

SOCIALIST REPUBLIC OF VIETNAM
Independence – Liberty – Happiness

DRAFT

Hanoi, April, 8 2021

PROPOSAL TO THE GENERAL MEETING OF SHAREHOLDERS

Re.: The Plan to increase the charter capital of ABBANK in 2021

- Pursuant to Law on Credit Institutions dated June 16, 2010, which was amended and supplemented on November 20, 2017;
- Pursuant to the Law on Securities dated November 26, 2019;
- Pursuant to the Law on Enterprises dated June 17, 2020;
- Pursuant to the Government's Decree No. 155/2020/ND-CP dated December 31, 2020, detailing the implementation of a number of articles of the Law on Securities;
- Pursuant to the Charter of An Binh Commercial Joint Stock Bank (ABBANK) dated June 12, 2020,

With the development strategy for the period 2021-2025 orientating to the goal of continuous growth of ABBANK, the need to supplement capital for business activities of ABBANK through the increase of charter capital is an urgent requirement. The increase in charter capital is aimed at implementing the State Bank's direction, improving financial capacity, meeting ABBANK's requirements for business development and risk management in the future. The Board of Directors hereby submits to the General Meeting of Shareholders the plan to increase ABBANK charter capital in 2021 with main contents as follows:

I. BASIS OF RECOMMENDATION

1. Results of evaluation of internal capital adequacy according to Circular 13/TT-NHNN

Based on the requirements of Circular 13/TT-NHNN, ABBANK started the ICAAP project and implemented an internal capital adequacy assessment on the basis of the Medium-term Plan approved by the Board of Directors in accordance with Resolution No. 01 / NQ- Board of Directors.21 dated February 5, 2021.

The results of the evaluation of internal capital adequacy are summarized as follows:

- Total project RWA for the year 2021 under key risks in the base scenario is VND118,890 billion, equivalent to that ABBANK needs to maintain an equity capital of VND10,700 billion with a target capital adequacy ratio (CAR_{target}) of 9%;
- The difference of project RWA target for the year 2021 according to material risks between the stress scenario and the base scenario is VND7,570 billion. ABBANK will need additional capital required for the stress scenario of VND 606 billion with the minimum capital adequacy ratio as prescribed by the State Bank (CARR) of 8%;
- Economic capital (CE) / target capital (CTARGET) ABBANK needs to maintain according to Circular 13/2018/TT-NHNN as of 2021 as: $10,700 + 606 = \text{VND}11,306$ billion

While the estimated equity capital (CA) of the Bank at the end of 2021, if there are no capital raising measures, it will be VND10,366 billion, equivalent to a calculated deficit of VND940 billion.

2. Demand for investment in strategic projects in the mid-term plan 2021 - 2025

The year 2021 is the first year for the 2021 - 2025 medium-term planning cycle approved by the Board of Directors according to Resolution No. 01 / NQ-HĐQT.21 dated February 5, 2021 with 12 key strategic initiatives, of which all focused towards the digital transformation goal of ABBANK.

In 2021, the total value of strategic projects of the Bank was estimated VND268.385 billion, of which information technology projects accounted for VND157.660 billion, focusing on capacity building activities of the Bank. ABBANK's information technology system as well as digital platform.

Thus, with the expectation of achieving high growth rate and synchronous implementation of business development programs in 2021 as well as in the period of 2021-2025 according to the medium-term business plan approved by the Board of Directors, ABBANK needs implementing additional charter capital.



3. The current stock market conditions have favorable factors:

The stock market in 2021 is considered to have good growth prospects, continuing its momentum since 2020, is still an attractive investment channel. Investors' cash flow was abundant in the stock market, the banking sector's stock price has good growth potential, supporting the additional offering to raise capital.

II. EXPECTED CAPITAL PROGRAM

Total charter capital expected to increase in 2021 is: VND3,696,384,460,000. Accordingly, the charter capital of ABBANK will increase from VND5,713,113,550,000 to VND9,409,498,010,000, which means an increase of 64.7% compared to December 31, 2020. The capital increase roadmap is divided into 2 phases according to the following specific forms:

- Phase 1:** Increased charter capital from the current VND5,713,113,550,000 to VND6,969,998,530,000, with the additional capital of VND1,256,884,980,000 (22% increase of current charter capital) through the offering of shares to existing shareholders and employees (Details are presented in Section III.1 & 2 below)
- Phase 2:** Increased charter capital from VND6,969,998,530,000 to VND9,409,498,010,000, with an additional capital of VND2,439,499,480,000 (an increase of 35% compared to the post-increased charter capital of the 1st phase capital) through the issuance of shares to existing shareholders from equity (bonus shares) (Details in accordance with Section III.3 below)

The roadmap is summarized as follows:

<i>Stage</i>	<i>Target charter capital (VNĐ)</i>	<i>Increasing amount (VNĐ)</i>	<i>Offering number of shares (shares)</i>	<i>Offering price (VNĐ)</i>	<i>Ratio</i>	<i>Anticipated time of execution</i>
Phase 1	6,969,998,530,000	1,256,884,980,000	125,688,498		22%	Q2 and Q3 of 2021
<i>Offering for existing shareholders</i>		1,142,622,710,000	114,262,271	10,000	20%	Q2 and Q3 of 2021
<i>Offering for employees (ESOP)</i>		114,262,270,000	11,426,227	11,500	2%	

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Phase 2	9,409,498,010,000	2,439,499,480,000	243,949,948		35%	Q4/2021^(*)
<i>Bonus shares issuance</i>		2,439,499,480,000	243,949,948		35%	

(*) After completion of stage 1.

III. SPECIFIC CAPITAL INCREASE METHODS

1. Plan of offering shares to existing shareholders

- Type of stock: Common stock
- Par value: VND10,000 / share.
- Number of shares expected to be offered: 114,262,271 shares
- Total value of shares expected to be offered at par value: VND1,142,622,710,000
- Offering price: VND10,000 / share.
- Subjects offered for sale: Shareholders named in the list at the closing date of the list to exercise their right of purchase.
- Ratio of the right of purchase 100:20. Accordingly, shareholders who own each 100 shares at the time of closing the list of shareholders will receive 20 additional options to buy the offered shares. For each option, shareholders are allowed to buy 01 share. Right to purchase is rounded down to the unit line.
- Transferring rights of purchase: Buying rights are allowed to be transferred once (the transferee cannot transfer to another person).
- Handling of unsold shares and odd shares: In case the shareholder or transferee does not buy all the offered shares, the Board of Directors has the right to sell the remaining shares to other shareholders or to new investors ensuring compliance with the current law provisions on procedural conditions and limit of share ownership applied for the Joint Stock Commercial Bank. The offering price for other shareholders or new investors for these shares is not lower than the offering price for existing shareholders (VND 10,000 / share). The handling of the right of purchase and sell the shares formed from odd shares at the same issuance satge is decided by the Board of Directors.
- Expected offering time: Q2 and Q3 of 2021

• Transferring restrictions: Shares offered to existing shareholders corresponding to the proportion of shareholders' ownership in ABBANK are not restricted for transfer. Odd shares and shares of that existing shareholders have the right to buy or the transferee of the right to buy are offered to other shareholders or to new investors are restricted from transferring for one (1) year from the terminating date of the offering according to the provision specified in Clause 2, Article 42 of Decree 155/2020 / ND-CP dated December 31, 2020.

2. Plan of offering shares to employees (under ESOP program)

- Type of stock: Common stock
- Par value: VND10,000 / share.
- Number of shares expected to be offered: 11,426,227 shares
- Total offering value calculated at par value: VND114,262,270,000
- Offering price: VND11,500
- Offering objects: Offering to employees working at ABBANK in accordance with the ESOP Program's regulations.
- Transfer of the right to purchase: Employees are not allowed to transfer the right to buy to another person if they do not buy.
- In case employees do not buy all of the shares offered under the ESOP program, the Board of Directors has the right to sell the remaining shares to other shareholders or new investors ensuring compliance with current laws on the procedural conditions and limit of share ownership applied for the Joint Stock Commercial Bank. The offering price is not lower than VND11,500 / share.
- The CEO prepares the list of employees and submits to the Board of Directors for approval of the ESOP Program.
- Execution time: In the 2nd and 3rd quarter of 2021, in conjunction with the offering of shares to existing shareholders (the shares under this ESOP program are not entitled to buy and sell to existing shareholders. mentioned in item 1 above).
- Transferring restrictions: Shares offered to employees under the ESOP Program are restricted from transferring for one (1) year from the terminated date of the offering in accordance with Clause 8, Article 64 of Decree 155/2020 / ND-CP dated December 31, 2020.

- Assignment / authorization: the CEO is to prepare and submit to the Chairman of the Board of Directors for approval based on the criteria and list of employees participating in the ESOP Program, the principles of determining the number of shares to be distributed to each subject and the implementation plan.

3. Plan to issue bonus shares from equity (bonus shares for short)

- Type of stock: Common stock
- Par value of shares: VND10,000
- Number of shares expected to be issued: 243,949,948 shares
- Total value of the issue is expected at par value: VND2,439,499,480,000
- Subject of Issuance: Issue shares from equity source (bonus shares) to existing shareholders named in the list of shareholders of ABBANK at the time of closing the list of shareholders to exercise the right to receive the bonus shares in accordance with the law (after completing the first phase offering).
- Issuance rate: 100: 35. Each shareholder who owns 100 shares at the time of closing the list of shareholders will receive 35 bonus shares
- Funding for implementation: VND2,439,499,480,000 from undistributed net profit and reserve fund to increase chartered capital accumulated till the end of 2020.
- The plan of dealing with odd shares: The number of bonus shares issued to shareholders will be rounded down to the unit line, the decimal fraction will be canceled.

For example: At the closing date, shareholder A owns 1,008 shares, according to the ratio of exercising the right to receive shares issued from equity source is 100:35, then calculate the number of shares that shareholder A received is: $(1,008 / 100) \times 35 = 352.8$ shares. Based on the regulations on the handling of odd shares, shareholder A will receive 352 bonus shares.

- Execution time: In 2021, after completing the plan of offering shares to existing shareholders and offering shares under the ESOP program (Phase 1 completion). Shareholders, investors who are organizations / individuals participating in receiving / buying shares to increase the charter capital of ABBANK must be responsible for complying with the provisions of law, the regulations of the State Bank, the Charter of ABBANK and the provisions of the offering and issuance plan in accordance with this Proposal. Organizations and individuals participating in receiving / buying shares to increase ABBANK's charter capital

are equally and fully enjoy the rights of shareholders of ABBANK after completing the offering and issuance of shares.

IV. BASIS OF CALCULATION OF CAPITAL INCREASE AND OFFERING PRICE

1. Basis for determining the increase level of charter capital

The charter capital increase is determined on the following basis:

- a) The general orientation of the State Bank in the rearrangement and restructuring of the Joint Stock Commercial Banks. In fact, in recent years, one of the bases for the State Bank to request the merger and consolidation is the limited scale of the charter capital of joint stock commercial banks. To ensure the implementation of self-restructuring and avoid the requirement for merger and consolidation, ABBANK needs to increase its charter capital from over VND5,700 billion to approx VND10,000 billion. After completing the 2nd stage capital increase roadmap, ABBANK will have a charter capital of VND 9,409,498,010,000, approximately reaching the expected level of VND10,000 billion.
- b) The increase in charter capital mobilizes diversified sources, including the accumulation of undistributed net profit, the reserve fund to increase the charter capital accumulated over the past years and from additional sources of existing shareholders and investors. Of the total additional charter capital VND3,696,384,460,000 there is VND1,256,884,980,000 from the additional offering and VND2,439,499,480,000 from bonus shares. That means the additional mobilization accounts for about one third and the division from the accumulation source accounts for two third of the total increased capital. Additional mobilization from existing shareholders is 20% of current capital. These ratios are harmonious, realistic and feasible.
- c) The amount of additional capital is expected to be sufficient to meet the capital needs under the Mid-term Plan 2021-2025 and regulatory expectations and limit the pressure on ROE and dividend ratios.
- d) The expected amount of 2% offering to employees is equivalent to a mid-level mobilization of VND120 billion within the normal limits of the ESOP program which is popular in Vietnam (1-5% of charter capital). The offering rate of 2% is reasonable and feasible when ABBANK the first time develops an ESOP program to create the closed connection between the staff and the Bank.

e) Tier-2 capital increase as an alternative has been taken into account in 2020. However, independent credit rating agencies (Moody's) / other partners only assess ABBANK's capital adequacy on tier 1 capital target. In addition, tier 2 capital execution would create large costs, which directly and significantly affects the profitability of the Bank.

In summary, the increase, roadmap and method to increase charter capital have been reviewed on the basis of the balance between efficiency assurance and the scale of the Bank.

2. Determine the offering price

The expected offering price is calculated on the basis of stock price dilution level, other price determination methods and ensuring that it is attractive and feasible.

a) The diluted price of additional offered shares is determined by the following formula:

$$P' = \frac{(P*Q) + (Pa * Qa)}{(Q+Qa)}$$

In which:

P': Share price after dilution

P: Pre-dilution share price

Q: Share quantity before share price dilution

Pa: Weighted average price of shares offered for shareholders and employees

Qa: Quantity additional shares offered to shareholders and employees

Assuming that the price before exercising the rights is VND17,600 (taking the reference price of ABB shares on UpCOM on April 8, 2021) then:

Unit: VND

Stock price before the additional offering (Phase 1)	Weighted average additional asking price (sold to shareholders and employees)	Percentage of additional shares offered to shareholders and employees	Share price after dillution

17,600	10,136	22%	16,254
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The diluted share price (after the first phase offering to existing shareholders and employees) will be VND 16,254.

a) Compare with book value and P/B index reference:

Book value / share of ABB is calculated by the following formula:

$$\text{Book value / share} = \frac{\text{Equity - Intangible asset value}}{\text{Number of shares in circulation}}$$

$$\text{P/B} = \frac{\text{ABB share price at the end of 2020}}{\text{Book value for 1 ABB share}}$$

Target	Total equity (VND)	Intangible fixed assets (VND)	Total shares in circulation (shares)	Book value (VND/share)	Share price at 31 Dec 2020 (VND/share)	P/B
31/12/2020	8,811,764,000	376,728,000	571,311,355	14,764	13,500	0.91

Source: 2020 separate audited financial statements of ABBANK

Thus, the proposed offering price to existing shareholders (VND 10,000 / share) is about 24% lower than the book value and the offering price for employees (VND11,500 / share) is proposed to be lower by about 10% of book value to ensure feasibility.

ABB's P/B ratio as at 31/12/2020 is 0.91, lower than the industry average of 2.25. The P/B index shows that ABB's shares are undervalued, in addition share price after dilution is at reasonably comparative level, there is room for growth if there are good solutions to increase attractiveness and attract investors.

V. PLAN OF USING ADDITIONAL CHARTER CAPITAL

The amount of additional capital to be used to meet the business development requirements of ABBANK is in accordance with the business plan 2021 and the medium-

term business plan 2021-2025 and to ensure adequate internal capital compliance according to Circular 13/2018 / TT-NHNN. The use of additional capital, in addition to the goal of investing in strategic projects as outlined above, can be used to invest in zero-risk assets (government bonds), to avoid the increase the Bank's RWA, thereby not requiring additional capital.

VI. FORECAST OF SOME FINANCIAL INDICATORS AFTER CHARTER CAPITAL INCREASE

Assume that ABBANK completes the first capital increase and fully collects money by the end of June 2021, and uses 1,274 billion (including the additional charter capital due to offering to existing shareholders and offering to employees) into government bond investment as described in section 5, the interest income of this investment in 2021 will be VND12.74 billion (with an expected 10-year yield of 2% / year), so the indexes of ABBANK will be changed as follows:

Items	Year 2021 according to MTP	Year 2021 after charter capital increase
Profit before tax as planned (billion dong)	1.973,00	1.985,74
RoaE	16,9%	15,89%
ROaA	1,33%	1,34%
CIR	45,6%	45,5%

Increasing charter capital will affect ROE especially in the first few years of the Mid-term Plan. However, with the newly added capital, it is expected to increase the Bank's profit source and push up the expected ROE.

VII. ASSESSMENT OF SOME OTHER RELATED FACTORS

After increasing the charter capital, ABBANK will operate with a new scale with the requirements of synchronous adaptation to management, control and operational factors.

- Regarding the completion of corporate governance framework in accordance with the law: ABBANK ensures the full organizational structure of management, control and administration in accordance with the Law on Credit Institutions and in accordance with regulations at the Decree 13/2018 / TT-NHNN. Implementing the newly issued regulations of the Securities Law 2019, the Enterprise Law 2020,

Decree 155/2020 / ND-CP and Circular 116/2020 / TT-BTC, ABBANK must develop the Charter and the Regulation on Internal Governance and Operational regulations of the Board of Directors to submit to the General Meeting of Shareholders for approval in accordance with the newly issued regulations above. The Board of Directors' Office has collaborated with the Law Advisory Firm (BizConsult) to draft and submit to the Board of Directors for approval the draft of new Charter, and is drafting the Internal Governance Regulation and Operational Regulation of the Board of Directors to submit to the Board at the beginning of April to submit to the General Meeting of Shareholders for approval at the scheduled annual meeting at the end of April 2021.

- Regarding the integrity and capacity of the internal control system: ABBANK issued Regulation No. 361 / QD-HĐQT.18 December 28, 2018 on the internal control system to best control all activities. In order to generate risks, ABBANK ensured the complete organizational structure of three independent lines of defence.
- The CEO will direct the building of risk appetite and credit policy to report to RMC and submit to the Board of Directors for approval to determine the lending orientation for industries and customer groups for the coming period. At the same time, it will report and propose to the Human Resources Committee key personnel planning, succession plans to support the implementation of the capital increase plan; Detailed strategy of recruiting good quality human resources for risk management, IT - with digital skills to carry out the recommendations of IT Strategy consultants and build detailed solutions, credit appraisal and analysis for specialized sectors, Credit Management, ALM and Market Risk to meet the needs and quality of human resources for the increase in the scale of operations after charter capital increase. In addition, he will review and evaluate and update strategic initiatives to implement the medium-term plan in line with the reality of operations over the years.
- IT strategy is very important and is a prerequisite for digital banking to be implemented. In 2020, ABBANK worked with consulting firms; completed the component definition and drafted contract; will speed up the construction of IT Strategy to guide the digital-based business promotion according to modern trends.

VIII. PROPOSAL

The Board of Directors submits to the General Meeting of Shareholders for approval the following contents:

1. To approve the plan to increase charter capital in 2021 with the basic contents in this Proposal.
2. Assign / authorize the Board of Directors:
 - a) To carry out the procedures for reporting, applying for approval, registering for offering and selling with competent authorities and disclosing information in accordance with the laws;
 - b) Reviewing, amending, supplementing and completing the plan for offering and issuing shares. Except for the number and types of shares to be offered or additionally issued, the Board of Directors has the right to adjust the contents of the share offering and issuance plan mentioned in this Proposal when necessary to meet the requests of the competent management agencies and market reality (including the time and price offering).
 - c) Organize and direct the offering and issue of shares after obtaining the State Bank's approval and completing the issuance registration procedures with the State Securities Commission;
 - d) Report on the result of offering, issuing, disclosing information and registering the charter capital of ABBANK corresponding to the actual additional capital increase after the offering, issuing with competent state agencies;
 - e) To update and amend ABBANK's Charter with contents related to charter capital, number of shares based on the reported offering and issuance results and certified / approved by the competent management agencies;
 - f) To conduct securities registration and additional transaction registration for the additional shares issued.
 - g) Decide all other jobs and related arising issues to make the offer to sell, issue to increase charter capital according to this Proposal.
3. The Board of Directors has full authority to consider combining the implementation of the capital increase roadmap and the listing of ABB shares in order to bring the best efficiency and benefits to Shareholders.

Respectfully submitted.

**FOR THE BOARD OF DIRECTORS
CHAIRPERSON**

Dao Manh Khang