

SOWING PROSPERITY FROM THE
HEART

CONTRIBUTING TO THE BLOOMING ECONOMY



Qilin - the holy creature portends luck and great happiness. Qilin, considered a symbol of prosperity and national economic stability, earns its reputation thanks to its flexibility and wit.

SHB is proud of its positive contributions to the economy and the national development via effective business operations, strong financial capacity as one of TOP 5 commercial joint stock banks in terms of scale and corporate social responsibility. Active engagement in the country's prosperity also creates our people's happiness and purpose.



03

THE BOARD OF
MANAGEMENT REPORT



3.1. BUSINESS PERFORMANCE EVALUATION

After 30 years of continuous development and innovation, SHB is proud to be one of the 5 largest commercial joint stock banks in Vietnam, performing well dual tasks simultaneously: safe and effective business development, towards international standards, and at the same time actively take the lead in implementing major undertakings and policies of the Communist Party of Vietnam (CPV), the Government and State.

In the past 5 years, guided by the customer-centric principle, the growth rate of key indicators has always been stable, higher than that of the industry ranging from 15% to 25%. Especially in 2022, SHB has managed to achieve the business objectives despite macroeconomic challenges.

In 2022, in the context of tightened financial conditions along with strong fluctuations of the world financial market, creating great pressures on the Vietnamese economy as well as the banking and financial sector, SHB will continue to achieve important successes thanks to the capacity and determination of both domestic and foreign systems; support cooperation of partners, customers and the trust of shareholders. The operational targets all increased compared to 2021 and closely followed the plan:

- The growth rate of customer deposits has always been stable over the years and is higher than the market average. By the end of 2022, this number equals 7.6%.
- Total loan outstanding rises by 10.1% in compliance with the credit growth limit granted by the State Bank.
- Net fee income accounts for a significant part of the bank's profit structure and rises by 52.1%.
- Capital adequacy and liquidity ratio always meet the regulatory requirements of the State Bank contributing to overall liquidity of the banking system.

The network and personnel continued to be invested and expanded along with the focus on reorganizing and consolidating the organizational structure, organizing branches and transaction offices in a streamlined, efficient manner, in line with the governance capability and upscaling operations, building a large network and modern distribution channels.

Thanks to the solidarity between the BOD, the BOM and all employees, the drastic guidance from the BOD to promote business activities, effort to accomplish the plan 2022 assigned by the General Meeting of Shareholders, SHB has made remarkable progress such as:

- Realizing most of the planned targets in terms of outstanding loans, customer deposit, income,...; improvement in financial capacity, governance capability to maintain its position as one of the largest commercial joint stock banks in Vietnam.
- Well controlled operating expenses, bringing CIR to 22.7% - the lowest ratio in the Bank's operation history and the industry second best.
- Complete the dividend payout plan for existing shareholders.
- Successful co-operation with many international financial institutions such as IFC, ADB, WB... with the agreements' value up to billions of USD. The final step in the roadmap to divest of SHB Finance to Krungsri Bank of Thailand (a strategic member of MUFG Group - Japan) is conducted to assist SHB in strengthening its foundation, promoting various customer segments, accelerate the digital transformation process and improve risk management capacity.
- Designing an agile and creative business strategy for the 2022-2027 by signing a consultancy contract with the world's leading consulting firm BCG.
- Banking modernization and comprehensive digital transformation have seen initial successes.

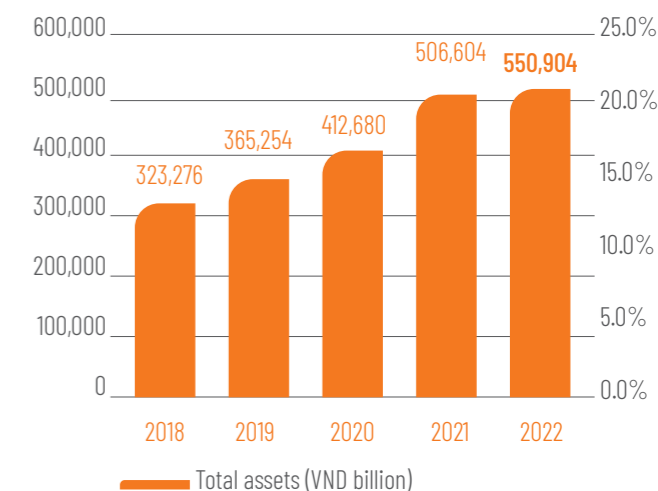
3.2. FINANCIAL PERFORMANCE

3.2.1. ASSETS OVERVIEW

Total assets in 2022 increases by 8.7% to VND 550,904 billion, securing SHB's position in the largest commercial joint stock banks in Vietnam. The average growth rate of SHB's assets in the past 5 years amounts to 14.1%, higher than that of the industry average (industry growth equals to 12%).

In parallel with business growth, SHB always pays attention to improving asset quality with the proportion of assets being structured at a reasonable level, ensuring high profitability, operational safety and liquidity. Asset structure shifts towards increasing the proportion of non-credit activities in order to reduce dependence on credit activities.

5 YEAR AVERAGE ASSETS GROWTH RATE EQUAL TO 14.1%



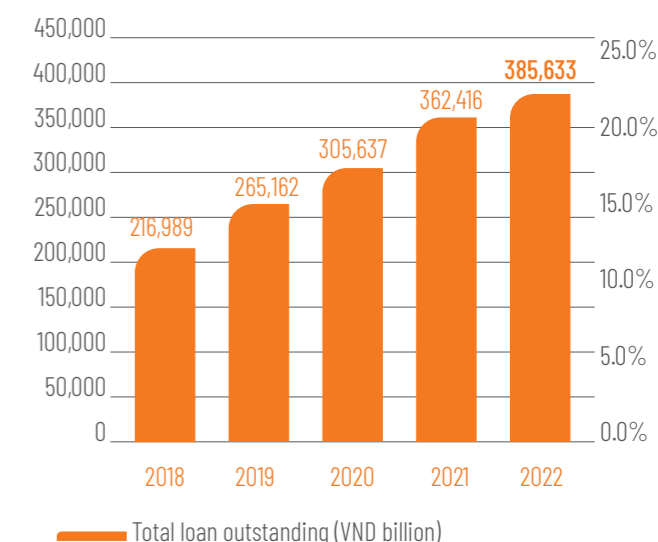
3.2.2. CREDIT ACTIVITIES

Promoting its key role as one of the five largest private commercial banks in Vietnam, SHB has actively responded to the policy of the Government and the State Bank of Vietnam, focusing credit on sectors in the socio-economic development strategy for period 2021 - 2025, directing capital flows to customers who are enterprises operating in the field of agriculture - rural areas, enterprises engaged in export business, small and medium enterprises, enterprises operating in support industries, high-tech application enterprises and start-up businesses, etc.

As of December 31, 2022, total outstanding loan amounts to VND 385,633 billion. The loan growth rate average in the past 5 years is 14.4%.

SHB's profitable asset base is supported by a strong and diversified loan portfolio. As of December 31, 2022, outstanding loans to corporate customers sums up to VND 297,988 billion, accounting for 77.3% of total loans; total outstanding loans to individual customers amounts to VND 87,645 billion, accounting for 22.7% of total loans.

5 YEAR AVERAGE LOAN GROWTH RATE EQUAL TO 14.4%



To achieve the above results, SHB has always taken customer-centric approach in each and every business operation. The Bank always actively carried out market research to truly understand needs, wants and preferences of each customer segment to develop appropriate and competitive policies and products.

In 2022, SHB continues to deploy a credit package of hundreds of trillions dong with preferential interest rates and service fees to support industries and fields affected by the Covid-19 epidemic. such as: VND loan interest rate reduction of up to 3%/year for medium and long-term loans, 2.5% for short-term loans;

USD loan interest rate up to 1%/year for short-term loans; free-of-charge prepayment for short-term loans, free of-charge e-banking (SMS fee for balance notification, SMS fee for automatic debt reminder; Ebanking fund transfer fee,...)

FOR CORPORATE CUSTOMERS

SHB has actively maintained and implemented many key credit programs and products such as: Loans to purchase for temporary storage of winter-spring and summer-autumn paddy and rice of Vietnam Food Association; loans for aquaculture, seafood processing and export; lending for agricultural, forestry, fishery and salt production, industry development, investment in rural infrastructure construction; Supply chain finance guarantee; Investor Guarantee on the handover of houses formed in the future; guarantees requested by construction enterprises;...

In addition, some typical big programs are "Accompanying development with big enterprises", "Bluechip preferential credit package", "Pilot loan for agricultural development", "Business loan". agricultural products", "Preferential interest rates - fueling success", "Lending to stabilize the market", "Preferential interest rates - Accompanying businesses"... with special offers such as:

- The typical interest rate is 1.5 - 2% lower than that of the industry and the funding amount is up to 90% of the value of the business plan or project.
- Providing loan products suitable to farmers' production such as inter-season loans, loans through credit books, directly reaching to the local area to lend and collect debts (principal and interest) instead of borrowers having to go to the bank's headquarters ; lending to models of production and export of agricultural products in the chain of high technology application, helping people and businesses shorten production and business time and at the same time help banks save delivery costs and better manage cash flow,...

In particular, SHB is proud to be one of the pioneering private joint stock commercial banks participating in the 2% interest rate relief program from the State budget of VND 40,000 billion according to Decree 31/2022/ND-CP of the Government and Circular 03/2022/TT-NHNN of the State Bank. This is the first interest rate support policy using the large scale state budget deployed through the commercial banking system. The preferential package to reduce loan interest rates by 2%/year is to accompany the Government in supporting businesses in priority industries and promoting easy access to loans.



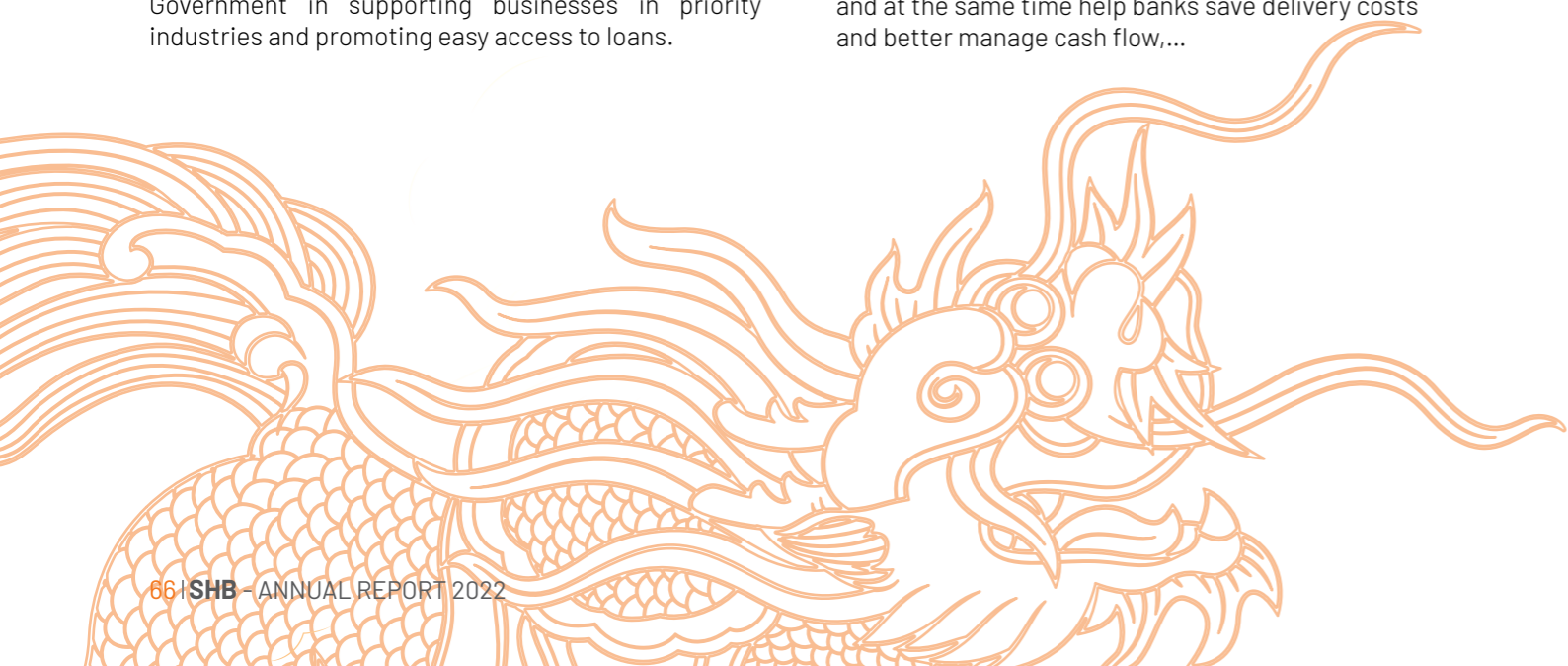
- Flexible repayment policy, in line with customer's cash flow; credit extension procedures make access to capital and banking services more convenient; shorten processing time of certification, notarization,...
- Building high quality customer referral programs that allow corporate customers in the same supply chain, production and business chain to be entitled to a similar packages with optimal benefits and simplified procedures; consider lending to members without collateral if the cash flow of the linked chain can be controlled,...

customers. Large enterprises are the main customers providing non-interest income, and the Bank derives non-interest income from cash collection services, cash payments, payment account management, internet banking for businesses, payment services, salary payment, foreign exchange services and trade finance services. Each large corporate customer is a focal business and often has hundreds of SME suppliers and buyers in their supply chain.

Especially, for each customer, SHB not only supports financial resources but also accompanies customers from developing business plans to providing comprehensive product packages including deposits, payments, trade finance, e-banking, money transfer... on modern technology platforms, helping customers to proactively manage their finances in the most effective way; Introduces and connects businesses with prestigious domestic and international organizations to help businesses take the initiative in their business plans, provides domestic/international financial market information, and preferential policies and support from the State to businesses. That's why SHB's products and services are highly appreciated by domestic and foreign organizations. For many years in a row the Bank was honored for various reputable awards such as: Best SME Bank, Best Trade Finance Bank, Best Project Financing Bank,...

With the above programs, policies and products tailored to customers, the Bank's loan portfolio is diversified in key economic sectors: (i) the wholesale and retail trade, motorcycle and motor vehicle repair accounts for 28.9%; (ii) agriculture, forestry and aquaculture 9.3%; (iii) processing and manufacturing industry 11.2%; (iv) electricity, gas and air-conditioning sectors 3.6%, etc. In addition, the Bank's loans are diversified in terms as short-term loans accounts for 47% and medium and long-term loans 53%.

SHB has a large corporate loan portfolio, which could enable the Bank to further expand its customer base and diversify its loan portfolio to SME and retail



FOR INDIVIDUAL CUSTOMERS

With the strategic orientation of becoming a leading modern universal retail bank, SHB has continuously researched and developed diversified and competitive products suitable to the income of many customer groups. Retail products and services are designed specifically for each customer, such as retail products specifically designed for priority customers and products designed based on customer requirements. Loan products are strongly developed with the cooperation and association with many partners aiming at delivering the outstanding customer experience.

SHB has also tapped into the ecosystem of large enterprises, those with millions of employees and retail customers, by providing capital financing solutions for employees receiving salaries from large enterprises. These financing solutions include salary account management, consumer loans, home mortgage loans, car loans, credit cards, payment services, internet banking, digital banking and bancassurance, etc.

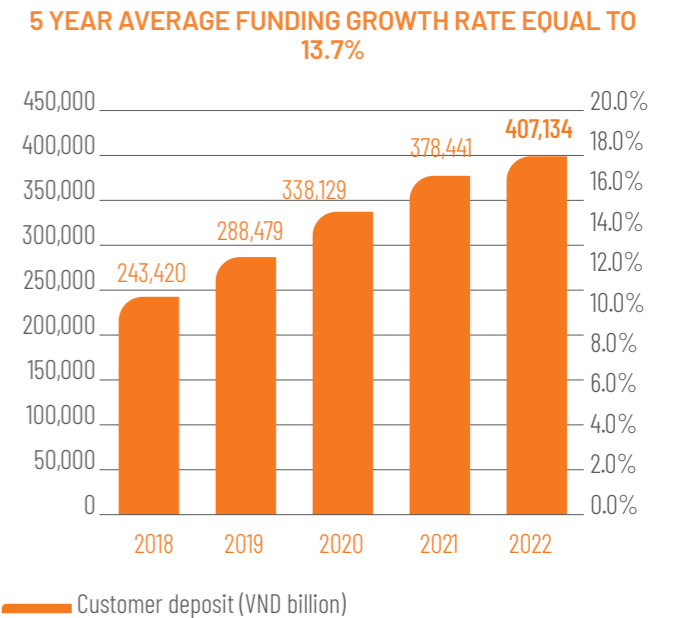
In the past year, SHB has developed many incentive programs and policies to support individual customers affected by the Covid-19 epidemic with preferential interest rates and fees for existing and new customers. Many preferential programs for individual customers, especially, individual customers who need to borrow capital for production and business are entitled to preferential interest rates, free card issuance, and e-banking services. At the same time, in order for people to easily borrow consumer loans and save more time, SHB has implemented the loan payment feature of SHB on the SHB Ebank phone application. Accordingly, customers can make loan payment transactions for themselves and their loved ones right on their phones in a convenient, safe and secure way without having to go to a transaction counter.



3.2.3. CUSTOMER DEPOSIT

Customer deposit grows well thanks to the Bank-wide efforts when most of SHB's branches meet or exceed the objective on customer deposit.

As of December 31, 2022, total customer deposit reaches VND 407,134 billion. The average growth rate of customer deposit in the past 5 years has reached 14%, higher than that of the industry equal to 11.8%.



Not only high in growth rate and value, funding structure also demonstrates effective and sustainable growth. Retail customers' saving amounts always accounts for 60% of the total deposits.

Besides, SHB is constantly looking for low-cost funding from domestic and foreign financial institutions. International organizations and national governments (including World Bank - WB, Asian Development Bank - ADB, Japan International Cooperation Agency - JICA, German Reconstruction Bank - KfW,...) has selected SHB as the on-lending bank and servicing bank with the amount up to USD 2.64 billion (equivalent to VND 627 trillion) with 27 projects implemented.

To achieve this result, SHB constantly improves product and service quality, introduces flexible and modern products, suitable for all customer segments, focuses on retaining existing customers and expanding new customers. In which, marketing and customer care are always put on top priority, reflected through professional service style, reasonable consulting on products to create trust for depositors.

3.2.4. INVESTMENT ACTIVITIES

Securities investment portfolio continued to be structured with a reasonable proportion in order to use capital effectively. As of December 31, 2022, total debt securities and equity securities value reach VND 33,056 billion, in which corporate bonds is VND 13,186 billion.

SHB trades corporate bonds in order to diversify its business. Most of the corporate bonds are intended for short-term business purposes, contributing to increasing profits for the bank. Following the direction of the Prime Minister on encouraging and promoting the development of clean energy and solar power projects. In 2022, SHB has boosted investment in a number of bonds in the energy sector (thermoelectricity, hydroelectricity, solar power). The balance of bonds in the energy sector accounted for nearly 50% of the

total investment of corporate bonds. SHB's credit financing for energy projects will contribute to providing capital for businesses to implement projects, helping businesses benefit from preferential policies and programs from the Government. Once completed and put into operation, the projects will contribute to reducing the pressure on supply for the system, contributing to environmental protection...

The balance of long-term investment capital as of December 31, 2022 is VND 4,157 billion. Capital contribution to subsidiaries amounts to VND 3,999 billion, other long-term investments VND 158 billion.

3.2.5. INCOMES, EXPENSES, AND PROFITS

SHB's total income in 2022 reached VND 45,556 billion, rising by 12.1% compared to 2021. Total operating income reached VND 19,341 billion, up 6.5%. Net interest income (NII) increased by 12.7%, reaching 17,550 billion dong; net fee income (NFI) reached VND 891 billion, an increase of 52.1%;...

The total expense in 2022 is 35,867 billion VND. In which, operating expenses decreased slightly by 0.3% to VND 4,392 billion, closely in line with the objective. Provision expense for bad debts amounts to VND 5,260 billion.

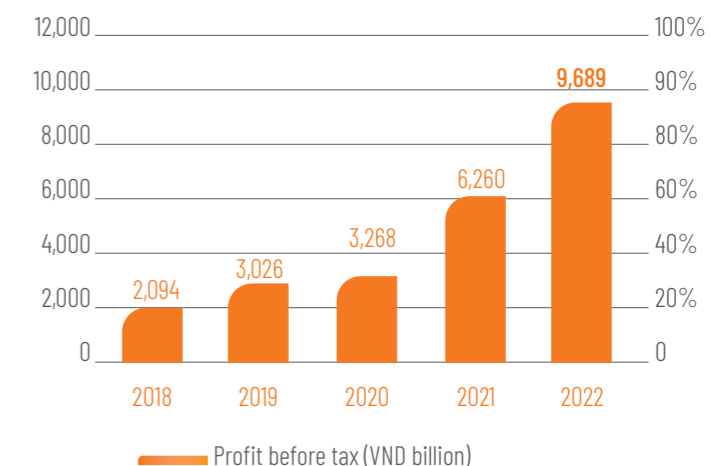
In 2022, with the complicated developments of the global Covid-19 pandemic, seriously affecting the economy, SHB has given timely instructions on making business adjustment based on Covid-19 scenarios. In order to operate and use management costs effectively in accordance with the post-pandemic situation, the bank has practiced thrift and anti-waste, and at the same time reviewed all administrative expenses to used economically and efficiently, ensuring that the target cost growth rate is always lower than the net income growth rate.

While interest income still accounts for the majority of the bank's income, NFI has increased year on year. From 2016 to 2022, NFI increased from VND 791 billion in 2016 to VND 1,791 billion in 2022, originating from cash collection, cash payment, and management of current accounts, internet banking, payment services, salary payment, insurance, foreign exchange services and trade finance services.

Profit before tax in 2022 reaches VND 9,689 billion, an increase of 54.8% compared to 2021. The average growth rate in the last 5 years amounts to 41.4%.

SHB is ranked among the top private joint stock commercial banks in terms of pre-tax profit growth. The Bank's growth in pre-tax profit was largely due to effective operating costs, including proactively seeking low-cost or preferential capital, and improving the quality of risk management to minimize related costs. to credit and operational risks, promote automation and digitization, and introduce advanced technology into the Bank's governance to improve governance capacity, as well as significantly increase fee income services from revenue from payment services and cash. Therefore, the ratio of operating expenses to operating income ("CIR") of the Bank is on a downward trend. In 2022, SHB's CIR ratio is 22.7%, the lowest in the Bank's history and as the industry second best.

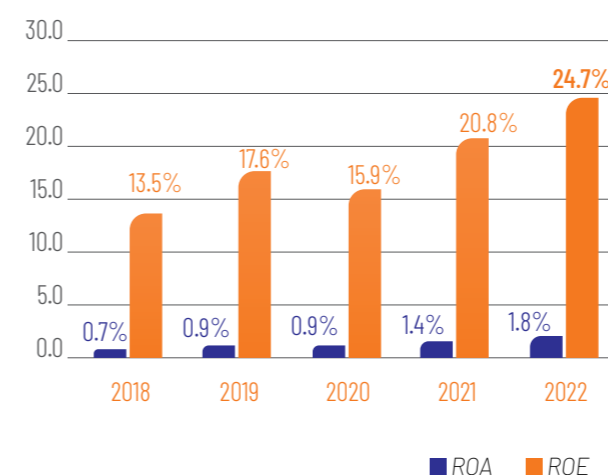
5 YEAR AVERAGE PROFIT BEFORE TAX GROWTH EQUALS TO 41.4%



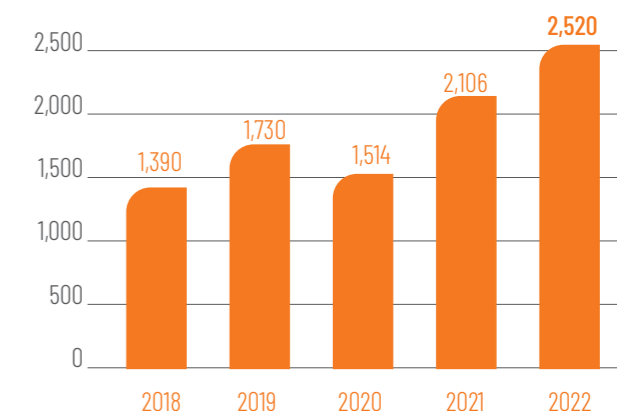
3.2.6. RATE OF RETURN AND EARNINGS PER SHARE

In 2022, return on assets (ROA) reaches 1.8%, return on equity (ROE) 24.7% and earnings per share (EPS) 2,520 VND/share.

Rate of return



Basic earnings per share EPS (VND/Share)



3.2.7. ASSET QUALITY

Business growth coupled with the focus on the asset quality has enabled SHB to manage non-performing loan ratio below the average of the banking system.

In 2022, SHB has focused on handling large debts despite the impact of the epidemic as well as the fluctuating economy and customers' struggling business.

Previously, in 2021, SHB had made full provision for VAMC bonds and write them off before maturity. As of December 31, 2021, SHB has no VAMC Bonds.

Besides, SHB always increases provision to improve asset quality. By the end of 2022, total provision for NPL reaches VND 7,496 billion.

3.2.8. CAPITAL ADEQUACY AND LIQUIDITY

Always strictly comply with all regulations of the State Bank on prudential ratios

In addition to impressive business performance indicators, SHB always adheres to safety and sustainability with the capital adequacy ratio (CAR) always stable above the threshold of 8% according to the state's regulations in Circular 41/2016/TT-NHNN; reserve requirement ratio in 2022 reached 15.79% (SBV's regulation $\geq 10\%$); ratio of using short-term capital for medium and long-term loans 27.60% (SBV's regulation $\leq 34\%$); The liquidity coverage ratio complies with the SBV regulations.

SHB also completed 3 pillars of the Basel II Accord in 2020 and implemented annual internal assessment of capital adequacy (ICAAP) since 2021, fully complying with the requirements of the State Bank on risk management activities in particular and the internal control system in general. SHB not only always maintains a minimum capital adequacy ratio with all kinds of material risks, in both normal and adverse conditions, but also ensures a capital buffer to support business operations. The Bank's business has grown sustainably and effectively.

CAR FOR THE PERIOD 2018 - 2022

2018	2019	2020	2021	2022	REGULATIONS OF THE SBV
11.79%	12.01%	10.08%	11.86%	12.22%	In 2018 and 2019 in accordance with Circular 36 ($\geq 9\%$); In 2020 according to Basel II ($\geq 8\%$)



3.3. IMPROVEMENTS IN ORGANIZATIONAL STRUCTURE, POLICIES AND GOVERNANCE

IMPROVEMENTS IN ORGANIZATIONAL STRUCTURE AND GOVERNANCE

In 2022, SHB continued to consolidate its organizational structure, complete functions and tasks of divisions/ departments/departments in a professional, efficient and in-depth manner throughout the system to match the development strategy. towards Retail Banking. Many business divisions/departments/centers were merged/ divided, newly established to improve business performance, cost efficiency, increase labor productivity, improve risk management... (such as Digital Banking Division, Marketing Division, IT Division, etc.).

RISK MANAGEMENT

In 2022, tools to measure liquidity risk conforming to Basel III standards such as Liquidity coverage ratio (LCR) and Net stable funding ratio (NSFR) are completed to monitor/supervise daily operation in 2023. At the same time, projects are implemented to improve risk measurement and capital calculation models according to the advanced Basel II method for credit risk. Deliverables of such projects shall be applied to business activities to further enhance Bank-wide operational efficiency.

IMPROVEMENTS IN TECHNOLOGY AND PRODUCTS

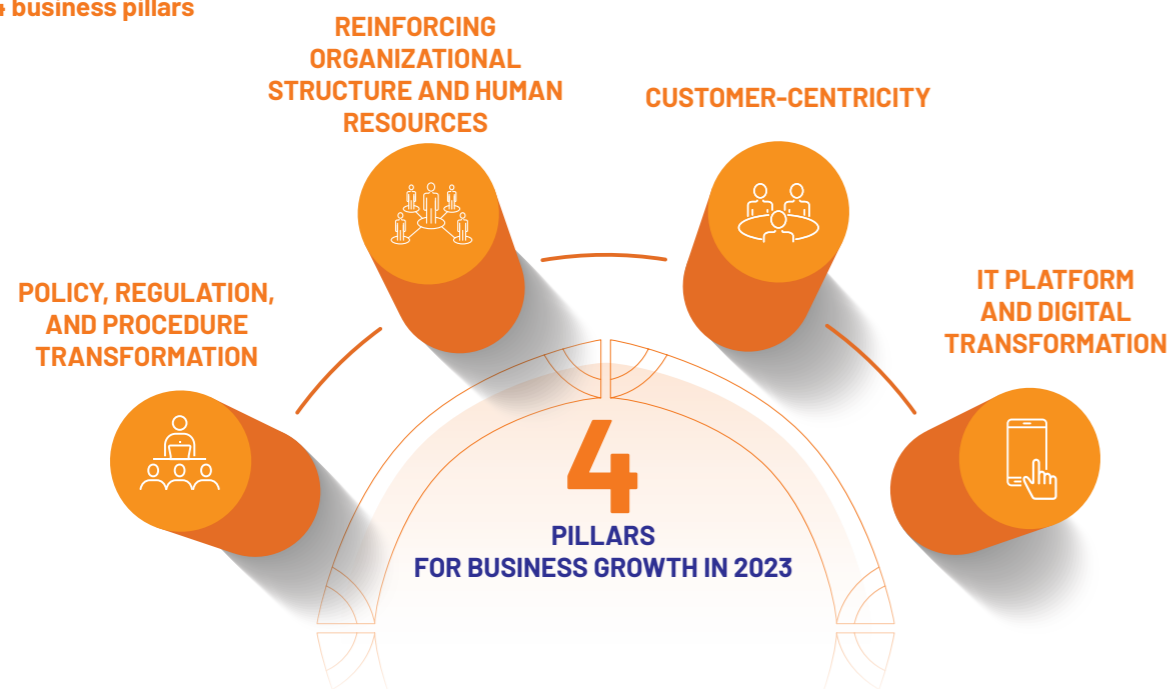
In addition, SHB continues to complete and implement many key technology projects to support banking governance, improve product and service quality as well as ensure risk management. In particular, during the year, SHB operated a number of project components such as: SHB Digital Banking Division; Foundation projects on digital transformation for individual customers (OMNI Channel Project, CRM Project - Customer Relationship Management System); Complementary projects for digital transformation activities at SHB (LOS project - Building loan process according to customer journey, Microservices architecture consulting project for SHB's entire IT system, Upgrading project ESB integration axis, Hybrid Cloud platform deployment project),...



3.4. BUSINESS PLAN IN 2023

On the basis of business results in 2022, research and forecast of the business environment, SHB determines to implement 4 pillars as follows:

4 business pillars



KEY FINANCIAL TARGETS IN 2023

No.	Indicator	Scenario 1: Credit growth limit in 2023: 10%			Scenario 2: Credit growth limit in 2023: 14%		
		PROJECTED in 2023	YOY INCREASE/ DECREASE	YOY GROWTH RATE	PROJECTED IN 2023	YOY INCREASE/ DECREASE	YOY GROWTH RATE
1	Total assets	600,106	49,202	8.93%	605,500	55,596	10.09%
2	Charter capital	36,645	5,972	19.47%	36,645	5,972	19.47%
3	Customer deposit	456,180	49,046	12.05%	467,291	60,157	14.78%
4	Total loan outstanding (*)	429,880	31,061	10.00%	445,126	46,307	14.00%
5	NPL ratio	< 2%			< 2%		
6	Profit before tax	10,285	627	6.50%	10,626	967	10.00%
7	Projected dividend payout ratio	15%			15%		

(*) Credit growth adjusted according to the approval of the SBV

3.5. EXPLANATION OF THE BOM REGARDING AUDITOR'S OPINION

KPMG Auditing Company has no negative opinion on SHB's financial statements.

3.6 ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT REPORT

3.6.1. ENVIRONMENTAL IMPACT ASSESSMENT

SHB does not carry out environmental impact assessment because the majority of office buildings and transaction points are being rented.

As a service provider in the finance and banking sectors, SHB business activities do not produce high level of greenhouse gas emissions, making lesser impact on the environment. The sources of greenhouse gas emissions, if any, mainly originate directly from office equipment and indirectly from buildings lighting system, repair and maintenance of equipment, power generation systems, air conditioning system as well as the means of transportation of employees and customers accessing transaction points.

Training and propaganda activities are to raise employee awareness of environmental protection in the workplace, more efficient use water, materials, energy and natural resources.

In addition, SHB is a leading bank in implementing green credit programs, channelling finance to green projects and companies.

3.6.2. HUMAN RESOURCES POLICY ASSESSMENT

SHB always complies with the regulatory requirements on working conditions, salary, insurance. Attractive compensation package, competitive welfare, humane and inspiring corporate culture have been the driving force for increasing productivity and personal growth.

Employees get easy access to updated professional training and labor relations regulations.

Trade union protects employees' rights as well as improves their quality of living.

3.6.3. SOCIAL IMPACT ASSESSMENT

Regarding the responsibility to the local community, SHB constantly contributes material and spiritual values, sowing trust to the community. In the past year, SHB has spent nearly VND 32 billion for social security activities, most of which are for medical support activities, Covid-19 epidemic prevention, education, the poor and disadvantaged,...

With huge efforts during the sustainable development journey, SHB has been recognized by the society with awards such as: "Bank of the Community" voted by the International Data Group (IDG) in collaboration with the Vietnam Bankers Association; "The best socially responsible bank in Vietnam" for the second time by Asia's leading magazine on Economics, Finance and Banking - Asiamoney; "The bank with the best COVID pandemic management initiative in Vietnam" honored by The Asian Banking and Finance (ABF) magazine.

For more detail of Environmental and Social Impact Assessment Report, please refer to page 120.

