

BUILDING FAITH FROM HEART

FROM VISION TO STRATEGY



Dragon - the leading Holy creature out of the Four with the highest vision and authority sows faith and guide all other animals. The image of the sacred dragon represents the initiative and strength that enables a clear vision of the future and the highest embodiment of the clear Heart, Self confidence, Trustworthiness, Wisdom and Position of the leader.

In the 30-year journey of development with the country, SHB has embraced the importance of strategic vision and pioneered to implement key national economic policies creating prosperity and sustainable values for the community and customers.

Similar to the visionary capacity of the Dragon, SHB's vision, turned into actions, has brought about numerous achievements and affirmed clients, partners, shareholders and investors' belief in a sustainable future.





1.1. GENERAL INFORMATION



Full name in Vietnamese

NGÂN HÀNG TMCP SÀI GÒN - HÀ NỘI

Full name in English

SAIGON HANOI COMMERCIAL JOINT STOCK BANK

Abbreviated name in English

SHB

Business registration certificate number

1800278630 issued by Hanoi Department of Planning and Investment

First registration

December 10, 1993Registration for the 32nd change**January 17, 2023**

Charter capital

VND 30,673,832 million

Equity

VND 42,904,471 million

Address

77 Tran Hung Dao - Hoan Kiem District - Hanoi City

Phone

(024) 3942 3388

Fax

(024) 3941 0944

Website

www.shb.com.vn

Ticker symbol

SHB

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GENERAL INFORMATION

1.2. THE JOURNEY OF ESTABLISHMENT AND DEVELOPMENT - INNOVATION JOURNEY

Saigon - Hanoi Commercial Joint Stock Bank (SHB), formerly known as Nhon Ai Rural Commercial Joint Stock Bank, was established in 1993 in Can Tho. In 2006, the Bank officially changed its name to Saigon - Hanoi Commercial Joint Stock Bank (SHB), moved its headquarters from Can Tho to Hanoi and was listed on the Hanoi Stock Exchange in 2009. Up to now, the network of the bank covers nearly 50 provinces and cities with 539 domestic and foreign transaction points. Total assets of the Bank reached VND 551 trillion as of December 31, 2022, ranking in Top 5 largest commercial joint stock bank.

1.2.1. DATE OF ESTABLISHMENT

- SHB was established on November 13, 1993 under Decision No. 214/QĐ-NH5 and Operation License No. 0041-NH/GP of the SBV of Vietnam with the original name of Nhon Ai Rural Joint Stock Commercial Bank. Business registration certificate No. 1800278630 issued by Hanoi Department of Planning and Investment, changed for the 32nd time on January 17, 2023.

1.2.2. DATE OF LISTING

- SHB was listed on the Hanoi Stock Exchange according to Decision No. 399/QĐ-SGDHN and started trading on 20/04/2009.

1.2.3. STAGES OF DEVELOPMENT

- 30 years of development is the 30 years of non-stop innovation of SHB, from a small rural commercial bank in Can Tho, which has transformed itself into one of top 5 national commercial joint stock banks.

1993 - 2006

STARTING FROM HEART AND FAITH CONSOLIDATED

1993

- Saigon - Hanoi Commercial Joint Stock Bank (SHB), formerly known as Nhon Ai Rural Commercial Joint Stock Bank, was established on November 13, 1993 in Can Tho.

2006

- In 2006, Nhon Ai Rural Commercial Joint Stock Bank transformed into Urban Commercial Joint Stock Bank and renamed to Saigon - Hanoi Commercial Joint Stock Bank (SHB) with charter capital of VND 500 billion.

2007 - 2011

TRANSFORMATION, DEVOTION TO CREATING PRESTIGE

During the first 5 years of change from a rural bank into an urban one, SHB did not only build up a reputation in Vietnam but also reached out to two neighboring countries, seizing opportunities in accordance with policies of the state, fostering the trust of the community.

2008

- Moved the head office from Can Tho to Hanoi, confirming a big turning point in the bank's scale, position and potential with charter capital of VND 2,000 billion.

2009

- Being one of the first banks in Vietnam to be officially listed on the Hanoi Stock Exchange.

2011

- Upscale the Bank with the charter capital increase to nearly VND 5,000 billion, approved by the SBV of Vietnam to open branches in Cambodia and Laos, starting the overseas investment. In the same year, on the occasion of its 18th establishment anniversary, SHB was honored to receive the Third Class Labor Medal awarded by the State President, recognizing SHB's business efforts.

2012 - 2016

FACED WITH CHALLENGES, APPLY HEART AND WISDOM TO TURN INTO OPPORTUNITIES

The radical change of the globalized economy created opportunities and challenges. In that common context, SHB adheres to the principle of taking the HEART to nourish the MIND, turning challenges into opportunities for transformation. Determined to overcome challenges but also strived to integrate and cooperate with domestic enterprises and state credit institutions for the national interests.

2012

- As one of the pioneer banks to expand its business network to the international market, opening a branch in Cambodia in February 2012 with initial charter capital of USD 37 million and a branch in Laos in August 2012 with charter capital of Lao Kip 104 billion; Taking the lead in implementing the Government's policy of restructuring the system of credit institutions with the successful merger of Hanoi Building Commercial Joint Stock Bank (Habubank) in August 2012.

2013

- Celebrating 20 years of establishment, SHB was honored to receive the Second-class Labor Medal awarded by the State President, marking the success through the development process.

2015

- Increasing charter capital to VND 9,500 billion, transaction network increased to nearly 500 points at home and abroad.

2016

- Increasing charter capital to VND 11,197 billion.
- Opening a wholly owned subsidiary in Laos on January 15, 2016 and a wholly-owned subsidiary in Cambodia on September 9, 2016 - demonstrating SHB's outstanding business efforts in the two markets; Acquired Vinaconex Viettel Finance Joint Stock Company (VVF) in December 2016 and established SHBFC (SHB FC).

2017 - 2022

DURING DEVELOPMENT PHASE, MAKE EVERY EFFORT TO ACCUMULATE KNOWLEDGE

Time serves as both an opportunity and a measure of business maturity. One year before the 30-year milestone (2023), SHB entered its prime according to the traditional concept of 30-year-old setting solid foundations in his life with a physically healthy body. Opportunities and desire to accumulate knowledge becomes a life command. The strong innovation with the strategy of optimizing the management, promoting digital transformation is the ideal environment for the effective development of SHB.

2017

- SHB increased its charter capital to VND 12,036 billion, improving its financial capacity; Acquiring operation license to open a representative office in the Republic of the Union of Myanmar. This is also an important step for SHB when it set presence not only in the Indochina peninsula but also in Southeast Asia.

2018

- SHB celebrated its 25th anniversary of establishment and development, honored to receive the Second Class Labor Medal awarded by the State President of the Socialist Republic of Vietnam for the second time, affirming its position as one of the leading banks in Vietnam.

2019

- SHB thoroughly restructured its organizational structure and operating model with the merger/split of many professional divisions/departments in line with the development strategy; rearrange 100% of titles and salary system for employees; apply uniform key performance indicators (KPIs) throughout the system; completed many technology projects to support business management and risk management such as upgrading CoreBank, Core Card, Ebanking, Workstation information management project on Service Desk software, FTP software, Bitwise SSH server at ATM, POS user transfer tool for applications to limit manual delegation, ECM project, CRM, Basel 2, Debt collection, Data Loss Prevention Project (DLP);...

- SHB established and implemented three strategic project committees, including: Development Strategy Project, Banking Modernization Project and Governance & Organizational Restructuring Project, headed directly by the Chairman of the BOD to realize strategic targets.

2020

- SHB increased its charter capital to VND 17,510 billion; completed the three pillars of the Basel II Capital Adequacy standards ahead of schedule, fully complying with the requirements of the SBV; promoted investment in IT as well as improved governance capability, improved SHB's competitiveness in international economic integration.

2021

- SHB increased the charter capital to VND 26,674 billion; finishing writing off VAMC Special Bonds and cut it down to zero balance, improving asset quality; transferring shares from Hanoi Stock Exchange (HNX) to Ho Chi Minh City Stock Exchange (HOSE); Banking modernization and comprehensive digital transformation have achieved initial successes.

- SHB also created a big incentive for investors - a highlight in the M&A market by signing a full divestiture agreement of SHB Finance for Krungsri Bank - Thailand within 3 years; became the second highest value M&A deal among consumer finance companies in the market, bringing significant capital surplus to SHB's shareholders as well as improving financial capacity and market position of SHB.

2022

- The charter capital rises to VND 30,674 billion, maintaining its position in the Top 5 commercial joint stock banks in terms of charter capital.

2023 - to the future

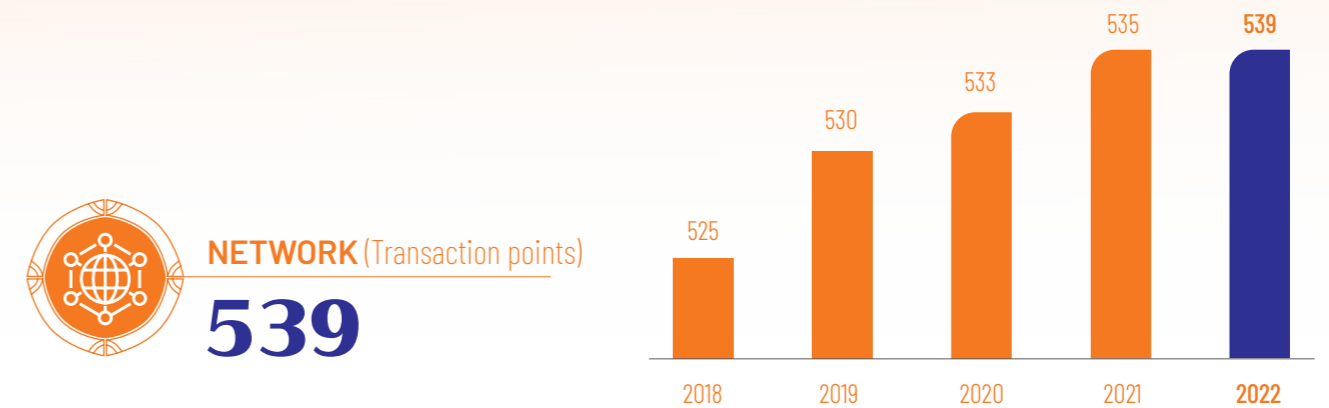
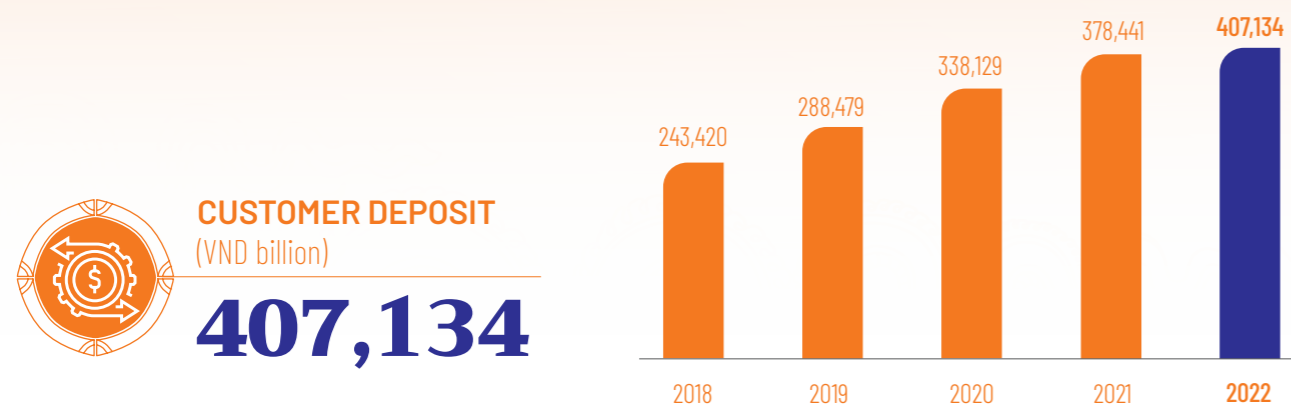
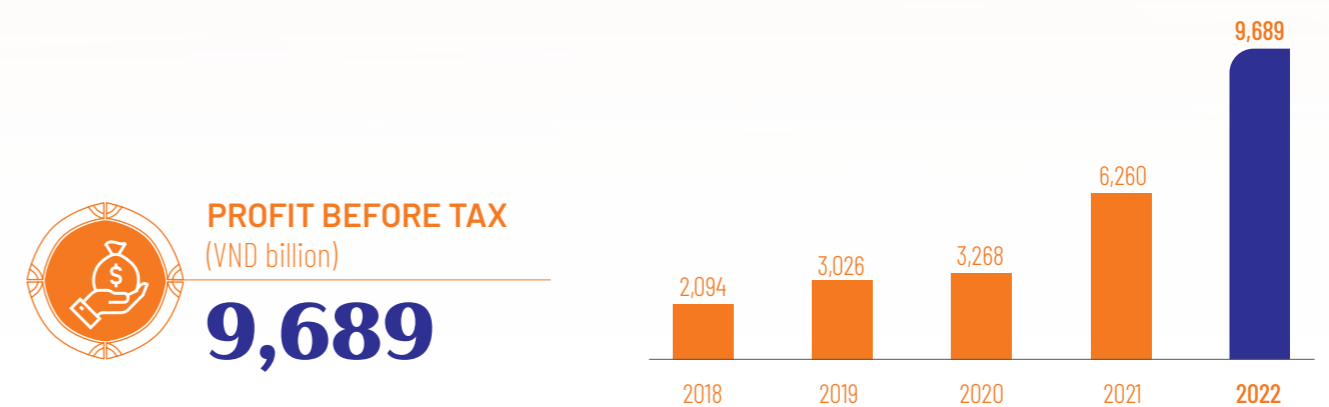
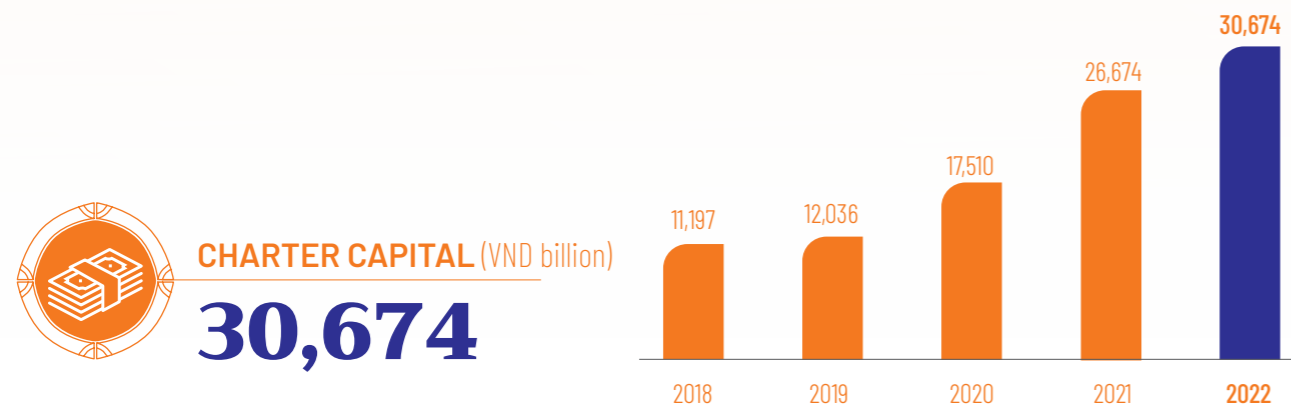
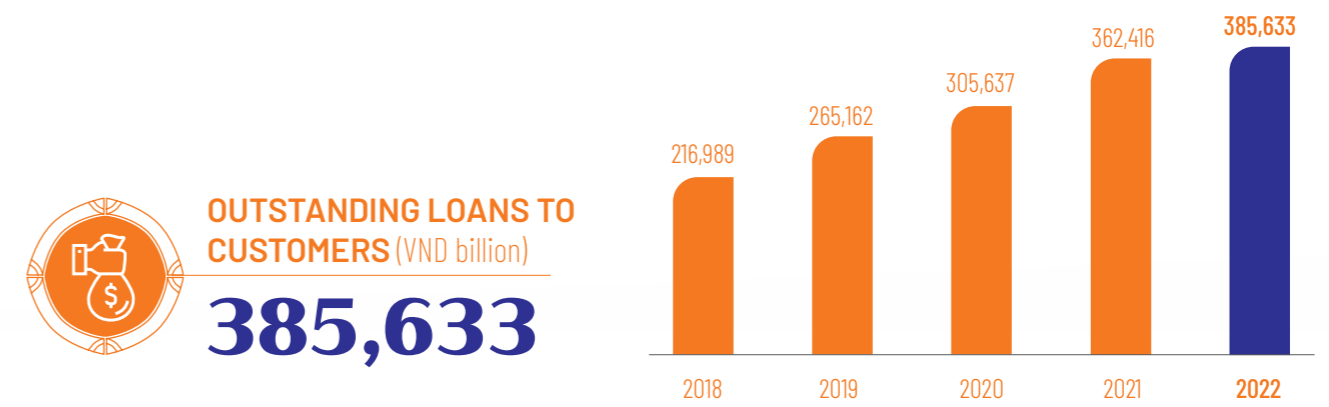
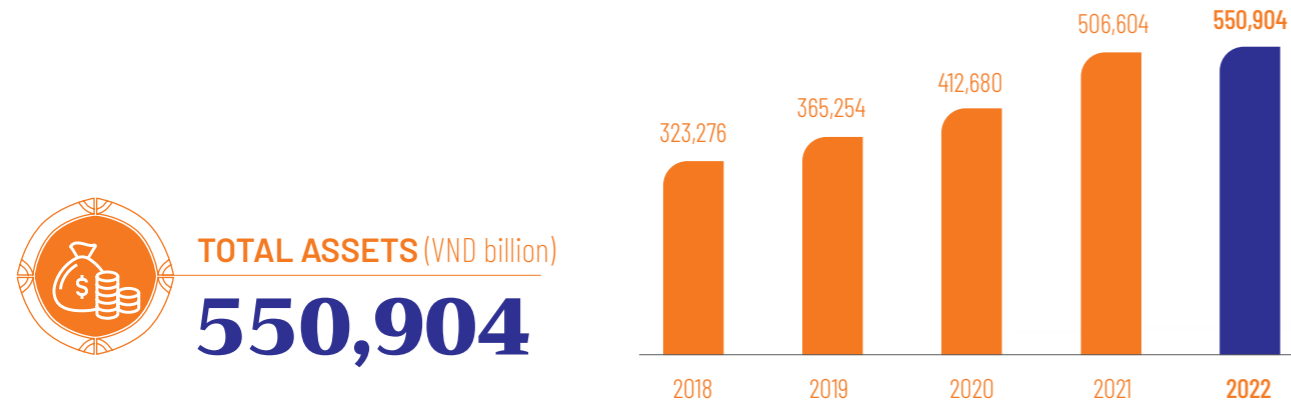
JOURNEY TO THE FUTURE, FROM HEART TO NEW HEIGHT

Each climax is a starting point for the journey to the future. The 30-year milestone forest out the beginning of the future aspiration and ambitions and SHB must reach and conquer the market with confidence in what has been accumulated over the past 3 decades. Still from HEART to build FAITH, establish TRUSTWORTHINESS, accumulate KNOWLEDGE to achieve new heights.

- With 6 core values "Heart - Faith - Trustworthiness - Knowledge - Wisdom - Prestige" and the slogan "Solid partners - Flexible solutions" with "agile" strategy to deliver more values to customers and prosperity for shareholders - investors, SHB always satisfies demands of customers and partners with synchronized, high-quality and competitive products and services.

- SHB constantly endeavours to become No. 1 in terms of efficiency and technology among commercial banks in Vietnam; leading modern retail bank in the region.

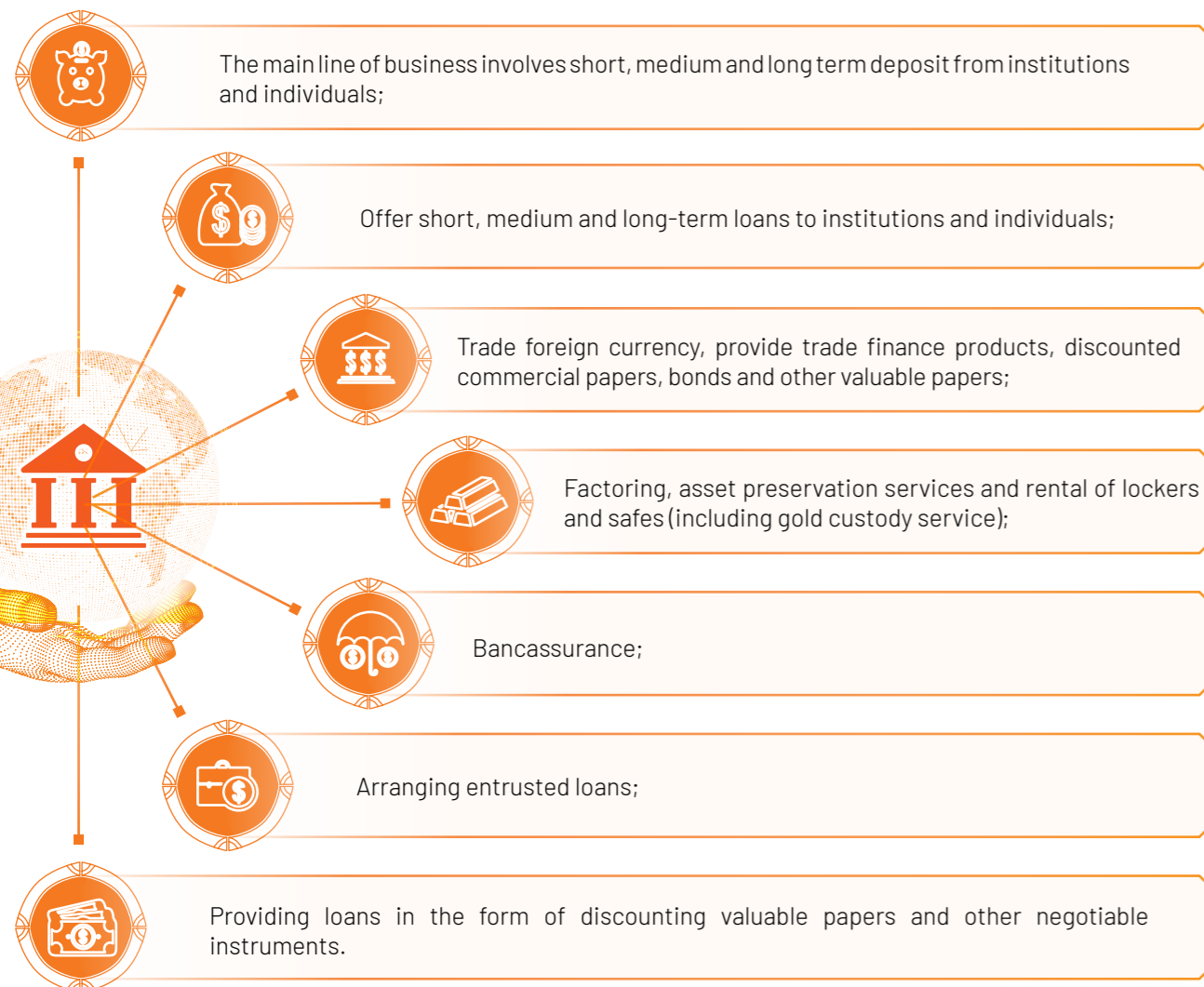
1.2.4. IMPRESSIVE FINANCIAL METRICS FOR THE PERIOD 2018 - 2022



1.3. BUSINESS AREAS AND LOCATIONS

1.3.1. BUSINESS LINES

SHB always innovates and develops banking and financial products and services in line with market needs and trends.



1.3.2. BUSINESS REGIONS

SHB always innovates and expands its business network to best serve the needs of customers.

- By December 31, 2022, SHB continued to expand its network, expanding the total number of transaction points to 539, present in nearly 50 provinces and cities in the country, which are major provinces and cities directly under the central government, provinces/cities with strong economic development potential across the country.
- Overseas: Present in 3 Southeast Asian countries, namely Lao PDR (Vienna, Champasak, Savannakhet), Kingdom of Cambodia (Phnom Penh, Kampong Thom, Nehru...), Myanmar and in the process of opening a new branch in Côte d'Ivoire.

(Please refer to page 136 for more details)

1.4. GOVERNANCE MODEL AND ORGANIZATION STRUCTURE

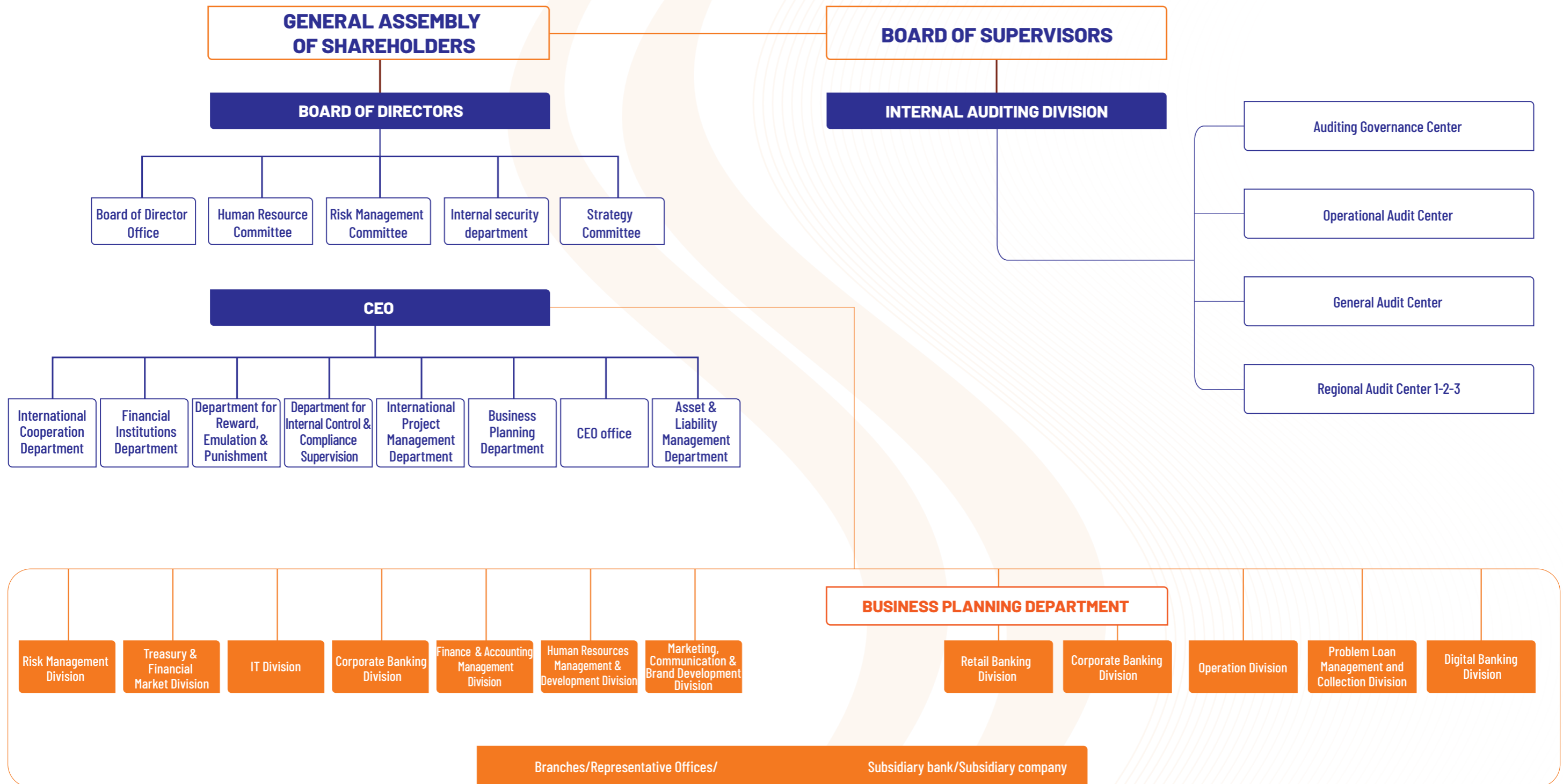
1.4.1. GOVERNANCE MODEL

SHB always focuses on strengthening and transforming the organizational structure to ensure that the governance is carried out according to a modern, streamlined and optimized model in line with the business strategy towards becoming a modern, versatile retail bank.

1.4.2. ORGANIZATION STRUCTURE

- In order to optimize operational efficiency and resources for business development, SHB has consolidated the organizational structure and clearly defined roles and responsibilities of all Divisions/Departments.
- The governance structure includes the General Assembly of Shareholders, the Board of Directors (BOD), the Board of Supervisors and Chief Executive Officer (CEO) as well as regulatory requirements applied to credit institutions in Law on Credit Institutions in 2010 and Clause 32.1 in the amending and supplementing a number of articles of the Law on Credit Institutions in 2017.
- The General Assembly of Shareholders is the highest authority of the Bank.
- The BOD is the highest governing body with members elected by the General Meeting of Shareholders.
- Board level committees, councils and offices perform the tasks as delegated by the BOD, including the Human Resources Committee, the Risk Management Committee, the Strategy Committee, BOD office, Internal Security Department.
- SHB consists of the Bank and its subsidiaries. The Bank is structured into Head Office, branches and transaction offices. The Head Office includes divisions, departments, centers and offices directly under the CEO.





1.4.3. SUBSIDIARIES, AFFILIATED COMPANIES

SUBSIDIARIES

Company name	Address	Business areas	Charter capital	SHB's contributed capital	SHB's holding rate
DOMESTIC SUBSIDIARIES					
SHB Asset Development and Loan Management One Member LLC (SHAMC)	14 th floor, Building 169 Nguyen Ngoc Vu, Cau Giay District, Hanoi City	Loan management and asset development	20 billion VND	20 billion VND	100%
Saigon - Hanoi Commercial Joint Stock Bank Finance Company Limited (SHB FC)	GELEX Building, 52 Le Dai Hanh Street, Hai Ba Trung District, Hanoi City	Finance, banking	1,000 billion VND	1,000 billion VND	100%
OVERSEAS SUBSIDIARIES					
SHB Laos single member Limited Liability Bank	Lanexang Road, HatsadyTai Village, Chanthabouly District, Vientiane Capital, Lao PDR.	Finance, banking	1,158 billion VND	1,158 billion VND	100%
SHB Cambodia Limited Liability Bank	Building No. 107, Norodom Avenue, Boeing Rang Ward, Daun Penh District, Phnom Penh, Cambodia	Finance, banking	1,749 billion VND	1,749 billion VND	100%

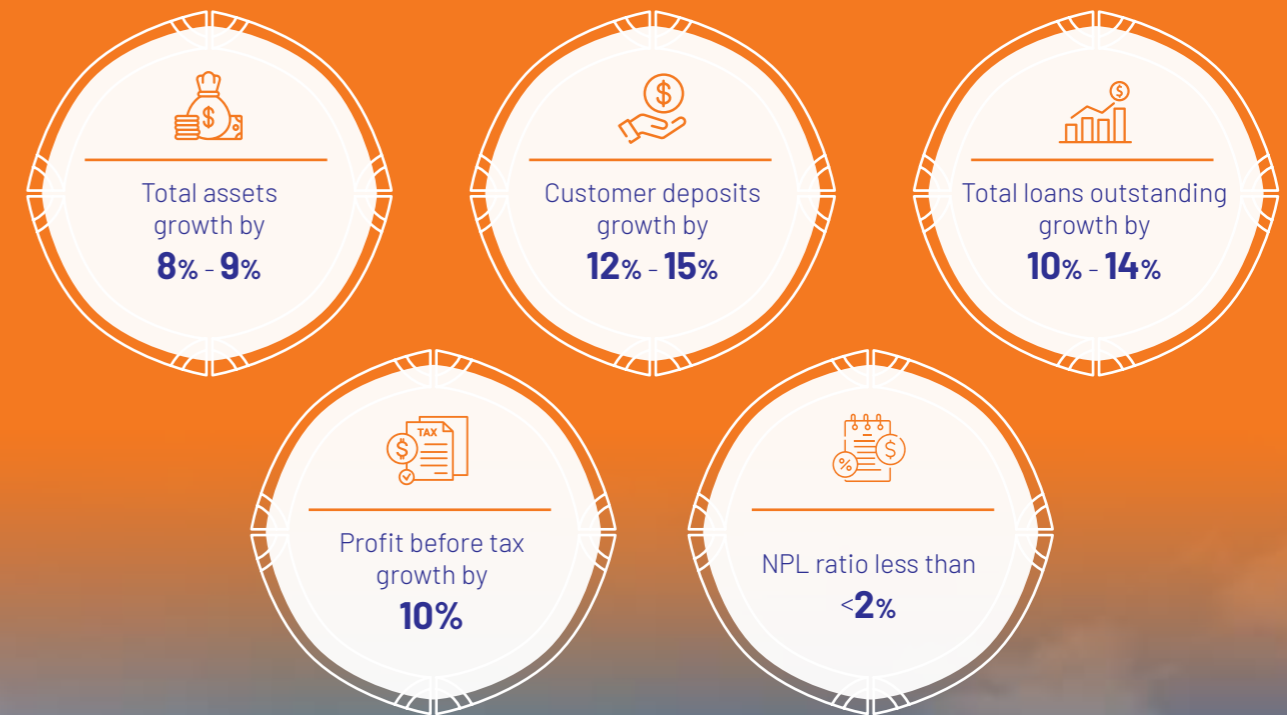
1.5. BUSINESS ORIENTATION

SHB's orientation is to become the leading modern retail bank in Vietnam, strongly transforming moved by the latest digital technology, diverse customer ecosystem and high value chain.

Customer - centricity together with the driving force of its people and technology, risk management, product development, sales, service,... are the foundation of success.

1.5.1. KEY OBJECTIVES

KEY FINANCIAL GOALS IN 2023



MEDIUM AND LONG TERM GOALS

SHB's strategic goal by 2027, along with drastic digitalization, is to become the top performing commercial bank, leading in efficiency and technology.



1.5.2. MEDIUM AND LONG-TERM BUSINESS STRATEGY

In order to realize the goal of becoming the No. 1 bank in terms of efficiency and technology among commercial banks in Vietnam, SHB designs a customized strategy for each development stage, with long-term orientation, always strives for differentiation, towards the market and clients, which includes:



1.5.3. SUSTAINABLE GROWTH GOALS

SHB defines a sustainable development strategy that not only aims at efficient and prudent financial growth approach, but also fulfills environmental and social responsibility.

- Ensure competitive compensation package, learning opportunities and career growth for employees; fair and transparent recruitment policy.
- SHB commits to participate in protecting the environment by reducing greenhouse gas emissions and workplace waste; Reasonable exploitation, economical use of natural resources, protection and improvement of living environment quality; Green credit development must strictly comply with international and domestic standards on environmental protection, energy and resource saving.
- Social security supports focused on medical aid, the underprivileged, education demonstrate corporate social responsibility and staff compassion as a foundational value for continuous development.





1.6. THE RISKS

In 2022, SHB continued to implement proactive risk management to cope with the adverse global and domestic market. Risks are identified, periodically assessed and promptly reported to the Board of Management and the BOD to control and mitigate the negative impacts on business operations and the Bank reputation in a timely manner.

1.6.1. OPPORTUNITIES AND CHALLENGES

OPPORTUNITIES Positive macroeconomic factors stimulated both the Vietnam economy in general and banking sector in particular after disruptions caused by the Covid-19 pandemic.

In 2022, in the context of the world economy facing many difficulties and uncertain factors, Vietnam's economy still recovers strongly and achieves GDP growth rate of over 8%. This result comes from a combination of values and advantages such as: a stable political situation, an economy with fast growth drivers, a large consumption market, strong FDI attraction, and many free trade agreements support import-export activities, etc. In addition, Vietnam has affirmed its ability to adapt to changes, and has flexible and timely policies to support the economy to overcome challenges and continue recovery. This is also the basis for Vietnam's economy in 2023 to be forecasted with a positive outlook.

The updated report of the World Bank (WB) recently also emphasized that Vietnam still has room to implement measures to promote growth, unlike many other countries. Effective implementation of key public investment projects is a key to growth in both the short and long term. At the same time, fiscal and monetary policies should be synchronized to ensure support for the economy, and macroeconomic stability.

The Government, the State Bank and the ministries have also been closely following the economy to produce flexible, timely and effective solutions and simultaneously maintain macroeconomic stability, control inflation, promote growth and ensure major

balances of the economy.

Along with a positive macroeconomic growth outlook, the banking industry has also achieved significant improvements, creating conditions for sustainable medium and long term development. The legal framework is constantly bettering, and the application of Basel standards not only helps banks to increase capital capacity but also improve governance capacity, meeting the requirements of the development process and international integration. The asset quality of the banking system is expected to continue to improve when the loan settlement process is promoted and achieved positive results in the past period, the NPL coverage ratio of the whole industry continues to increase.

In 2022, the Government launched the Project "Restructuring the system of credit institutions associated with NPL settlement for the period of 2021-2025", the State Bank of Vietnam also issued an action plan, which emphasized the requirement to increase the capital of commercial banks, continue to take measures to minimize arising NPL, and at the same time encouraged and promoted the process of restructuring the system. With the implementation of synchronous solutions, the market and banking activities are becoming increasingly transparent and professional, affirming the key role in the economy.

With 70% of Vietnam's population not yet accessing banking services, the potential of the banking industry is still very high. The banking industry is playing a key role in connecting and allocating capital among economic sectors in the country, as well as linking and promoting financial services, contributing to the growth of the country.

Vietnam is a country that is changing rapidly with high economic growth, good education, and people's living standards are increasingly improved... Rapid urbanization, young population structure with open social awareness and constantly updated knowledge about banking, finance and technology are strongly promoting the demand for utilities and services of commercial banks.

The country is increasingly open to free trade, participating in many free trade agreements, opening up a lot of cooperation opportunities between domestic and foreign businesses. This trend promotes a strong increase in the number of newly established businesses, as well as new records in import and export turnover, associated with the increased demand for capital and financial services which the banking system is playing a key connecting role.

The world in general and Vietnam in particular are transforming under the wave of extensive and radical digital transformation, with breakthroughs in digital technology and artificial intelligence. This wave is pushing the banking system to further optimize in management and operation, in the construction and development of products and services, as well as putting more pressure and competitiveness to earn new and higher values.

Recognizing the importance and potential of Technology, the Government has considered "Industrial Revolution 4.0 as Vietnam's historic opportunity" to direct the country towards "Digital Government and Digital Economy". This is an important driving force for business activities and stronger competition for the benefit of the economy, consumers, communities and society. For enterprises in general and enterprises in the banking and finance industry in particular, ever-changing science and technology requires the application of technologies more quickly and effectively presenting both opportunities and challenges for executives and strategic director.

Technology transfer and automation between banks and finance technology companies (Fintech) gradually increase, leading to joint ventures and linkages between banks to complement each other with new technologies. As a result, the technical-technological system of the banking industry is continuously upgraded and modernized to meet the higher needs of customers, thereby developing increasingly diverse and multi-layered ecosystems.

CHALLENGES

Firstly

the booming credit poses the hidden risk of hot growth accompanied by increased risk of bad debts and higher provisions.

Third

the pressure on equity capital increase continues in the banking industry to ensure prudential ratios under unfavorable conditions such as the economy still in the recovery phase, GDP growth in 2023 forecasted to slow down at 6.0-6.5% and the considerable challenge of exchange rate and interest rate.

Second

higher risks of technology crimes due to the application of technology in transactions, information and data management place banks as favorite targets of severe cyber attack.

Finally

the rapid development of Fintech in the banking sector present significant challenges to the regulatory agencies such as: cyber security, personal data protection, consumer rights, money laundering and terrorist financing, etc.

Macroeconomic factors	Impacts on the banking system including SHB		
	Trend	Mid-term	Long-term
>Stable economic growth; growth moves towards sustainability	Stable	Positive	Positive
>Inflation is under control thanks to prudent macroeconomic policy	Stable	Positive	Positive
>Manufacturing sector has a lot of potentials and continuously improves	Increasing	Positive	Positive
>Private sector is emphasized as the key growth driver	Increasing	Positive	Positive
Absorb long-term investment capital flow	Increasing	Positive	Positive
>Youth labor force participation increases and tend to shift to key economic regions	Increasing	Positive	Positive
>Import-export trade is under a lot of short-term pressure from global trade conflicts among powerful countries	Increasing	Negative	Stable
>Participating in global trade agreements encourages Vietnam to more deeply involve in the global value chain	Bettering	Positive	Positive

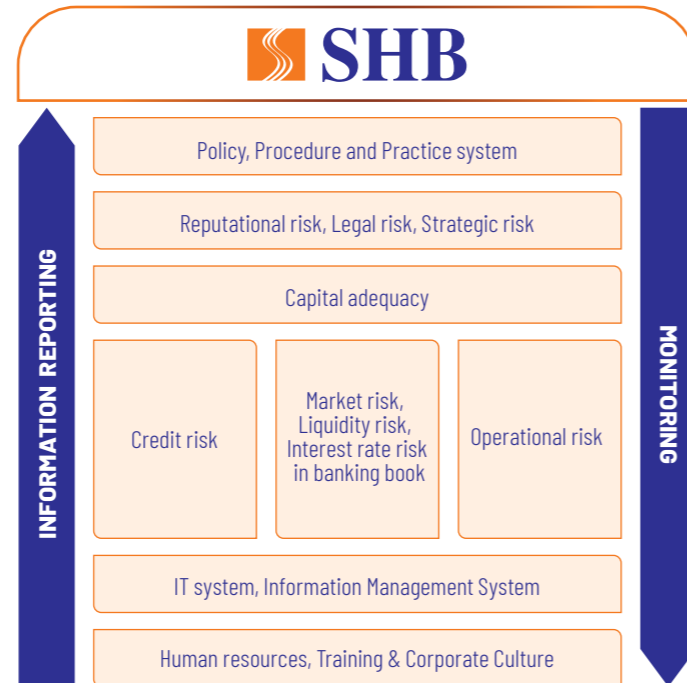
In addition to the macroeconomic risks, SHB always identifies, closely monitors and controls industry-specific risks such as credit risk, liquidity risk, operational risk and market risk, interest rate risk in the banking book (IRRBB),...

1.6.2. THE BANKING INDUSTRY SPECIFIC RISKS

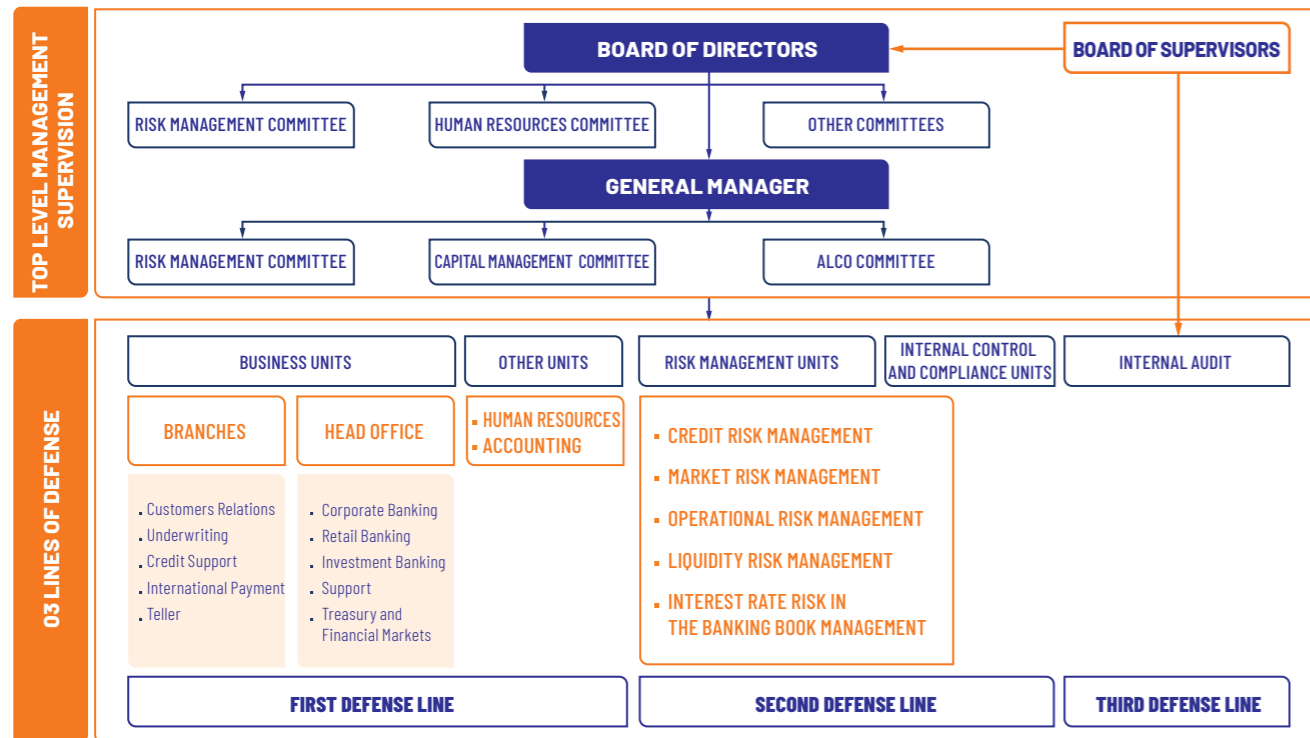
RISK MANAGEMENT FRAMEWORK

SHB establishes a risk management framework to ensure a complete system of policies, regulations, procedures and guidelines to run the Bank's operation in line with the business strategy and risk management objectives. Material risks are identified, measured and controlled while maintaining a satisfactory capital adequacy ratio commensurate with the Bank's risk profile.

In order to ensure an effective risk management framework, SHB has established a full information system along with a management reporting system to ensure timely and accurate information about the risk level of the Bank, make forecast on business activities, credit quality and make appropriate and effective business decisions. SHB also pays great attention to training and communication as the foundation for building a risk-aware culture.



RISK MANAGEMENT STRUCTURE



Three lines of defense model is adopted at SHB to enhance risk management capability across the Bank.

- The first line of defense is responsible for identifying, controlling and implementing risk reduction measures.
- The second line of defense is designed to control and monitor legal- and compliance-related risks.
- The third line of defense is executed by the internal audit division to monitor and evaluate the effectiveness and adequacy of the first and the second line of defense.

Furthermore, SHB also established a full range of Committees/Councils to assist the Board of Directors and CEO in performing the supervisory function of top level management.

CAPITAL ADEQUACY

SHB has completed three pillars of the Basel II Accords in 2020, conducts annual Internal Capital Adequacy Assessment Process (ICAAP) starting from 2021 and fully complies with the SBV's requirements on operational risk management in particular and the internal control system in general.

The management have always been consistent in risk management policy and capital adequacy, in which fulfilling three pillars of Basel does not mean a stopping point but rather a springboard to further enhance the risk management capacity framework towards the application of higher international standards.

On that basis, in 2022, the development and implementation of upgrading the liquidity risk measurement tools specified by Basel III standards were finished and applying LCR, NSFR indicators

for internal monitoring/supervision is expected to carry out in 2023. At the same time, consolidating risk measurement model and adopting advanced internal rating based approach to measure credit risk exposure are being in progress. The results of these projects will be applied to further improve the Bank's operational efficiency.

In addition, in order to maintain sufficient capital for material risks, SHB regularly implements measures to optimize RWA and improve the Bank's equity capital, thereby surpassing the minimum capital adequacy ratio of 8% as prescribed in Circular 41/2016/TT-NHNN and keeping the ratio always greater than 10%. This measure is implemented to ensure capital buffer to support the Bank's sustainable and effective growth. SHB's capital adequacy ratio is maintained above the Bank's target capital adequacy ratio in both normal and adverse conditions.



1.6.3. MATERIAL RISKS MANAGEMENT

A Credit risk

Credit risk is the possibility of a financial loss in banking operations caused by clients failing or unable to fulfill their obligations as committed. A system of credit risk management policies has been developed in line with the following principles: (i) Establish an appropriate credit risk management environment; (ii) credit granting procedure carried out under the close coordination among involved departments; (iii) Identify, measure and monitor risks in each tier of three lines of defense to ensure adequate control over credit risk.

All credit-related procedures, policies and products are reviewed and evaluated by three lines of defense to control and prevent systematic credit risks. In 2022, the system of credit risk management documentation shall be bettered in line with with the Bank's business orientation, operational practices and risk management objectives.

Customer assessment and appraisal models are being developed; moreover, an early warning model is initially implemented. In addition, the internal credit rating model is periodically inspected by SHB to enhance its quality. SHB's loan pricing methods based on risk measures quite similar to Basel IRB better serve informed decision-making process supported by data and statistical models.

The credit risk reporting is conducted at shortened intervals in order to assess the overall risk status, credit risk exposure and produce forecasts and early warnings to ensure appropriate and timely credit procedures and policies.

In addition, in order to strengthen credit risk management capacity, SHB focused on building and upgrading the database, data warehouse and SHB-owned credit information center (SHB CIC), early warning system (EWS) and debt collection system.

SHB is gradually adopting risk management method of international credit institutions.

B Environmental and Social (E&S) risks

Sustainable, prudential and effective growth is the ultimate goal of SHB as well as other banks in Vietnam. In particular, green credit plays a very important role in the overall strategy for sustainable development at SHB. This direction also aligns with green banks and green credit policy of the government and the SBV.

Regulations on managing E&S risks in credit extension procedures have been issued. E&S risk assessment, listed as a mandatory requirement in the customers appraisal process, helps to select environmentally friendly business plans/projects to finance and advise customers to minimize and/or mitigate negative ES impacts.

SHB E&S risk assessment complies with both the regulatory E&S requirements and taxonomy and guidelines recommended by IFC. The assessment includes the impact of the business plan /project on the environment, labor and working conditions, community health and safety, biodiversity, resettlement, indigenous minorities and cultural heritage.

Monitoring E&S risks is carried out in the periodical customer appraisal after credit extension in order to detect early warnings and minimize arising E&S risks.

In the coming time, SHB will continue to improve the policy framework, regulations, taxonomy related to E&S risks and provide staff with comprehensive E&S risk management training to improve execution capacity and E&S risk management, contributing to sustainable green credit growth.

C Operational risk

The risk due to incomplete or faulty internal processes, human factors, errors, system failures or external factors causing financial losses or non-financial negative impacts to SHB (including legal risks) is defined as operation risk. In order to manage operational risk effectively, SHB applied appetite and limits of operational risk loss and methods of identifying, measuring, monitoring and controlling operational risks in compliance with Circular 13/2018/TT-NHNN, Basel 2 standards and international practices.

In 2022, SHB managed operational risk proactively via adopting prevention measures and preparing well for newly arising risks such as: counterfeiting of bank messages (SMS phishing brand name); interruption of operations due to rumors and negative information disclosure related to the bank.

In addition to annual communication and training on operational risk management for employees, in 2022, SHB will strengthen and diversify forms of communication to employees and customers such as building an operational risk manual for Customer Service staff and disseminating more videos warning of various forms of fraud, forgery to Customers,...

In 2022, SHB conducted fire drill at several Branches and Head Office Units, ensuring the availability of backup locations, technology and facilities for remote working as well as testing the alternate operation of the data center and disaster recovery system (DC/DR).

In addition, SHB concentrated on information security, actively monitoring the transmission of data with the support of data loss prevention (DLP) technology.

Fraud risk management has been enhanced by SHB by setting up a specialized department for fraud investigation and a mechanism to receive fraudulent denunciations/suspects of fraud, and developing scenarios for early detection of fraud.

D IT Risks

IT risk is the possibility of losses occurring when performing operations related to information systems such as the management and use of hardware, software, communications, system interfaces, operations and human.

IT Division works as an IT service provider, including: organization, the operating model under ITIL (IT Infrastructure Library) to improve Service Level Agreement (SLA), timely meeting business requirements, minimizing IT risks. The Cyber Security Center under the IT Division is a specialized unit with the function of ensuring cyber safety, information confidentiality, and IT risk management.

SHB has implemented cyber security solutions to fully comply with the cyber security regulations prescribed by the SBV. In addition, SHB has applied international cyber security standards and has been certified to comply with the following standards:

- ISO 27001:2013 Standard in 2015
- PCI DSS Card Data Security Standard in 2016
- 3D Secure technology for online transactions of cardholders in 2016
- The Swift Customer Security Controls Framework (CSCF) in 2019

SHB stays updated for the latest global information security trends and adopts flexible measures to limit IT risks.

E Market risk

Market risk: is the risk caused by adverse fluctuations in interest rates, exchange rates, stock prices and commodity prices on the market. SHB faces two main types of market risks: interest rate risk and exchange rate risk. The system of policies, regulations, procedures on market risk management has been consolidated, specifying individual steps from risk identification, measurement, monitoring/control/and report and responsibilities of relevant units.

Along with interest rate risk management policy, centralized exchange rate at Head Office, the Bank has fully applied the market risk limit system such as position/portfolio limit, trader limit, loss/stop loss limit, sensitivity limit, etc. Market risk limits are reviewed at least annually or ad hoc in case of large fluctuations in the market.

Market risk measurement is carried out through modeling and a set of indicators such as: Open position; Price Value of a Basis point (PV01); Profit and Loss Market-to-Market; Value at risk (VaR - Value at risk). Measurement methods and tools are regularly reviewed and revised to accurately quantify risk in line with the market and SHB's business in each period.

F Liquidity risk

Liquidity risk arises from the inability to fulfill debt repayment obligations when due, or the ability to pay debt obligations when due but having to pay at a cost higher than the average of the market.

Along with the policy of maintaining a reasonable balance between liabilities and assets, ensuring to maintain enough high-liquidity assets to meet payment needs, SHB advocates diversifying funding sources and terms to increase liabilities stability. Mobilization plans including funding sources and maturities are built and monitored safely and effectively in each period based on the business plan of each unit and the Bank-wide strategy to ensure daily liquidity support and provision of funds in case of a crisis.

SHB has issued and applied liquidity risk limits such as: solvency ratio, Loan-to-deposit ratio (LDR), ratio of short-term funds for medium and long-term loans, total net cash outflow. The limits are evaluated and reviewed annually or on an ad-hoc basis, ensuring compliance with the provisions of law, the market conditions and SHB's business situation in each period.

Liquidity risk is measured by modeling and the system of liquidity risk indicators such as behavioral model, Gap Maximum cumulative outflow report,... In addition, in 2022, tools to measure liquidity risk conforming to Basel III standards such as Liquidity coverage ratio (LCR) and Net stable funding ratio (NSFR) were adopted.

Along with performing stress tests on liquidity risk every 6 months to quantify risks in different scenarios, SHB measures and assesses compliance with limits to ensure safety. Contingency funding plan (CFP) is in place ensure the ability to pay according to the respective scenarios and circumstances.

G Interest rate risks in banking books (IRRBB)

IRRBB is the risk caused by adverse fluctuations of interest rates on income, assets value, liabilities value and off-balance sheet items.

Along with the policy of centralized interest rate risk management at the Head Office through the internal capital transfer tool (FTP - Fund Transfer Pricing), SHB maintained a reasonable balance of maturity structure /repricing period between assets and liabilities, applying an appropriate base rate policy to set interest rates on loans, ... thereby limiting the bank book interest rate risks that the Bank may face. such as: repricing risk, basic risk, etc.

SHB issues and applies a limit of bank book interest rate risk in accordance with the size, complexity of business operations and risk appetite as well as the ability to measure and manage bank book interest rate risk, including: Limits on the difference between financial assets and financial liabilities at the same interest rate or repricing gap; Limits on changes in Net interest income (NII) due to changes in interest rates.

SHB measures the bank book interest rate risk for items with interest rates in VND or foreign currencies with a value of 5% or more of total assets through methods and systems of indicators such as: Sensitive Gap interest rate; Evaluation of the impact of interest rate fluctuations on net interest income (NII) and economic value of equity (EVE); Calculation of the required capital for the bank book interest rate risk through the Delta EVE method according to Basel III guidelines.

H Anti-money laundering

Through cooperation with international banks, SHB has developed mechanisms to prevent money laundering in accordance with domestic and international regulatory requirements, meeting the standards of the international banking system, creating necessary conditions for cooperation with international banks, thereby strengthening correspondent banking relationship, increasing the revenue generated from international payment transactions. Control mechanisms in place include: developing and regularly updating the list of embargoed countries and the areas/currencies embargoed by each country; warnings of banks with high risk or failure to meet requirements on anti-money laundering (AML) and counter-terrorist financing (CTF). So far, no international payment transactions of SHB have been frozen due to violation of embargo regulations.

SHB also strengthens customer transaction monitoring to detect suspicious transactions and illegal transactions. SHB built an automatic system to control customers' transactions based on pre-set scenarios. All customer transactions will be automatically checked and alerted by the system with transactions showing suspicious signs/violations of the law. The warnings are carefully investigated and immediately reported to the competent state agencies when arising. In addition, the tricks of violating the law are also widely communicated by SHB to the staff to minimize the risks incurred by the customers and the bank itself.