

**JSC BANK FOR FOREIGN
TRADE OF VIETNAM**

Address: 198 Tran Quang Khai, Hanoi
Business Registration No. 0100112437
(15th revision dated April 14th, 2022)

**SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom - Happiness**

Hanoi, April 28th 2022

PROPOSAL

ON THE CHARTER CAPITAL INCREASE PLAN 2022

To realize the strategic development direction of VCB to 2025 with the vision up to 2030; to improve the financial capability to meet the business development requirement and risk management, the BOD would like to present the charter capital increase plan 2022 as follows:

1. Increase charter capital through issuing shares to pay dividend from 2019, 2020 retained earnings

- **Type of share:** common share;
- **Par value:** VND 10,000 per share (ten thousand dong per share);
- **Number of outstanding shares:** 4,732,516,571 shares;
- **Treasury shares:** 0 share.
- **Charter capital before issuance:** VND 47,325,165,710,000
- **Expected number of shares to be issued:** 856,585,497 shares
- **Expected total issuance value under by par value:** VND 8,565,854,970,000.
- **Expected charter capital post-issuance:** VND 55,891,020,680,000.
- **Issuance subjects:** VCB existing shareholders at the time of finalizing the right of receiving bonus shares determined by the notice of VCB about ex-right date regarding the share issuance to pay dividend from 2019 retained earnings after tax, fund allocation, cash dividend, stock dividend and 2020 retained earnings after tax, fund allocation and cash dividend. These shareholders will have rights in accordance with laws and regulations.
- **Issuance proportion:** 18.1%. The shareholder that possesses 1000

shares at the time of issuance will receive 181 shares.

- **Source:** 2019 retained earnings after tax, fund allocation, cash dividend, stock dividend as per 2021 Charter capital increase plan and 2020 retained earnings after tax, fund allocation and cash dividend;
- **Implementation time:** in 2022, specific time will be decided by the BOD upon obtaining approval of local state authorities;
- **Handling of odd shares:** Number of bonus shares issued to shareholders will be rounded down and figures after the point (.) will be ignored. For example, the shareholder holding 160 shares at the time of subject shareholder list finalization will receive 28 shares.

2. Plan to use additional capital

The additional equity will be used in the business of VCB on the principle of ensuring safety, efficiency and bringing the highest benefits to shareholders. The intended use for some areas is as follows:

- Investment in facility and technological infrastructure: construction of working offices, expansion of operation networks, investment in technologies and fixed assets (about VND 500 billion);
- Increasing credit operations, treasury trading and other business activities of VCB.

3. Rights and obligations of investor(s) receiving VCB's additionally issued shares

- Organizations/ individuals receiving VCB's additionally issued shares have the obligations to comply with the laws, regulations set by the State Bank of Vietnam, VCB's Charter as well as all the regulations mentioned in the "Charter Capital increase plan" attached herewith.
- Organizations/ individuals receiving/ purchasing VCB's additionally issued shares are treated equally and are entitled to all the benefits of VCB's shareholders in accordance with laws and regulations.

BOD would like to propose the AGM to

1. Approve the capital increase plan 2022 (Plan) with main contents as mentioned in this Proposal and the detailed Plan attached herewith;

2. Approve the amendment of VCB's Charter relating capital after the share issuance in accordance with the approved Plan and actual issuance results.

3. Authorize the BOD to:

- Decide on the time to conduct share issuance to pay stock dividend from 2019 retained earnings after tax, fund allocation, cash dividend, stock dividend as per 2021 Charter capital increase plan and 2020 retained earnings after tax, fund allocation and cash dividend;

- Decide on ex-right date to finalize the list of shareholders having right after receiving approval from competent authorities;

- Decide on the detailed Charter capital increase based on the approval of competent authorities in accordance with laws and regulations and the actual issuance result;

- Proceed with all the necessary procedures to successfully conduct share issuance, register VCB's newly issued shares at Vietnam Securities Depository (VSD), additionally list those at Hochiminh Stock Exchange (HOSE), register VCB's new charter capital (in accordance with actual increased share after the issuance) with competent authorities, amend VCB's Charter (relating to the new charter capital), complete all the procedures after the capital raise in accordance with laws and regulations;

- Flexibly adjust and allocate funds for the usage mentioned in the Plan;

- Decide all the other issues relating to the charter capital increase.

Respectfully to the AGM's perusal and approval.

**ON BEHALF OF THE BOARD OF DIRECTORS
CHAIRMAN**

Pham Quang Dzung

PLAN

**TO INCREASE CHARTER CAPITAL
THROUGH ISSUING SHARES TO PAY DIVIDEND FROM
2019, 2020 RETAINED EARNINGS**

A. CAPITAL INCREASE PURPOSE

To implement the undertaking of the Government and the State Bank of Vietnam (SBV) on the restructuring of the banking sector, Joint Stock Commercial Bank for Foreign Trade of Vietnam (VCB) set the development strategy until 2025 with the vision to 2030: To become the No. 1 bank in Vietnam, one of the top 100 leading banks in Asia and top 300 largest financial institutions in the world, one of the top 1000 listed companies in the world, contributing to the growth of Vietnam.

Regarding the risk management criteria, on November 28th 2018, VCB had been officially approved by the SBV for the application of Circular 41, one year earlier than the validity period. By this event, VCB had become the first bank to meet Basel II standards in Vietnam. Whereby, one of the main pillars of Basel II application is the capital adequacy. The consolidated CAR ratio according to Basel II of VCB at December 31st 2021 was ~9.31%, meeting the minimum requirements under current regulations of SBV.

Besides, with the direction to become the leading bank in term of risk management and asset quality, VCB strives to achieve the CAR ratio not only meeting the minimum requirement under current regulation (8%) but also at higher level. In order to have a full and assessment on the internal capital requirement of VCB, the bank has studied and basically met all requirements of ICAAP, officially applied since July 2020 which is 6 months earlier than the deadline regulated by Circular No.13/2018/TT-NHNN of SBV dated on 18 May 2018. Therefore, in addition to 3 major risks assessed under Pillar 1 when computing CAR, which are credit risk,

market risk and operational risk, VCB need to determine and calculate additional capital for other key risks such as concentration risk, interest rate risk of bank book. As a result, capital allocated to major risk increased by 3%. Furthermore, capital stress tests also showed the CAR gap between base case and worst case at 0.5 percentage point. Therefore, in the context of a turbulent economy both domestically and globally, VCB need to increase charter capital in order to ensure operational safety in unfavored events, maintaining business plan and risk appetite, maintaining the mission of sustainable growth.

In January 2019, VCB completed the share issuance of ~3% Charter capital (post-issuance rate) for foreign investor GIC and existing shareholder Mizuho, which brought about a capital surplus of nearly ~VND 5,000 bil. After the issuance, the Charter capital of VCB has increased to over VND 37,000 bil.

On 23 December 2021, VCB completed 2019 stock dividend payment with the payment ratio of 27.6%, increased VCB charter capital to more than VND 47.3 trillion.

Currently, Charter capital of VCB is ~VND10,800 billion lower than the planning level at the restructuring plan approved by the SBV for 2020. Charter capital is the important factor in determining, evaluating the capital structure of the banks when performing the international credit rating. The capital increase would also facilitate VCB to expand the business activities scale, meet the capital demand for the economy and invest in transformation plan to improve the management capability and operation of the bank.

Especially, in the context of prolonged covid pandemic since early 2020, which has caused pressure on the bank's asset quality, after restructuring package ends on 30 June 2022 (restructure in accordance with Circular 01), VCB's non performing loan balance is expected to increase, causing an increase of risk weighted assets and have negative impact on CAR. Currently, the bank-only CAR of VCB (as of 31 December 2021) is 9.4%, which is only 1.4 percentage point above the minimum required level and is far lower than that of other non State owned banks as well as other peers in Asean market. In the coming time, when the economy recovers

from Covid, VCB will continue grow its loan book at a high level every year in order to support corporate customers and the economy in general to revitalize business activities, contributing to macroeconomic growth generally. In order to supply sufficient fund to the economy while ensuring capital adequacy and operational safety, raising ownership capital, raising charter capital from retained earnings is essential.

Moreover, at Decision No. 986/QĐ-TTg date 8th August 2018, the Government approved the development strategy for Vietnamese banking industry with the vision till 2025, when Vietnam will have 3-5 banks listed on foreign stock exchanges. As one of the leading banks realizing the industry vision, VCB understands that increasing charter capital within this year is extremely essential in order to be listed on a foreign stock exchange.

Therefore, VCB needs to continue to increase charter capital and owner's equity to improve the financial and management ability to gradually achieve the strategic objectives. Otherwise, VCB will not guarantee the capital adequacy ratio according to the regulation, which will affect VCB's credit granting ability for the economy, influence the operational efficiency of VCB as well as VCB contribution to the State budget.

B. LEGAL BASIS

- The Law on Credit Institutions No. 47/2010/QH12 promulgated by the National Assembly of the Socialist Republic of Vietnam on June 16th, 2010 and The amended and supplemented Law on Credit Institutions No.17/2017/QH14 promulgated by the National Assembly of the Socialist Republic of Vietnam on November 20th, 2017;

- The Law on management and utilization of State capital invested in the enterprise's manufacturing and business activities No. 69/2014/QH13 promulgated by the National Assembly of Socialist Republic of Vietnam on November 26th 2014 and implementation guidelines;

- The Law on Enterprise No. 59/2020/QH14 promulgated by the National Assembly of the Socialist Republic of Vietnam on Jun 17th 2020 and implementation guidelines;

- The Law on Securities No. 54/2019/QH14 promulgated by the

National Assembly of the Socialist Republic of Vietnam on Nov 26th 2019;

- Decree No. 155/2020/NĐ-CP providing detailed regulations for implementation of a number of Articles of the Law on Securities;
- Circular No.36/2021/TT-BTC providing instructions about several regulations on investment of State capital and management, use of capital, assets at enterprises prescribed in Decree no. 91/2015/ND-CP dated October 13, 2015; Decree No. 32/2018/ND-CP dated March 8th, 2018; Decree No. 121/2020/ND-CP dated October 9th, 2020 of the government;
- Circular No 118/2020/TT-BTC dated Dec 31st, 2020 by The Ministry of Finance providing guidelines for public offer for sale of securities, securities issuance, public offer for buying securities, buying back stocks, public company registration and public company de-registration;
- Circular No.22/2019/TT-NHNN dated November 15th, 2019 of SBV to regulate limit, adequacy ratio in banking industry, foreign bank branches;
- Circular 41/2016/TT-NHNN dated December 30th, 2016 by the SBV on stipulating the capital adequacy ratio for the commercial banks and the foreign banks' branches;
- Circular 13/2018/TT-NHNN dated May 18th, 2018 by SBV on the internal supervising system of commercial banks, foreign bank branches;
- Circular 50/2018/TT-NHNN dated Dec 31st, 2018 by SBV on documents, process, procedure to approve changes of commercial banks and foreign bank branches;
- Charter on organization and operation of the Joint Stock Commercial Bank for Foreign Trade of Vietnam approved by Resolution No. 14/TN2021/NQ-ĐHĐCĐ dated April 23rd, 2021 by the AGM;
- Resolution No. 14/TN2021/NQ-ĐHĐCĐ dated April 23rd, 2021 of the AGM;
- Document No.8173/NHNN-TCKT dated November 17th, 2021 by SBV on VCB 2020 earnings distribution plan;

- Document No. 2072/NHNN-TCKT dated April 7th, 2022 by SBV on approval of 2022 AGM materials of VCB;

- Legal documents on securities related to issuing shares to pay dividend.

C. CAPITAL INCREASE PLAN

- **Current Charter capital** (pre-issuance): VND 47,325,165,710,000.
- **Type of share:** common share;
- **Par value:** VND 10,000 per share (ten thousand dong per share);
- **Number of outstanding shares:** 4,732,516,571 shares;
- **Treasury shares:** 0 share.
- **Expected number of shares to be issued:** 856,585,497 shares
- **Expected total issuance value under by par value:** VND 8,565,854,970,000.
- **Expected increase of charter capital:** VND 8,565,854,970,000.
- **Expected charter capital post-issuance:** maximum VND 55,891,020,680,000.
- **Issuance subjects:** VCB existing shareholders at the time of finalizing the right of receiving bonus shares determined by the notice of VCB about ex-right date regarding the share issuance to pay dividend from 2019 retained earnings after tax, fund allocation, cash dividend, stock dividend and 2020 retained earnings after tax, fund allocation and cash dividend. These shareholders will have rights in accordance with laws and regulations.
- **Issuance proportion:** 18.1%. The shareholder that possesses 1000 shares at the time of issuance will receive maximum 181 shares.
- **Source:** 2019 retained earnings after tax, fund allocation, cash dividend, stock dividend and 2020 retained earnings after tax, fund allocation and cash dividend. (As per Appendix 1);
- **Implementation time:** in 2022, specific time will be decided by the BOD upon obtaining approval of local state authorities;

- **Handling of odd shares:** Number of bonus shares issued to shareholders will be rounded down and figures after the point (.) will be ignored. For example, the shareholder holding 160 shares at the time of subject shareholder list finalization will receive 28 shares.
- **Additional deposit and listing:** Additional issued shares will be centrally registered at Vietnam Securities Depository (VSD) and additionally listed at Ho Chi Minh City Stock Exchange (HOSE) in accordance with the provisions of laws and regulations.

D. EXECUTION PROCESS, USAGE PLAN FOR INCREASED CAPITAL, MANAGEMENT ABILITY, CAPITAL USAGE EFFICIENCY EVALUATION

1. Procedural order, capital increase method

- Get approval from shareholders for the capital increase plan;
- BOD implement necessary procedures for receiving approval of related state authorities;
- Perform the capital increase after received the approval in accordance with the regulation;
- Implement the additional custody and register for supplemental listing;
- Register the new charter capital at Hanoi Department of Planning and Investment and amend the Charter (regulated article on charter capital), report/announce information in accordance with regulation, perform supplemental listing;
- Expected to complete the capital increase plan in 2022.

2. Usage plan for the increased capital

The increased capital will be used for Vietcombank's business operation appropriately based on the principle of safety, efficiency and optimization of benefit to all shareholders. Details are as follows:

- To make investment in facilities, information technology: to build

Vietcombank offices, to widen branch network, to invest in technology and fixed assets (~ VND 500 bil);

- To develop credit operation, treasury operation as well as other business operations;

3. Capital management capability after charter capital increase

- The increased charter capital requires the corresponding improvement in the management, supervision activities of VCB.

- Currently, Vietcombank's BOD consists of 8 members who are experienced professionals in government governance, corporate governance, banking finance and have strategic vision. Each issue is discussed carefully before decisions are made upon majority's agreement. This is one of the decisive factors for the stability and sustainability of the bank's activities. Each of the Board members is assigned specific scope of duty by the Chairman. Hence, tasks are cleared in a timely and efficient manner. The BOD plays the role as a conductor who decides the overall strategy and Vietcombank's long term operation direction as well as instructs the establishment of business targets to submit to the AGM.

- Vietcombank's Executive Board consists of individuals who are experienced banking professionals, have strong capability in corporate governance and execute exactly the BOD and AGM's directions. The Executive Board consists of the Chief Executive Officer (CEO) who is in charge of the overall management and 9 Deputy CEOs who assist the CEO. The Executive Board has the duty to specify the bank's overall strategy and targets by setting out business plans and to advise the BOD on strategic issues, policies and directly runs all the bank's activities.

- VCB has developed the management scheme according to international practices for banking operation.

- The Supervisory Board of VCB includes 3 members. VCB has a plan to appoint one more Supervisory Board member. The supervision of the compliance is implemented by the team of controllers, compliance supervisors, operation supervisors and internal auditors at every VCB activities.

- The information system at VCB is modern, the management procedures is computerized, connected with the whole system network to meet the requirement of the management activity. This is an important factor that helps Vietcombank to provide customers with hi-tech banking products and services.

4. Evaluate the capital usage efficiency

- Capital increase is an important step for Vietcombank to develop and strengthen its competitiveness, balancing with the development speed and operation scale of the bank.

- Capital increase is the foundation for Vietcombank to improve its financial capacity for a stable development. In addition, this capital increase is suitable with the current development trend of Vietnam's banking sector, enabling Vietcombank to complete all the strategic business targets in the next following years and to become the No. 1 commercial bank in Vietnam to enhance the benefit to the shareholders.

- Based on the capital increase and business plan of 2022, VCB expects several key business targets for 2022 as follows:

Criteria	Unit	2021 (consolidated audited figures)	2022 plan (% growth)
Total asset	Bil VND	1,414,673	8%
Credit ⁽ⁱ⁾	Bil VND	972,580	Capped at 15%
Deposit mobilization ⁽ⁱⁱ⁾	Bil VND	1,152,712	9%
NPL ratio	%	0.63%	<1.5%
Profit before tax	Bil VND	27,389	Minimum 12%

(i) Include Loan to customer and Investment in corporate bonds

(ii) Include Customer deposit, Issuance of valuable papers

With the above business plan, VCB expects to continue maintaining the operational safety ratio in accordance with the regulations of SBV.

5. Expected changes in shareholder structure: As per Appendix 2

APPENDIX 1

Source of fund to increase charter capital

Unit: Million VND

No.	Bank-only figures	FY2020 (*)
1	Profit after tax for the year 2020 (single audited)	18,043,745
2	Previous year's profit adjustments	(71,802)
3	Profit after tax for distribution (1+2)	18,115,547
4	Allocation to a Supplementary charter capital reserve (5%)	(905,777)
5	Allocation to Financial reserve (10%)	(1,811,555)
6	Allocation to bonus and welfare fund (including the manger bonus fund)	(2,381,918)
7	2020 Cash dividend payment (Charter capital x 12%)	(4,450,653)
8	Other adjustment	(266)
9	Retained profit after tax, fund allocation and 2020 dividend payment	8,565,378
10	Retained earning 2019 (after 8% cash dividend payment and 27.6% stock dividend payment)	8,221(**)
11	Tentative stock dividend payment to increase charter capital	8,565,855
12	Tentative 2020 retained earning after tax, fund allocation and dividend payment	7,744(***)

(*) *Single audited financial statement;*

(**) *In order to guarantee issuance ratio of 18.1% as per issuance plan, the 2019 retained earnings after paying cash dividend 8% and stock dividend 27.6% (VND8,221 million) will be supplemented to the source of fund to increase charter capital.*

(***) *2020 retained earnings after paying stock dividend will be supplemented to the next issuances.*

APPENDIX 2**EXPECTED SHAREHOLDERS STRUCTURE CHANGE**

Shareholder	Before issuance		Stock dividend to increase charter capital		
			18,1% Issuance	After issuance	
	Shares	%	Shares	Shares	%
1. Government	3,540,074,921	74.80%	640,753,560	4,180,828,481	74.80%
2. Mizuho	709,883,374	15.00%	128,488,890	838,372,264	15.00%
3. Others	482,558,276	10.20%	87,343,047	569,901,323	10.20%
4. Shareholders owns new shares		0.00%			0.00%
TOTAL	4,732,516,571	100%	856,585,497	5,589,102,068	100%