and preferential margin for the following years starting from 2.8% p.a;
- Preferential package for investment loans to build farms/livestock farms under the 3F model (Feed - Farm - Food) with total size of VND 5,000 billion, preferential lending rate for the 1st year starting from 8.1% p.a.
- Comprehensively preferential package for corporate customers to refinance with total size of VND 5,000 billion, preferential lending rate for the 1st year starting from 6.8% p.a, and preferential margin for the following years starting from 2.5% p.a.

### FOR RETAIL CUSTOMERS

- Preferential lending program with gratitude interest rates starting from only 5.3% p.a for short term loans and 7.0% p.a for medium and long-term loans (varies from preferential period and loan term), extended deployment until 30/06/2022.
- Supporting policy to cut lending rates applied to customers affected by Covid-19 (effective until 15/01/2022):
  - o Short-term interest rate support policy with a maximum interest rate reduction of 0.5% p.a.
  - o 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.

# BANKING INDUSTRY - THE RACE OF DEVELOPMENT FROM INNER STRENGTH, EXCLUDING "BENEFICIARIES"

2021 is considered the year of "races" on capital increase among banks. Capital is also a constant demand of banks whose equity is still medium or in needs of further reinforcement to improve the appetite for capital safety.



During the years 2020 - 2021, "beneficiaries" has been one of the most common words when referring to the economy and industries in Vietnam. In 2020, Vietnam was considered one of the countries with good resilience to the Covid-19 pandemic that created favorable conditions for many industries to benefit from the trend of shifting supply chains such as consumer goods, food products, transportation, logistics,...

In 2021, the 4th outbreak of Covid-19 on a large scale severely affected the economy. Compared to the previous quarter, the 6.2% decrease of GDP in 3Q2021 was the deepest decrease since Vietnam calculated and announced quarterly

GDP so far. By the beginning 4Q2021, during the campaign to move from "zero Covid-19" to "new normal life with Covid-19", provinces and cities gradually eased social distancing; the economy was gradually reopened and expected a recovery.

In the meantime, public investment sectors such as infrastructure construction, construction materials, energy industry, retail, logistics ... are expected to recover very quickly and benefited greatly. Under that situation, what is the prospect of the banking industry as the lifeblood of the economy? What is awaiting ahead for banking industry which was excluded from the group of beneficiaries in 9M 2021? What

to expect in the last months of 2021 and 2022? How have banks prepared their inner strength and competence for the upcoming race? What will be the driving force for the divergence in the banking sector in the coming period?

### Race of raising capital to boost business result and risk management

2021 is considered the year of "races" on capital increase among banks. Capital is also a constant demand of banks whose equity is still thin or in needs of further reinforcement to improve the appetite for capital safety.

From the beginning of the year to date, 19 banks have risen their capital in various forms and have received official approval of the State Bank (SBV) to increase charter capital of the SBV, including state-owned banks namely Vietcombank, VietinBank, BIDV and other private joint stock commercial banks namely SHB, VP Bank, TP Bank, OCB...

As of June 30, 2021, VietinBank became the leading bank in terms of charter capital with VND 48,058 billion, followed by BIDV, Vietcombank, Techcombank, Agribank, MB Bank, VP Bank...

Meanwhile, by January 1, 2023, banks is required to comply with the capital adequacy ratio (CAR) according to Basel II standards as prescribed in Circular 41/2016/TT-NHNN. Up to now, 16 of 35 banks have met the capital adequacy ratio in accordance with the Circular.

Not only to meet capital adequacy requirements, the increased capital also enables banks to strengthen their financial capacity, increase medium and long-term capital to expand business activities when short-term loans for medium and long-term loans ratio are tightened according to the schedules in Circular 08/2020/TT-NHNN dated August 14, 2020 of the SBV (from January 1, 2020 to the end of September 30, 2021 is 40% ; from October 1, 2021 to the end of September 30, 2022 is 37%; from October 1, 2022 to September 30, 2023 is 34%; from October 1, 2023 is 30%).

Consequently, the race to increase capital of banks will not put an end and will continue to take place strongly in 2022 so that banks will be able to expand their business activities, improve governance and financial capacity, improve asset quality, increase profitability associated with risk management ■

### TOP 10 HIGHEST CHARTER CAPITAL AS AT 30 SEPTEMBER 2021

Unit: VND, Billion



Source: Compiled from the charters of banks as of September 30, 2021.

**The race to lead digital transformation to accelerate income restructuring**

Looking into the revenue structure of banks, it can be seen the tendency of shifting credit portfolios to other areas with high profitability and low risk such as the retail customers. More importantly, the diversification of income sources besides income from interest and similar has been much focused by increasing non-interest income, which is reflected in the ratio of net interest income to total revenue operating income (NII/TOI) of banks such as Vietcombank, VietinBank, Techcombank, VP Bank, etc...tending to decrease.

Income from non-NII activities of banks in recent quarters such as insurance business, development of payment activities, asset management, securities trading, foreign exchange ... are highly focused and continuously reached considerable growth compared to previous periods.

Among the state-owned joint stock commercial banks, VietinBank made a clear shift in the NII/TOI ratio reflecting in the fact that this ratio

decreased from 86.9% in 2020 to 79.7% in 6M2021. Net gain from fee and commission of VietinBank continuously improved through quarters in 2021 thanks to the implementation of measures to promote sales of strong products such as money transfer and services, card... and good control of service expenses. Among private joint-stock commercial banks, the shift took place strongly at ACB, Lien Viet Post Bank, SHB... as these banks continuously increased the proportion of non-interest income, especially gain from fee and commission.

From the perspective of transaction custom, it can be seen that the wave of Covid-19 completely changed the customer habit of using online products and services; posed a problem for many banks to sprint to build a digital ecosystem and compete on superior and convenient features for customers. According to a report of the SBV, the transaction value on Internet and mobile banking channels of banks in 2Q2021 reached VND 14,834 trillion, up 21.3 times yoy, the mobile banking channel alone increased 9.1 times.

To make impression on products and services on the digital platform, banks are required a

long-term vision and investment in early preparing technology and infrastructure with a rapid transformation speed. This also triggered the race for the second trend of technology investment and digital transformation in the banking sector – a marathon of both speed and scale.

According to data from the SBV, it is expected that in the next 3-5 years, digital banks will have a revenue growth of at least 10%, and 58.1% of credit institutions will attract more than 60% of customers using digital transaction channels that might lead to customer growth rate to reach over 50%. This shows that the digital transformation in the banking industry in Vietnam in the coming time will take place quite strongly.

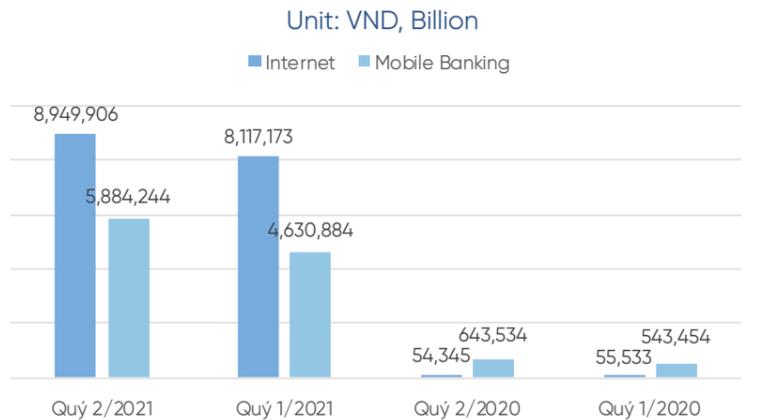
Although less than one-third of domestic banks have a clear digital transformation strategy, a group of "pioneer banks" in the field have been leading the digital transformation trend to enhance customer experience such as Vietcombank, VietinBank, Techcombank, VP Bank, MB Bank, TP Bank, etc.

In addition to the race to build and position the brand of existing digital banking application products such as VCB Digibank, VPBank NEO, VietinBank iPay, My VIB, in the banking industry there is a mute competition to improve core capabilities, and technology in order to prepare for the threat from fin-tech companies, and mobile money services in the near future.

A representative of Techcombank shared that the bank has chosen Amazon Web Services (AWS), a company of the global Amazon.com group, as a partner to provide cloud computing services, to enhance the customer experience. Previously, VietinBank also deployed solutions to exploit Big data, AI, and machine learning, including applying big data, artificial intelligence (AI), and machine learning to analyze customer data.

For the sake of digital transformation to transform customer experiences and customers

**TRANSACTION VALUE ON INTERNET AND MOBILE BANKING IN 1Q2021-2Q2021 AND COMPARED WITH THE SAME PERIOD OF 2020**



Source: The SBV

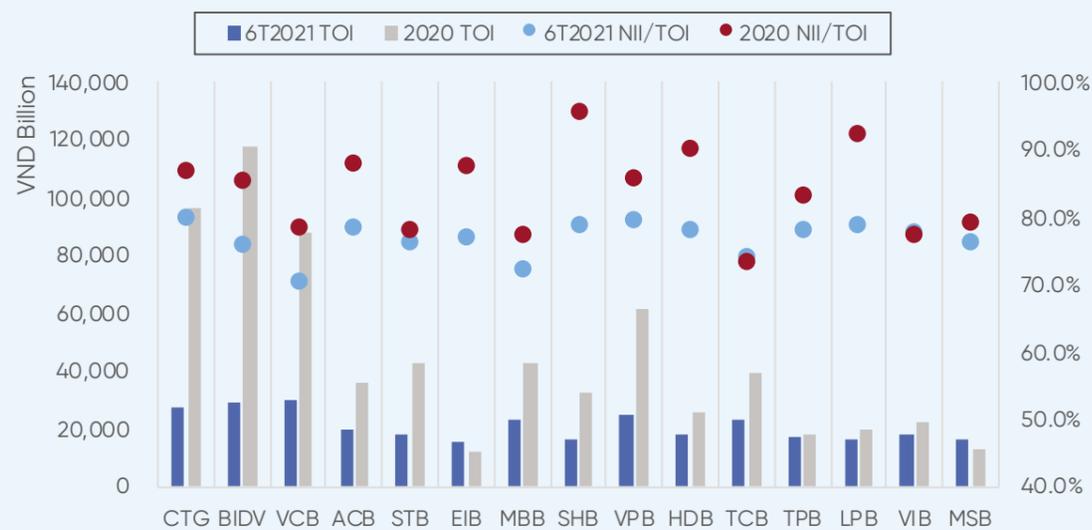
centric through developing comprehensive financial solutions and research and applying new technologies into operations, experiment with breakthrough technologies; and saving resources, costs and enhancing exploitation efficiency, over the years, VietinBank has defined itself as a bank that actively deploys and continuously builds a modern and convenient distribution channel; connects partners, builds a customer-centric ecosystem; optimizes business processes, increases labor productivity. This bank has researched and implemented new technology such as cloud technology to improve user experience speeded up product development, improved safety and optimize costs.

"Beneficiaries" might be idea for short-term expectations and visions; competitive advantages of enterprises based on modern digital technology platform and strong financial capacity will truly be the real factors that bring about fast and sustainable development for businesses - which is always attractive to investors. The story of digital transformation is still ahead, however banks with strong aspirations of digital transformation combined with taking advantage of capital strengths will definitely have the advantage to develop, break through and take the lead in the coming time ■

Thanh Lam

(Source: Article on the Vietnam Financial Times dated November 2, 2021)

**TOI AND NII/TOI IN THE FIRST HALF YEAR OF 2021 COMPARED TO 2020**



Compiled from financial statements of the first, second quarter of 2021 and 2020 of banks.

## UPDATE ON SEVERAL KEY ECONOMIC SECTORS

### Iron and Steel: Export turnover remained at high level in consecutive months

For months, export turnover of iron and steel has exceeded 1 billion USD/month. In the first 9 months of 2021, iron and steel exports of all kinds reached 9.75 million tons, worth \$8.23 billion, up 29.3% in volume and 125.4% in value over the same period last year (corresponding to an increase of 4,582 billion USD).

Vietnam's iron and steel products are mainly exported to ASEAN, China, EU, and US markets. In major markets, export volume in Asia tends to decrease, but in EU and US markets, the growth is outstanding. Specifically, by the end of September 2021, iron and steel exports to ASEAN reached more than 3 million tons, down 1.7% yoy; to China reached 2.12 million tons, down 16.2%. Meanwhile, exports to the EU reached 1.7 million tons, up 7.5 times; to the US reached 665 thousand tons, up 4.5 times. According to the Vietnam Steel Association (VSA), iron and steel exports are facing many advantages when the demand for steel in many markets is increasing strongly.

To administer the high price of construction steel in recent times, the Ministry of Finance is proposing to reduce the preferential import tax rate (MFN – Most Favored Nation Treatment) for 3 groups of reinforced concrete products from 5-10% and steel billet continues to enjoy the export tax rate of 0%. However, according to statistics in 7M2021, Vietnam mainly imports hot rolled coil (HRC), scrap steel and imports very little construction steel. Besides, domestic construction steel price is not much higher than Chinese steel. Therefore, the above draft adjustment and reduction of import tax will not have much impact on steel output imported into Vietnam in the near future.



### Coal: the price hit the peak in the past 13 years

World coal prices continuously set new peaks recently. The price of Asian coal exceeded 200 USD/ton, the highest in 13 years. The main reason lies in the fact that China is increasing the global coal purchase to solve its serious electricity shortage. China's electricity production today still mainly comes from thermal power sources. Therefore, the power shortage is largely related to the lack of coal supply for thermal power plants in the country. Analysts expect power shortages and allocations to continue into early next year.



Although the world coal price has increased recently, Vietnam's coal mining enterprises have not been able to increase revenue and profit due to the price management policy in Vietnam with only 2 mining units allowed to mine and sell coal domestically, namely Vietnam Coal - Mineral Industries Group (TKV) and Dong Bac Corporation.

Normally, domestic coal prices are adjusted when there is a large increase in production costs that happens once every 3-4 years. In 2021, the domestic coal price has not been adjusted largely, only the coal price for cement production increased by 9% in August, while the coal price for thermal power remained unchanged to reduce pressure on the Electricity Group Vietnam (EVN) when the government is asking for electricity price support during the pandemic.

It is forecasted that the world coal price will remain high in the last 3 months of 2021. For the domestic market, the coal industry will have a positive change when the coal price is expectedly adjusted by 10-15% due to the fact that cost of coal production of TKV and Dong Bac Corporation has increased sharply in 2021 and due to the recovery of demand from thermal power when social distancing is eased.

### Livestock: African swine fever outbreak returned

According to the Ministry of Agriculture and Rural Development, the livestock industry is estimated to lose VND 80 trillion due to the COVID-19 pandemic. The 'double epidemic' is an alarming situation for the pig raising industry. Besides the deep drop in live pig prices due to declining demand and low ability to re-herd, farmers continue to face African swine fever again.

The Department of Animal Health (Ministry of Agriculture and Rural Development) informed that from the beginning of 2021 until now, there have been 1,834 outbreaks of African swine fever in 304 districts of 53 provinces and cities. The total number of pigs culled was 112,092 heads (an increase of more than 2 times compared to the same period in 2020). Total destruction weight is estimated at more than 5,500 tons. Currently, the whole country has 497 outbreaks in 37 provinces and cities, less than 21 days.

Strong outbreak of African swine fever in recent times is explained by the fact that the percentage of smallholder farmers in Vietnam is still high. In some localities, people also raise pigs freely, causing the disease to spread quickly, making it difficult to prevent and control the disease. Pork prices in October 2021 dropped continuously, mainly due to the outbreak of African swine fever, causing pig farmers to sell off, especially in the northern provinces.

According to the Department of Animal Health, in the upcoming time, the risk of African swine fever recurrence and arising is still extremely high because there is no available vaccine to prevent the disease; household livestock production still accounts for a large proportion, and does not meet the requirements of biosecurity for livestock production





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