

PLAN OF CHARTER CAPITAL INCREASE IN 2014

(Attached to the Proposal to the AGM)

I. THE NECESSITY TO RAISE THE CHARTER CAPITAL

1. The business directives and capital demand of VCB:

With the objective to become a first-class bank in Vietnam with regional influence, a raise of VCB's ownership capital is a necessity to improve the Bank's financial capability, facilitate business operation expansion (increasing the credit limit, investment limit, etc.), in line with the size and growth of the total assets, assure the proper prudent ratios, enhance infrastructure network, modernize the Bank and improve the Bank's position in international market. The Charter capital represents the main part of the ownership capital therefore it is necessary to consider the possibility of raising charter capital.

In response to the Government's and the SBV's guidelines on banking restructuring (Decision No. 254/QĐ-TTg dated March 01, 2012 on a restructuring plan of the banking system for 2011-2015 period; Decision No.734/QĐ-NHNN dated April 18, 2012 on the Action Plan of the Banking system in implementing the restructuring plan), VCB has set up the Restructuring Plan to 2015 focusing on bad debts resolution, financial and management capability enhancement, roadmap for Basel II implementation.

One of the key pillars to Basel II implementation is capital adequacy. From 2014 forwards, in order to improve the CAR under international standards towards Basel II implementation, VCB needs to increase the charter capital. In view of business targets for the next coming years and in the implementation of the SBV's direction in financial capability enhancement for 2013-2015 period, VCB has constructed a plan of capital raising to 2015.

The State is the majority shareholder at VCB (77.11%). However, under the current circumstance, the raising of charter capital/ownership capital from the State Budget is as difficult matter of fact. Therefore, VCB aims to seek for other solutions to raise capital from its own sources (by issuance of the bonus shares from share premium reserves and retained profits), and share issuance to the new investors (via M&A).

2. The necessity to raise the charter capital in 2014:

In 2014, VCB has targeted itself to continue promoting various advantages, emphasizing on the in-depth development, focusing on quality and competency, toward the sustainable development with international standards, aiming to become the

number one commercial bank in Vietnam. VCB shall also make its best efforts in representing itself as the leading bank in the banking system in response to the guidelines and policy of the SBV, contributing to the implementation of the banking industry's tasks and to the macro economy stabilization.

On the roadmap of the financial capability enhancement to 2015, the raise of a part of charter capital in 2014 needs to be implemented as the plan. The main rationales are as follows:

- The charter capital is the basis for identifying an investment limit in fixed assets, equity investment,... Therefore, the raising of charter capital helps increase the investment size, and support Vietcombank's business operation expansion and development plan in 2014 and the upcoming years;
- The ownership capital in general and the charter capital in particular are important criteria of the rating agencies in conducting a review on financial institutions. The increase of charter capital under this roadmap is a step to get ready for the M&A if applicable, as an implementation of restructure program in accordance with the guidance of the Government and SBV, to facilitate the Bank in the process of Basel II implementation, to enhance Vietcombank's position in relationship with international financial institutions.

II. THE LEGAL BASIS

- The Law on Credit Institutions No. 47/2010/QH12 promulgated by the National Assembly of the SRV dated June 16, 2010;
- The Law on Enterprises No. 60/2005/QH11 promulgated by the National Assembly of the SRV dated November 29, 2005 and other legal documents instructing the implementation of the above-mentioned laws;
- The Circular No.13/2010/TT-NHNN dated May 20, 2010 of the State Bank of Vietnam on prudent ratios for the operation of credit institutions; The Circular No.19/2010/TT-NHNN dated September 27, 2010 and the Circular No.22/2011/TT-NHNN dated August 30, 2011 on the amendment of the Circular No.13/2010/TT-NHNN;
- The Law on Securities No.70/2006/QH11 promulgated by the National Assembly of the SRV dated June 29, 2006; the Law amending and supplementing a number of articles of the Law on Securities No.62/2010/QH12 promulgated by the National Assembly of the SRV dated November 24, 2010 and other legal documents instructing the implementation of the above-mentioned laws;

- The Circular No.130/2-12/TT-BTC dated August 10, 2012 of the Ministry of Finance on the guideline of the share buyback, selling of treasury stocks and some case of right issuance of the public companies;
- The Charter on the organization and operation of JSC Bank for Foreign Trade of Vietnam, approved by the AGM on April 25, 2013 and confirmed the registration by the SBV at official letter No. 1441/TTGSNH6 dated May 14, 2013;

III. CHARTER CAPITAL RAISING PLAN

1. Tentative amount to increase

- Current charter capital: VND 23,174,170,760,000.
- The tentative amount to raise in 2014: VND 3,476,125,610,000.
- The charter capital as at year-end 2014 (tentatively, after capital raising): VND 26,650,296,370,000.

2. Type of shares: Common shares, par value of VND 10,000/share.

3. The objects of the offering:

The existing shareholders in the shareholders' list at the date of registration shall be entitled to receive bonus shares in accordance with the prevailing laws and the capital raising plan approved by the AGM.

4. The mechanism of identifying the number of bonus shares and the resolution for the odd shares

- A shareholder holding 100 shares at the date of registration shall be entitled to receive the bonus shares of 15 shares.
- The number of shares in stock dividend and bonus share shall be rounded to the unit number, the decimal odd shall be omitted.
- For example: A shareholder holding 470 shares at the date of registration shall be entitled to receive 70 bonus shares.
- Implementation time: tentatively in Quarter II of 2014. The Board of Directors of VCB shall be assigned to determine the exact implementation time upon the approval of regulatory agencies.

5. Price dilution, EPS and book value:

The issuance of share shall occur the risk of dilution, which is described below.

- (i) The reference price at the ex-right date: the price at the ex-right date shall be adjusted by the following quotation

$$P_{PL} = \frac{P_{t-1}}{(1+x)}$$

In which:

P_{PL} : price of shares after dilution

P_{t-1} : closing price of the previous trading session prior to the ex-right date

X: rate bonus share (15%)

For example: if the reference price prior the ex-right date of VCB share VND 30,000/share, the price after dilution is:

$$P_{PL} = \frac{30,000}{1.15} = \text{VND } 26,000/\text{share}$$

(i) Earning per share (EPS).

EPS after the share issuance shall be adjusted according the following quotation:

$$\text{EPS} = \frac{\text{Profit after tax}}{\text{The average circulated number of shares}}$$

(ii) Book value per share (BVPS):

BVPS after share issuance shall be adjusted according to the following quotation

$$\text{BVPS} = \frac{\text{Ownership capital}}{\text{Number of circulated shares}}$$

IV. THE ROADMAP OF CAPITAL RAISING PLAN, PLAN OF CAPITAL USAGE, CAPITAL MANAGEMENT OF THE BANK, AND AN EFFICIENCY OF CAPITAL USAGE

1. The roadmap of capital raising plan:

- Charter capital raising plan shall be submitted to the AGM for approval (in April, 2014);
- The Board of Directors shall carry out necessary procedures to obtain the approval from competent state agencies (tentatively during May-June, 2014);

- The capital raising plan shall be implemented in accordance with prevailing laws and regulations: a list of shareholders who will receive the bonus shares (tentatively in July, 2014 and not exceed 45 days from the date of notice of SSC on the receipt of VCB's application for share issuance);
- Upon completion of the capital raising plan, the Bank shall conduct the registration of new charter capital number with Hanoi Department of Planning and Investment, an information disclosure in accordance with laws, and an issuance of additional shares (tentatively in August, 2014 and not exceed 15 days from the date of issuance completion).

2. Additional capital usage plan

The additional charter capital as per the plan is mostly transferred from retained profits and share premium to charter capital. Therefore, there are not much substantial changes in the capital usage. The additional charter capital shall be used for business activities of VCB in consistence with ensuring efficiency and safe usage of the capital and maximizing benefits of shareholders. The plan of utilizing the capital from share offering is as follows:

- To invest in the construction of VCB new premises in Cau Giay District, Hanoi, Vietnam; to invest in the construction of branch offices; and to invest in technology and fixed assets;
- To increase the ownership in existing investment projects as well as to seek for new potential investment opportunities;
- To expand lending & funding activities as well as other business activities;
- To conduct M&A transactions (if applicable).

3. Capital management of the Bank after capital raising

- An increase in the capital requires an additional enhancement in the capital administration, management and monitoring of VCB.
- At present, the Board of Directors of VCB comprises of 9 members, who are qualified with the profound knowledge, strategic vision and experience in state management, corporate governance, banking and finance. The Board views the Bank's matters with a prudent approach and the Board's approval is based on consent of majority members. This is an essential factor for the Bank's sustainable growth. The Board's members are assigned specific responsibilities in accordance with business activities of the Bank. There are non-executive members in the Board, which allows a prompt and efficient fulfillment of the Board's tasks. The Board of Directors is playing directive and strategic roles for the Bank, which provides the guidelines in setting up business targets to submit to the AGM.

- The Board of Management of VCB gathers highly qualified and experienced members, who are taking initiatives to implement objectives and strategies devised by the AGM and the Board of Directors. The Board of Management consists of the CEO and eight Deputy CEOs. The Board of Management is responsible for materializing general strategies and directions by business plans, advising the Board of Directors in respect of the Bank's strategies and policies as well as managing all business activities of the Bank.
- VCB has set up an internal corporate governance framework in accordance with the international standards in banking management.
- The Supervisory Board of VCB includes five members. The supervisory activities are conducted by supervisory staffs on various activities of the Bank, together with a number of compliance, operational supervisory and internal audit staffs of the Bank.
- The Bank is furnished with modern information technology system, computerized management procedures and online system, which responds to higher requirements of the banking management. This enables the Bank to offer high-quality products and services to its customers.

4. Assessing the efficiency of capital utilization

- The increase in the charter capital represents a significant step to support the development of VCB, strengthen the operation competence and competitive capability to be in line with the growth and scope of the Bank operation.
- The increase in the charter capital is a foundation for the Bank to enhance the financial capability in line with the business scale, therefore to facilitate the sustainable development. Furthermore, raising capital is the current tendency of the banking sector in Vietnam in order to support the implementation of the Bank's strategy in the following years to become a first-class commercial bank in Vietnam with the ultimate aim of adding higher values to shareholders' wealth.
- In the view of the capital raising plan and the business plan for 2014, some key targets of VCB in 2014 are expected as follows:

Items	Unit	2013 (Actual)	2014 (Planned)	Growth	
				in number	%
Total assets	billion VND	468,994	520,583	51,589	11.00%
Total loans outstanding to customers	billion VND	274,314	309,975	35,661	13.00%

Items	Unit	2013 (Actual)	2014 (Planned)	Growth	
				in number	%
Fund mobilization from the economy	billion VND	340,260	384,493	44,233	13.00%
Pre-provision profit before tax	billion VND	9,263	10,500	1,237	13.35%
Dividend payout ratio	%	12.00	10.00		
ROAA	%	0.99	0.90		
ROAE	%	10.39	10.00		
CAR (consolidated)	%	13.13	12.00		
NPL	%	2.73	<3		

The increase in the charter capital in 2014 plays an important role in driving VCB's growth, and improving operation efficiency and competitiveness. By practical experience, positive achievements in recent years, and clearly-defined strategic directions, the Bank's Board of Directors and Management are confident that the implementation of the capital raising plan shall be successful, which shall maximise the shareholders' value and enhance the position, prestige as well as performance of the Bank.