

THE CHARTER CAPITAL INCREASE PLAN FOR PERIOD 2019-2020

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) determine the strategic vision until 2020: 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, governed by the best international practices. Simultaneously, VCB also determine other specific targets including: To become the No.1 retail bank, No.2 wholesale bank; No.1 bank by profitability; the leading bank in term of customer satisfaction; human resources quality, the best bank in risk management and the leader in banking digitalization.

Regarding the risk management criteria, on November 28th 2018, VCB had been officially approved by the SBV for the application of Circular 41 01 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 single CAR ratio according to Basel II of VCB at December 31st 2018 was 8.30%, meeting the minimum requirements under current regulations of SBV. With the capital scale after the share issuance for GIC and Mizuho in Jan/2019 and the asset scale development plan in the upcoming time, VCB only expected to maintain the CAR ratio above the minimum requirement (8%) until the end of 2019.

Besides, with the strategic vision 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, governed by the best international practices by 2020, and the specific targets 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 high rate (~9-10%). Therefore the capital increase is the important and necessary mission of VCB.

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.

However, VCB had only completed ~1/3 of the capital increase plan by private placement for foreign investor which had been approved by SBV by early

2018. Currently, Charter capital of VCB is lower than the planning level at the restructuring plan approved by the SBV for 2019 of ~ VND **11,900** bil and 2020 plan of ~ VND **20,200** bil. 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.

Therefore, VCB needs to continue to increase charter capital and owner's equity during 2019 - 2020 period to improve the financial and management ability to step by step achieve the strategic objectives. Otherwise, VCB will not guarantee the capital adequacy ratio according to the regulation, which will affect the credit granting ability for the economy of VCB, 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 Enterprise No. 68/2014/QH13 promulgated by the National Assembly of the Socialist Republic of Vietnam on November 26th, 2014 and implementation guidelines;

- The Law on Securities No. 70/2006/QH11 promulgated by the National Assembly of the Socialist Republic of Vietnam on June 29th, 2006; The amended and supplemented Law on Securities No. 62/2010/QH12 promulgated by the National Assembly of the Socialist Republic of Vietnam on November 24th, 2010 and implementation guidelines;

- Decree No. 58/2012/NĐ-CP providing detailed regulations for implementation of a number of Articles of the Law on Securities (Amended) and Decree No. 60/2015/NĐ-CP amending *Decree No. 58/2012/ND-CP* on providing specific provisions for the implementation of certain articles of the Law on Securities (Amended);

- Circular No 162/2015/TT-BTC dated October 26th, 2015 by The Ministry of Finance providing guidelines for public offer for sale of securities, offer for sale

of shares for swap, issue of additional shares, redemption of shares, sale of treasury shares and public offer to acquire shares;

- Circular No. 36/2014/TT-NHNN dated November 20th, 2014 by the State Bank of Vietnam stipulating minimum safety limits ratios for credit institutions branches foreign banks and the amended Circulars No. 06/2016/TT-NHNN dated May 27th, 2016 and No. 19/2017/TT-NHNN dated December 28th 2017;

- Circular 41/2016/TT-NHNN dated December 30th, 2016 by the State Bank of Vietnam on stipulating the capital adequacy ratio for the commercial banks and the foreign banks' branches;

- Legal documents on securities related to share issuance to increase capital from owner's equity, issue new shares by public offering, private placement, issue for existing shareholders;

- Charter on organization and operation of the Joint Stock Commercial Bank for Foreign Trade of Vietnam approved by Resolution No. 10/TN2017/NQ-ĐHĐCĐ dated April 28th 2017 and Resolution No. 11/TN2018/NQ-ĐHĐCĐ dated April 27th 2018 of the AGM.

C. CAPITAL INCREASE PLAN

1. The expected charter capital increase

1.1. Issuance of share to increase charter capital from shareholder equity (share premium and accumulated retained earnings) at maximum 40% ratio for existing shareholders

- Charter capital pre-issuance: VND 37,088,774,480,000
- Expected charter capital increase post-issuance: maximum VND 14,835,509,790,000 (Actual numbers may vary due to round number of odd stocks)
- Expected charter capital post issuance: maximum VND 51,924,284,270,000

1.2. New share issuance via public offering, private placement with the proportion of 6.5% of the VCB Charter Capital at the time offering (after share issuance to increase charter capital from shareholder equity at 40% ratio for existing shareholders)

- Charter capital pre-issuance: VND 51,924,284,270,000 (The pre-issuance Charter capital depends on the result of the share issuance from shareholder equity at Article 1.1)

- Expected charter capital increase post-issuance: maximum VND 3,375,078,480,000

- Expected charter capital post-issuance: maximum VND 55,299,362,750,000.

2. Detailed plan of share issuance to increase charter capital from shareholder equity (share premium and accumulated retained earnings)

2.1. Type of share: common share;

2.2. Par value: VND 10,000 (ten thousand dong);

2.3. Number of outstanding shares: 3,708,877,448 shares;

2.4. Treasury shares: 0 share.

2.5. Expected maximum number of shares to be issued: 1,483,550,979 shares

2.6. Total maximum issuance value by par value : VND 14,835,509,790,000 (actual number may vary due to round number of odd stocks);

2.7. Expected charter capital post-issuance: maximum VND 51,924,284,270,000

2.8. Issuance subjects: Vietcombank's existing shareholders at the time of finalizing the right of receiving bonus shares in accordance with laws and regulations as well as capital increase plan that was approved in the Annual General Meeting of Shareholders.

2.9. Issuance proportion: The shareholder that possesses 100 shares at the time of issuance will receive 40 shares as bonus shares.

2.10. Source: From the accumulated retained earnings until December 31st 2018 of VCB (*including 2018 retained earnings which has been allocated by the General meeting of shareholders*) and the equity surplus, pursuant to the provision of the Law;

2.11. Implementation time: in 2019. Details will be decided by the BOD upon obtaining approval of local state authorities;

2.12. Handling of odd shares: Number of bonus shares issued to existing shareholders will be rounded down and figures after the point (.) will be ignored. For example, the shareholder holding 368 shares at the time of subject shareholder list finalization will receive 147 shares as bonus shares.

3. Detailed plan of new share issuance

3.1. Share issuance via public offering or private placement with the maximum expected scale of 337,507,848 shares, equivalent to 6.5% of VCB Charter capital at the time offering (*after share issuance to increase charter capital from shareholder equity at 40% ratio for existing shareholders*).

3.2. Type of share: common share.

3.3. Par value: VND 10,000 (ten thousand dong).

3.4. The number of shares to be offered: maximum 337,507,848 shares (equivalent to 6.5% of total outstanding shares after the implementation of share issuance to increase charter capital from shareholder equity at 40% ratio; the number of shares to be issued shall be adjusted according to the charter capital at the time of offering)

3.5. Issuance subjects:

- Public offering: Vietnamese individual and organizations; foreign individual and organizations;

- Private placement: Investors meeting the following criteria: domestic and foreign institutional investors having strong financial capability that may include one or several existing shareholders of VCB, maximum 100 investors.

3.6. Principles for determining offering price: on the principle of market price, in accordance with the approval of the local state authorities and pursuant to the current provision of the Law.

3.7. Expected increase of charter capital: VND 3,375,078,480,000 (equivalent to 6,5% of the charter capital after the implementation of share issuance to increase charter capital from shareholder equity at 40% ratio, the final amount shall be adjusted according to the issuance results);

3.8. Lock up period: The share issued under private placement method will be restricted to transfer in accordance with the current regulations of the Vietnamese Law.

3.9. Implementation time: expected to be implemented during 2019-2020, after share issuance to increase charter capital from shareholder equity for existing shareholders, details will be decided by the BOD upon obtaining approval of local state authorities.

4. Custody and supplemental 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 the law.

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 within 2019-2020.

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 (~ the remaining proceeds from the share issuance);

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 4 members. 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 2019, VCB expected several key business targets for 2019 as follows:

Table 1: Several business criteria of 2018 and plan of 2019

Criteria	Unit	2018 (consolidated audited figures)	2019 plan (value or % growth)
Total asset	Billion	1,074,027	~12%
Credit balance (i)	Billion	639,549	~15%
Deposit mobilization (ii)	Billion	823,390	~11-13%
Profit before tax	Billion	18,269	~9.5%
Expected Dividend	%	8.00	8.00
ROAA	%	~1.4	~1.5
ROAE (iii)	%	~25	~22
CAR (iv)	%	8.77%	> 9%

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

(ii) Include Customer deposit, Issuance of valuable papers

(iii) Calculated the expected additional Owner's equity according to the Plan

(iv) According to Basel II

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

The share issuance will lead to the changes in ownership ratio of several VCB shareholders (in case these shareholders would not purchase additional share issued) as presented in the attached Appendix.

The BOD would like to propose the AGM to:

1. Approve the capital increase plan for 2019-2020 period with main contents as mentioned in this Proposal.

2. Approve the amendment of Vietcombank's Charter relating to the new charter capital after share issuances in accordance with the approved issuance plan and actual issuance results.

3. Approve that the bank's existing shareholders refuse their pre-emptive rights (if any) to the additional shares issued by Vietcombank under private placement plan, except for existing shareholders with the intention to participate in the private placement (the process will then comply with laws).

4. Authorize the BOD to:

- Decide on the time to conduct share issuance to increase charter capital from shareholder equity and decide on the last registration date to finalize shareholder list to have bonus share receiving rights;

- Based on the actual situation, actively select method of share issuance (*public offering or private placement*), develop detailed issuance plans, implement reporting procedures, get approval of relevant local state authorities and review and modify the Plan as required by the local state authorities in accordance with the provisions of Law;

- Decide on the selection criteria and the list of investors to be offered; the volume of private placement shares to be issued to each investor; timing of the issuance; share price (based upon price determining mechanism approved by local state authorities); negotiate and decide the terms and conditions of relating contracts; negotiate and decide on the conditions and regulations of the above contracts related to the share issuance;

- Decide the detailed plan for capital increase based on the approval of the local state authorities in accordance with the relevant laws and regulations;

- Proceed with all the necessary procedures to successfully issue Vietcombank shares, register Vietcombank's new charter capital (to reflect the actual successfully increased amount) with the relevant state authorities, amend Vietcombank's Charter (relating to the new charter capital), complete all the procedures after the capital increase, to list the additionally issued shares on the Hochiminh Stock Exchange after the issuance is completed;

- Flexibly adjust and allocate the raised capital from the share issuance for the usage plan mentioned in the share issuance plan;

- Actively handle unallocated shares (if any) in accordance with the current provision of the Law; and

- Decide all the other issues relating or incurring from the capital increase.

APPENDIX

**EXPECTED SHAREHOLDERS STRUCTURE AFTER IMPLEMENTING
THE CHARTER CAPITAL INCREASE PLAN FOR 2019-2020 PERIOD**

	Pre-issuance		1. Issuance share to increase charter capital from shareholder equity		After issuance share from component 1 – Issuance share from shareholder equity		2. New share issuance	After issuance share from component 2 – Public offering or Private placement	
	No of share	Ratio	No of share	Ratio	No of share	Ratio	No of share	No of share	Ratio
State Ownership	2,774,353,387	74.80%	1,109,741,355	74.80%	3,884,094,742	74.80%	-	3,884,094,742	70.24%
Mizuho	556,334,933	15.00%	222,533,973	15.00%	778,868,906	15.00%	-	778,868,906	14.08%
GIC	94,442,442	2.55%	37,776,977	2.55%	132,219,419	2.55%	-	132,219,419	2.39%
Other	283,746,686	7.65%	113,498,674	7.65%	397,245,360	7.65%	-	397,245,360	7.18%
Shareholders owning new issued shares							337,507,848	337,507,848	6.10%
TOTAL	3,708,877,448	100.00%	1,483,550,979		5,192,428,427	100.00%	337,507,848	5,529,936,275	100.00%