

GROW SUSTAINABLY ENABLE THE FUTURE

ANNUAL
REPORT
2018

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ENABLE THE FUTURE**

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Message from Chairman of the Board of Directors

Mr Do Quang Hien

Chairman of the Board of Directors

Ladies and Gentlemen!

On behalf of the Board of Directors, Board of Supervisors, Board of Management and all staff of Saigon - Hanoi Commercial Joint Stock Bank (SHB), I would like to extend to shareholders, strategic partners, entrepreneurs – enterprise customers and long-standing friends of SHB my warmest greetings, sincere thanks and best wishes!

Ladies and Gentlemen!

We went through 2018 with plenty of events and entered 2019 with new beliefs and hopes. We are happy to see that in the past year, despite facing many difficulties and challenges, our country has continued to grow rapidly and quite comprehensively in most areas. Gross domestic product (GDP) growth rate reached more than 7%, inflation was controlled, consumer price index was at 3.54%, monetary market was stable, international payment balance continued to be improved. It is no coincidence that an atmosphere of enthusiasm and trust in leadership of the Party and in victory of the national reform process continues to spread throughout the country. Vietnam banking sector also recorded a year with many good highlights, credit growth was in line with macro balance, liquidity of the whole banking system was stable, profit of the whole industry was increasing.

Ladies and Gentlemen!

2018 marked the 25-year journey of SHB with many outstanding achievements. SHB's customer deposit and loan growth rates are always higher than the average growth rates of the whole banking industry. Prudential ratios are in absolute compliance with limits set by the State Bank, and coming closer to international standards. SHB's credit ratings by Moody's are in the same range of big banks in Vietnam. SHB has always been selected by ministries and international organizations such as the World Bank (WB), Asian Development Bank (ADB), Japan International Cooperation Agency (JICA), German Reconstruction Bank. (KfW), ... to be a servicing bank and/or an on-lending bank for many large ODA projects.

In 2018, SHB recorded total assets of VND 323,276 billion, yoy growth of 13%, customer deposits reached VND 300,565 billion, customer loans reached VND 231,498 billion, yoy growth of 15%, profit before tax reached VND 2,094 billion. SHB continues to affirm its position as a Top 5 private-owned bank in Vietnam.

SHB continues to diversify products and services, continuously applies the latest technology to increase utility and experience for customers. SHB's service quality is always highly appreciated in the market.

Network continues to be expanded and re-arranged to improve competitiveness and increase efficiency. By the end of 2018, SHB had 525 transaction points with nearly 7,600 employees across 50 provinces in Vietnam, one 100%-owned subsidiary bank in Laos, one 100%-owned subsidiary bank in Cambodia, one representative office in Myanmar and 2 domestic subsidiaries (SHB Asset Management Company- SHAMC, SHB Finance Company - SHB FC). SHB has a reasonable staff structure, both in terms of quality and quantity, which is suitable for its business scale.

The core banking system has been upgraded, many items of Industry Revolution 4.0 technology application projects continue to be completed in order to provide maximum support for business operations, administration and management.

In short, SHB's 25-year journey is an impressive journey, marked by its position as a Top 5 private-owned bank in Vietnam. The success of SHB in this journey has been recognized by the Party and the State with Second-class and Third-class Labor Medals and Merits from the State Bank of Vietnam, as well as by prestigious domestic and foreign awards, and appreciations from shareholders, customers and investors.

Ladies and Gentlemen!

Sustainable and effective development is the primary goal of SHB. 2019 will be a breakthrough year to complete the 5-year 2016-2020 plan with specific solutions and plans such as: growth of key indicators at about 15% - 20%, credit growth to closely follow SBV's regulations; customer deposit growth to follow international standards, NPL ratio to be kept below 3%. Therefore, the Board of Directors will always have to identify and face challenges to develop and implement appropriate strategies.

In 2019, SHB will turn 26 year of age with bigger and higher goal and ambition: From Top 5 to Top 3 private-owned bank in Vietnam

We understand that this goal is a challenge but it is a strong driver that pushes us to hold hands together

and to be determined to perform for the wealth and success of each of us; to constantly improve reputation and position of SHB in the financial and banking sectors of Vietnam, Laos and Cambodia, contributing to economic development of Vietnam, Laos and Cambodia.

Ladies and Gentlemen!

Those achievements are thankful to the unity, determination and continuous joint efforts of all employees, the support and facilitation from the State Bank and regulators, confidence from shareholders, and cooperation from our strategic partners, corporate customers, entrepreneurs and retail customers in Vietnam, Laos and Cambodia.

Once again, I sincerely thank you all for your precious cooperation!

Ladies and Gentlemen!

Promoting the good tradition in the last 26 years, SHB will constantly unite, innovate, and improve governance and management capacity; run safe, transparent and sustainable business growth; aiming to meet international banking standards, to implement resolutions of the General Assembly of Shareholders, and to accomplish strategic objectives, for the maximum benefit of shareholders, strategic partners, corporate and retail customers and wealth of the country.

I wish you all good health, happiness, success!

Chairman of the Board of Directors

Do Quang Hien



VISION

SHB to become a leading modern multi-functional retail bank in Vietnam and a strong financial holding group under international standards.

MISSION

To become a leading bank in Vietnam, offering modern and convenient banking products and services under international standards, bringing maximum returns to shareholders, customers, partners, etc. and contributing to national prosperity.

CORE VALUES



I. GENERAL INFORMATION

1. OVERVIEW

Transaction name:

Saigon Hanoi Commercial Joint Stock Bank

Business Registration Certificate No. 1800278630 issued by Hanoi Department of Planning and Investment;

- First registration: 13/11/1993

- 25th amendment: March 08, 2018.

Charter Capital: VND 12.036.161.100.000

Owner's Equity: VND 16.332.532.000.000

Address: 77 Tran Hung Dao, Hoan Kiem, Ha Noi

Telephone: (024) 3942 3388

Fax: (024) 3941 0944

Website: www.shb.com.vn

Stock code: SHB



SHB continues to confirm its position as one of leading Vietnamese private commercial banks with the presence in 45 cities and provinces nationwide and in Laos and Cambodia with an extensive network of almost 500 transaction points.



2. HISTORY

Date of establishment:

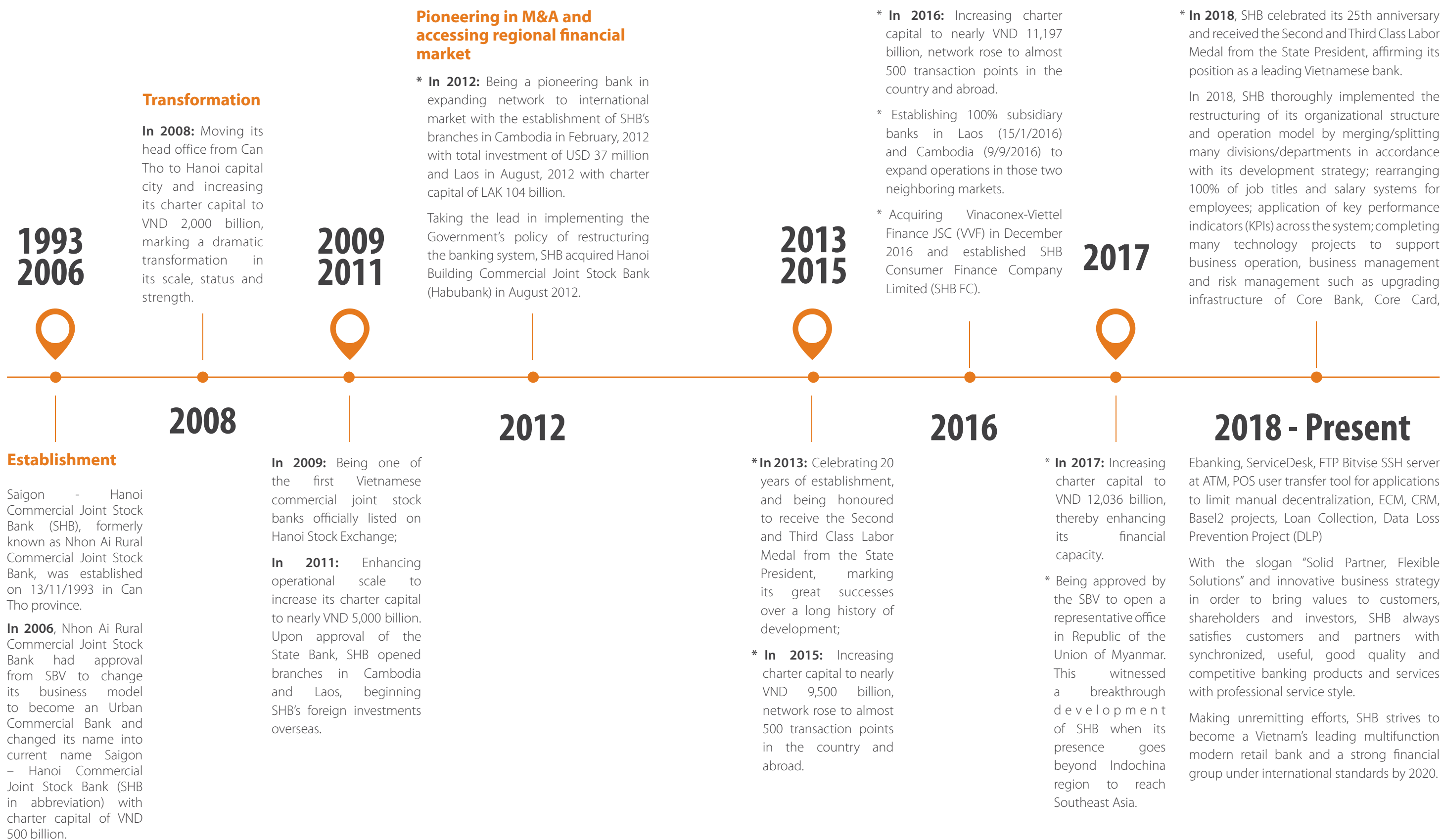
Saigon - Hanoi Commercial Joint Stock Bank (SHB) was established on 13/11/1993 under Decision No. 214/QĐ-NH5 and Operating License No. 0041-NH/GP of the State Bank of Vietnam under the name of Nhon Ai Rural Commercial Joint Stock Bank Business Registration Certificate No. 1800278630 issued by Hanoi Department of Planning and Investment; 25th amendment on March 08, 2018.

Listing date:

SHB has been listed on Hanoi Stock Exchange according to Decision No. 399/QĐ-SGDHN since 20/04/20019.

2. HISTORY

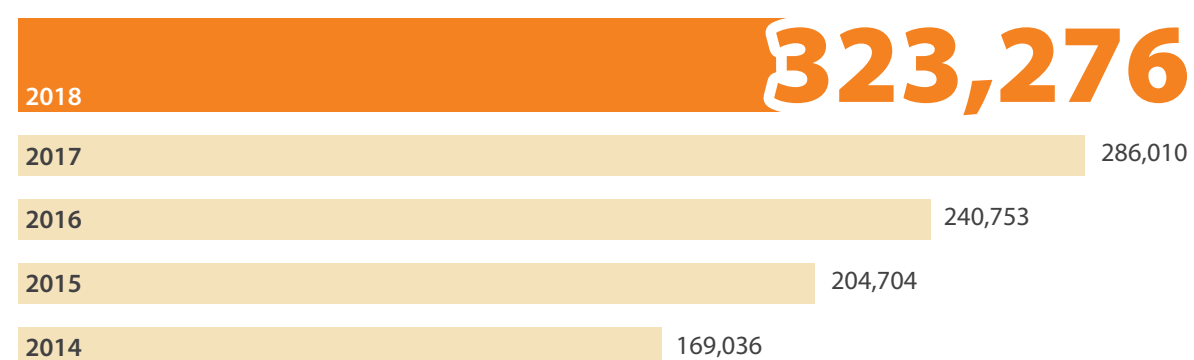
Development stages:



KEY BUSINESS PERFORMANCE INDICATORS IN THE PERIOD 2014-2018

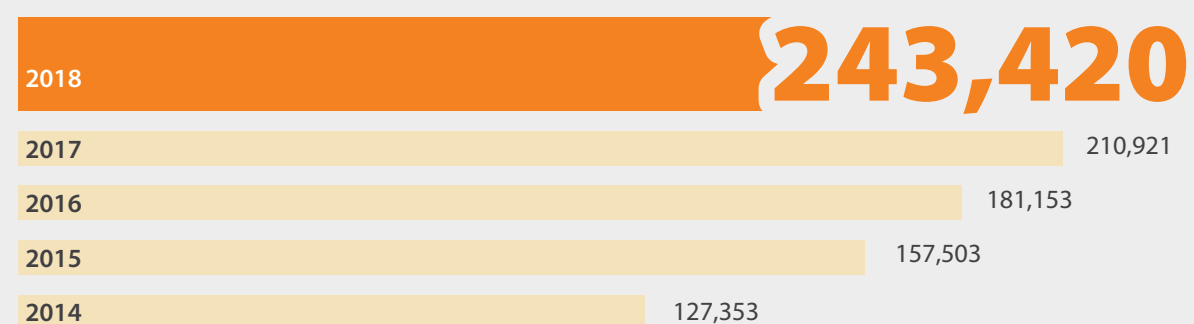
Total Assets

(VND Bn)



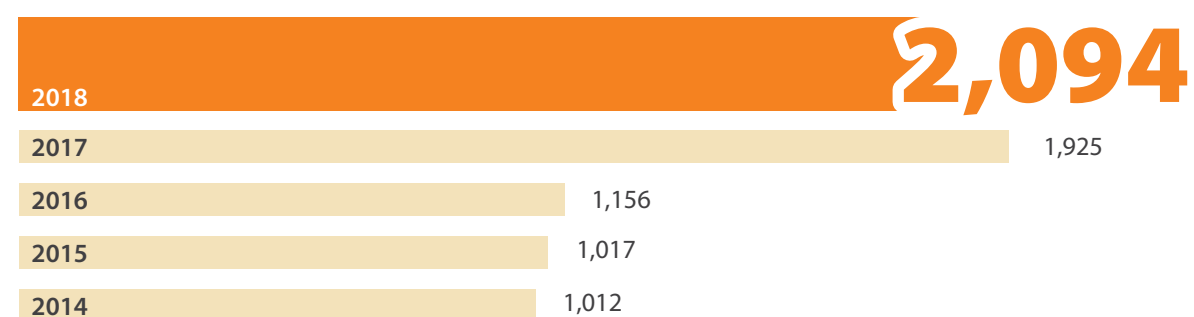
Customer Deposit

(VND Bn)



Profit Before Tax

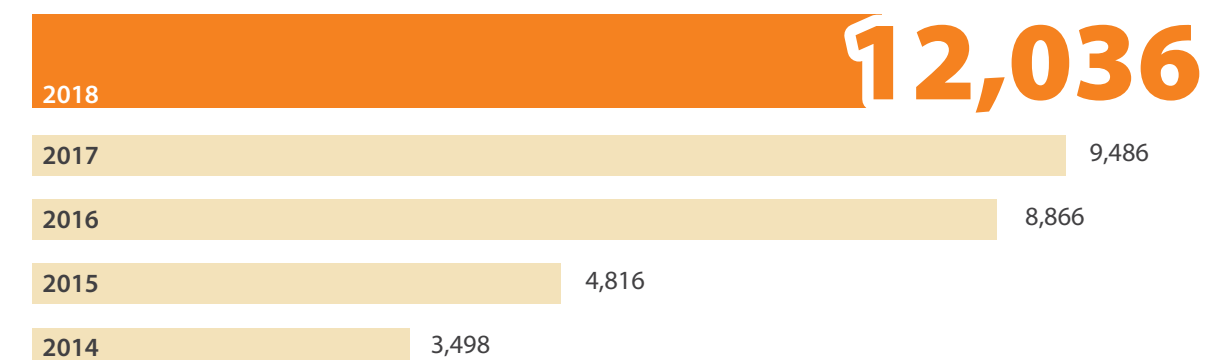
(VND Bn)



KEY BUSINESS PERFORMANCE INDICATORS IN THE PERIOD 2014-2018

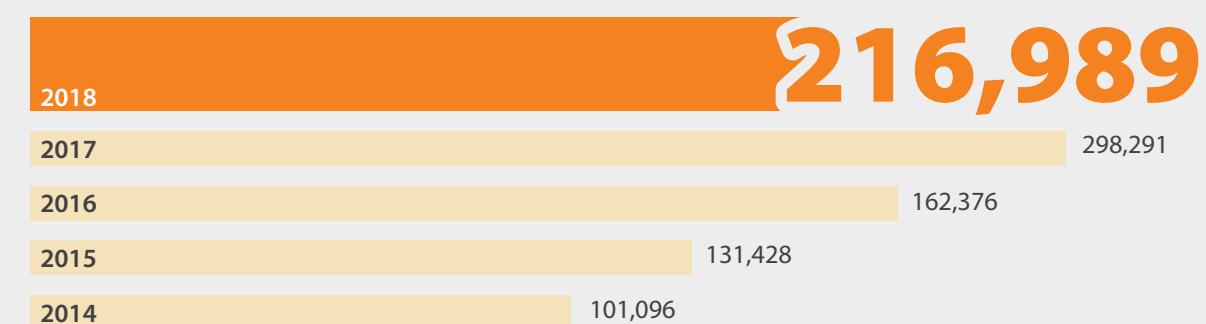
Chartered Capital

(VND Bn)



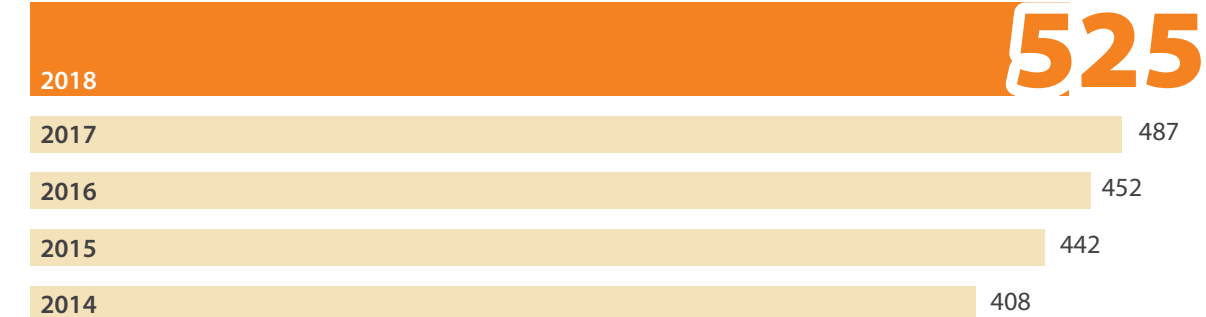
Customer Loan

(VND Bn)



Network

(Number of Transaction Points)





3. MAIN BUSINESS ACTIVITIES

3.1 MAIN BUSINESS ACTIVITIES:

Mobilizing and taking short, medium and long term deposits from organizations and individuals; Providing short, medium and long term loans to organizations and individuals; Performing foreign exchange businesses, international trade finance, discounting commercial papers, bonds and other valuable papers; Trading gold in accordance with legal regulations; Factoring; Safe box keeping services (including gold keeping and safe box keeping services); Insurance agent; Entrust third party for lending business and taking entrusted loans; Providing credits in the form of discounting of negotiable instruments, and other valuable papers

3.2 TRANSACTION NETWORK

+ As of 31/12/2018, SHB has set foot in 525 transaction points in almost 50 provinces and cities in Vietnam especially major cities and provinces, provinces with potential for robust economic development across the country.

+ Overseas: SHB has marked its presence in three Southeast Asian countries, including Lao People's Democratic Republic (Vientiane, Champasack), the Kingdom of Cambodia (Phnompenh, Kampong Thom, Nehru,...) and Myanmar and filing its applications to open a Representative Office in Australia.

Please refer to page 90 for detailed information on transaction network.

4. CORPORATE GOVERNANCE MODEL AND MANAGEMENT STRUCTURE

4.1. CORPORATE GOVERNANCE MODEL:

SHB organizes its governance model in a modern, streamlined, tight and optimal manner, in line with retail banking strategy.

4.2. MANAGEMENT STRUCTURE

In order to optimize the organizational structure, focus resources for business development, SHB has strengthened the organizational structure and completed description of functions and tasks of departments/divisions in the direction of professionalism and effectiveness systemwide.

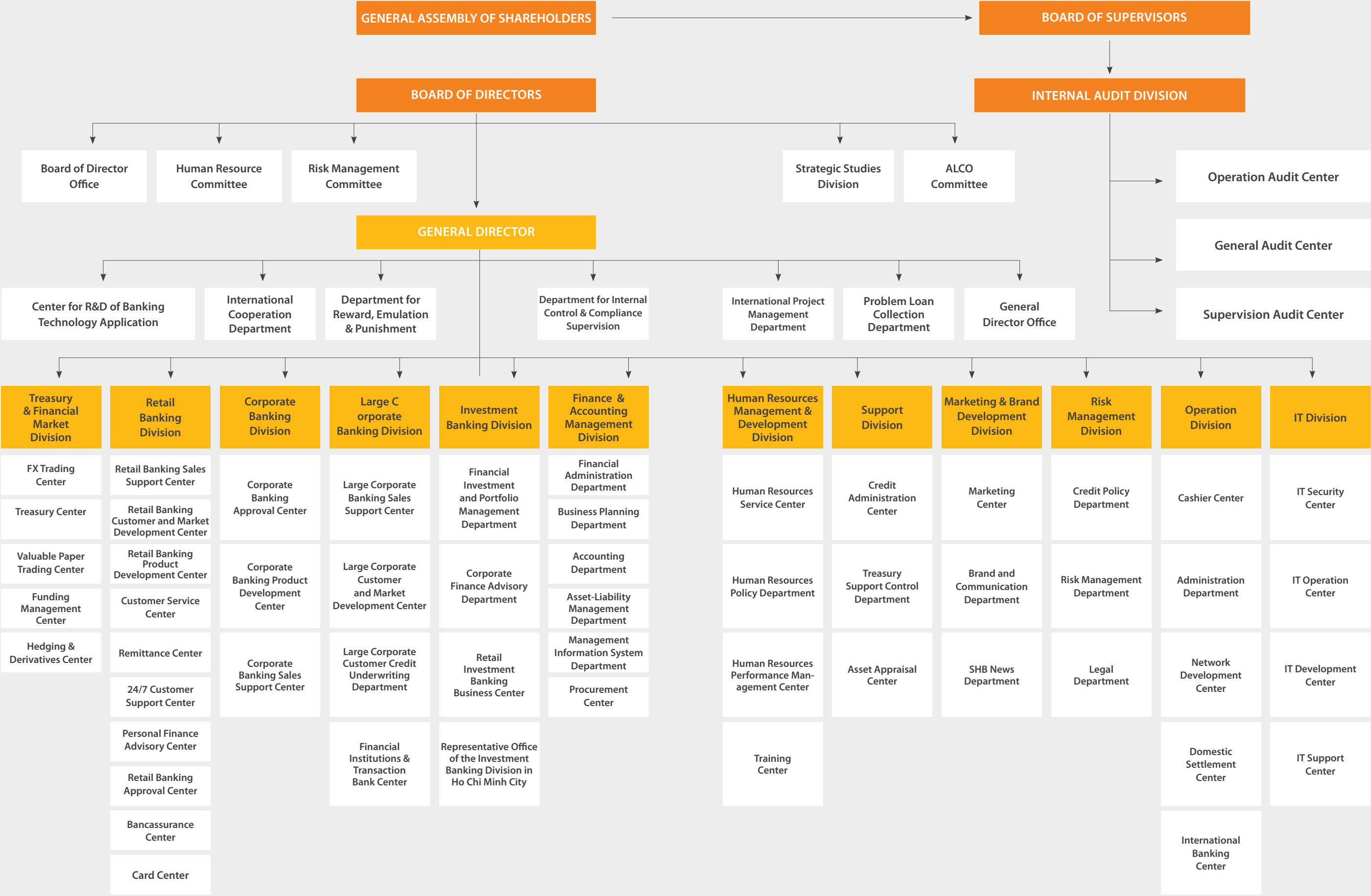
SHB's management structure includes General Assembly of Shareholders, Board of Directors, Board of Supervisors and Chief Executive Officer.

The General Assembly of Shareholders is the highest authority of SHB.

The Board of Directors consists of committees and councils, including Human Resources Committee, Risk Management Committee, Assets – Liabilities Management Committee, Credit Committee, Investment Committee, Loan Collection Committee.

SHB consists of the Bank and its subsidiaries. The Bank comprises of Head Office, branches and transaction offices.

MANAGEMENT STRUCTURE



4.3 SUBSIDIARIES AND AFFILIATES

Subsidiaries

Subsidiaries	Address	Main business lines	Charter Capital	Paid-up capital by SHB	Holding rate
SHB Loan Management and Asset Development One Sole Member Limited Liability Company (SHAMC)	71B Hang Trong, Hoan Kiem Dist., Hanoi	71B Hang Trong, Hoan Kiem Dist., Hanoi	20 billion VND	20 billion VND	100%
Saigon - Hanoi Bank Lao Limited	Group 1 Lanexang street, Hatsadytai village, Chanthabuly district, Vientiane, Laos PDR	Banking, Financial	50 million USD	50 million USD	100%
Saigon - Hanoi Bank Cambodia Limited	707 Monivong Boulevard, Phnom Penh, Cambodia.	Banking, Financial	75 million USD	50 million USD	100%
SHB Consumer Finance Company Limited	Fl. 1, Building 18T2, Trung Hoa – Nhan Chinh UZ, Nhan Chinh, Thanh Xuan, Hanoi	Banking, Financial	1.000 billion VND	1.000 billion VND	100%

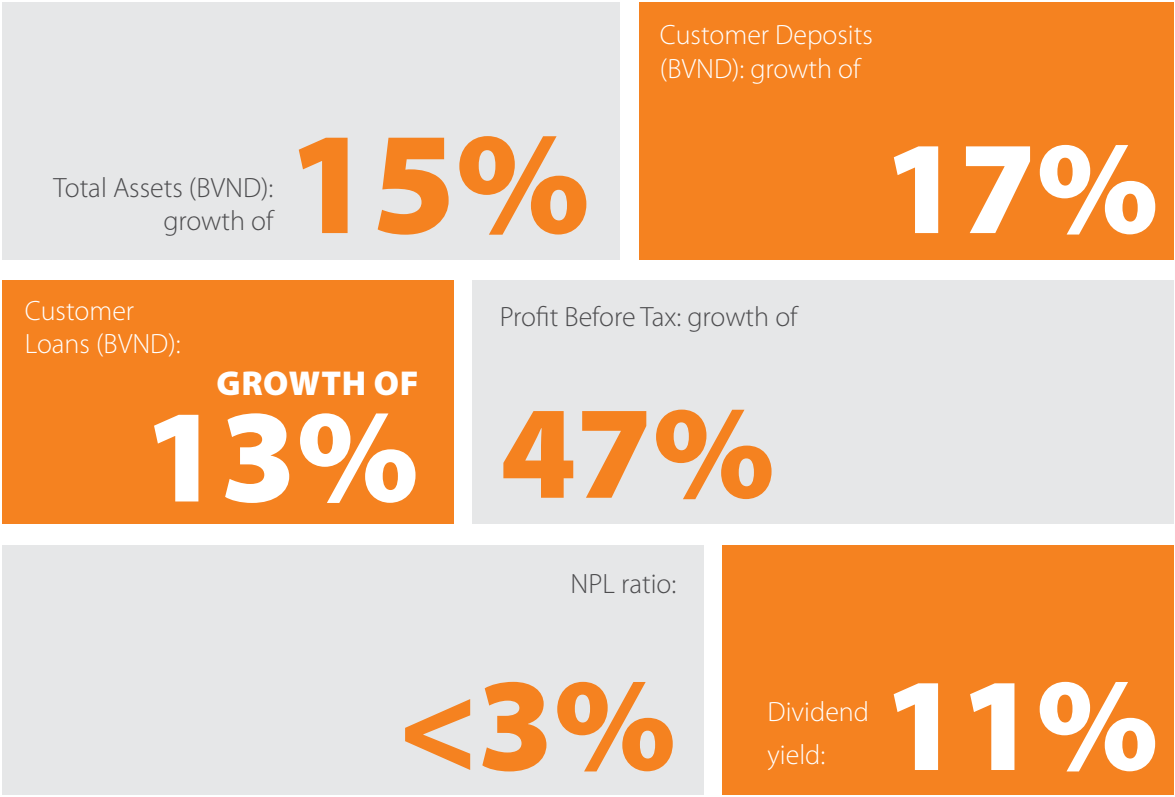
5. DEVELOPMENT ORIENTATIONS

5.1 Main objectives

In order to achieve the vision of becoming a leading multi-functional retail bank in Vietnam and a strong financial group in accordance with international standards, SHB develops appropriate strategies for each stage of development.

Financial Objectives in 2019:

Unit: %



5. DEVELOPMENT ORIENTATIONS

5.2 Medium and long-term development strategies:

GOAL	STRATEGY
Effective and safe growth	<ul style="list-style-type: none">- Aiming to become a modern multi-functional bank, on basis of an advanced governance system and technology platform in line with international banking practices and standards to increase competitiveness and become differentiated;- Better satisfying financial and banking service demand of the economy towards the stability and growth of the national economy.- Focusing on reinforcing and enhancing financial capabilities; Improving management and governance competencies; Expanding the scope and building capacity to keep pace with other banks in the region so as to gradually meet the requirements of international economic integration;- Boosting consumer financing via promoting the operation of SHB Consumer Finance Company Limited (SHBFC), thereby significantly increasing the overall profit.- Ensuring safe credit and payment activities; Minimizing risk-related loss and costs;- Increasing business efficiency and ensuring prudence to comply with international standards and meet the requirements of Basel Committee.
Sustainable Development	<p>Implementing community support programs such as sports development, charity, gratitude, social security as a part of SHB's corporate social responsibility, and contributions of SHB's staffs. SHB considers it as a core value for sustainable development of the bank.</p> <p>SHB is committed to protecting the ecological environment by implementing activities that reduce greenhouse gas emissions and waste in the office. Along with such activities, SHB is going to protect the environment with green credit policy by setting important criteria for projects financed by the Bank to conform to international and national standards on environmental protection, energy and resource efficiency.</p>

6. RISK MANAGEMENT

In 2018, SHB continues to take initiatives in risk management. Risks are identified, evaluated periodically and timely reported to the Board of Management and the Board of Directors, ensuring strict control of their impacts on the Bank's business performance and reputation.

Economic context, risks and challenges

In 2018, the world economy slowed down in the context of conflicts in many places and fierce competition between large countries. Increased protectionism and trade war, rapid development of science and technology and the fourth industrial revolution have profound impacts on many fields. Global inflation tends to rise higher than in 2017 because of energy commodity price rise, especially oil price rise.

In the country, in the face of world complex situation, we have closely monitored and harmonized policies, increased adaptability of the economy, and created stable macro environment for socio-economic development. Vietnam's GDP growth in 2018 hits 10-year high at 7.08%, Consumer Price Index (CPI) was controlled at 3.54%. Trade balance was in first-ever surplus of \$ 2 billion. The banking sector continues to implement proactive and flexible monetary policies, working closely with fiscal policies and other policies, promoting sustainable economic growth. By the end of 2018, monetary supply increased by 12.5% compared to the end of 2017; credit growth reached 14%; VND 149.22 trillion of bad loans in the banking sector has been resolved, the NPL ratio of the banking sector was down to 1.89% from 2.46% in 2016 and 1.99% in 2017.

In the context of slowed-down and riskier world economy, Vietnam's economy in 2018 has had positive improvements in both growth and macroeconomic stability. However, the economy still contains many challenges when economic stability is not sustainable. The signing of effective free trade agreements opens up opportunities but is also a great pressure for the state and enterprises to restructure economic institutions and improve competitiveness. Macro and policy conditions in 2019 will not be as favorable as in previous years. In the context of increasing global economic risks, trade war, economic crisis and recession, domestic leaders must set a priority on stability more than ever.

The SBV has started to tighten monetary policy again. It is expected that credit growth in the next 3 - 5 years will be at about 14%/year, lower than the 2015 - 2017 period (at average 18.1%), derived from both credit supply and demand. On the demand side, GDP growth is forecast to slow down to 6.4% - 6.5%, which means companies' borrowing demand will decelerate. In addition, the projected interest rate increase by 0.25%- 0.5%/year in 2019 will also affect borrowing demands of customers. On the supply side, real estate credit supply is tightened by higher risk weight factor applied to real estate business to 200% in 2018 and to 250% in 2019.

Besides, with stricter required prudential and liquidity ratios, specifically, the required ratio of using short-term funds for medium and long-term loans has officially decreased from 45% to 40% since the beginning of 2019, banks are restricted from medium and long-term loans, which charge higher interest rates. Banks have to increase long-term deposit rates to mobilize medium- and long-term funds to balance funding structure to meet provisions of Circular 19/2017 / TT-NHNN.

On deposit side, customer deposits will also face many difficulties in the context of higher interest rates. Indeed, deposit interest rates have started to rise from third quarter of 2018. Meanwhile, with Fed rate rises for 4 times in the past year, domestic banks which borrow or get trade finance in foreign currencies from foreign financial institutions will face higher foreign currency funding costs.

Low credit growth target will affect interest income and thus profitability of banks. Banks are still heavily dependent on interest income. In order to gradually reduce dependence on interest income and to grow sustainable income, banks have gradually stepped up fee income business, but it could not record a higher proportion in banks' income structure any time soon. Slowed-down credit growth policy and higher funding costs are main reasons for banks to reconsider their growth targets.

6. RISK MANAGEMENT

The time to meet Basel II standards is approaching and the 2020 roadmap set by the State Bank of Vietnam is coming closer, Vietnam's banking system must meet Basel II standards by then. Therefore, capital raising pressure on banks are really significant. Accordingly, banks that want to promote business growth must increase their equity capital, which, in the current capital market conditions, is very difficult. Thus, this will affect banks' business growth in general and credit growth in particular in the next period.

Impacts and SHB's risk management strategy

Based on macroeconomic forecasts, Vietnam's economy in 2019 and in the coming time will be more difficult. From the beginning of 2019, the required ratio of using short-term funds for medium and long-term loans will decrease from 45% to 40%, SHB will have to reduce loans to meet the required prudential ratio. Meanwhile, current medium and long term funds mobilization is still very difficult in the context of high interest rates. In addition, SHB's foreign currency borrowings or trade finance from international financial institutions will face higher foreign currency funding costs. In addition, risk weight factor applied to real estate business will also increase from the current level of 200% to 250% in 2019, which will make banks and SHB originate less real estate loans. The application of capital adequacy ratio (CAR) in accordance under Basel II standards will take effect from early 2020. Accordingly, if SHB wants to promote business growth, it must increase its equity capital, which, in the current capital market situation, is still very difficult. Thus, this will affect SHB's business growth in general and credit growth in particular in the next period.

In this context, SHB has continuously improved its centralized risk management model, towards developing a modern risk management platform, approaching international practices to proactively make early warning, monitoring and minimizing of risks of the economy as well as strict control of liquidity risks, interest rate risks, credit risks, market risks, operational risks Risk management strategy is structured by business line, ensuring that risk management is updated and better meets business growth requirements.

In addition, targeting the application of Basel II standards, SHB has launched a specific plan and schedule for each banking operation and each business line in standardization of processes and procedures. SHB will issue more charter capital and subordinated debts to meet capital adequacy ratio requirement under Basel standards (according to Circular 41/2015 / TT-NHNN and Circular 13 / TT-NHNN) to continue business growth and compliance with prudential ratios.

Business lines are diversified to include more service/fee-generating business to reduce dependence on interest income. In order to strengthen medium and long-term funding sources, in addition to customer deposit, SHB reaches out to be a servicing bank and/or an on-lending bank in ODA projects funded by international organizations and increases foreign borrowing at long term and low costs.

Especially, SHB spends a great deal of money to invest in technology projects aimed at improving customer service and risk management. In particular, SHB has kicked off the "Banking Modernization" project with a five-year overall strategy advised by IBM Group, anticipating the trend of the fourth industrial revolution. At the same time, SHB also focuses on training and developing human resources according to international standards and improving risk management culture, ensuring prudential and sustainable banking business growth.

Common risks

The most significant risks that SHB faces include credit risk, liquidity risk, operation risk and market risk.

a) Credit risk

A credit risk is the risk of default on a debt that may arise from a borrower failing to make required payments. The risk level is reflected in book values of assets on the bank's balance sheet.

Risk measurement, monitoring and management: SHB has maintained a credit risk management policy that applies the following principles:

- Establish an appropriate credit risk management environment;

- Operate in a sound credit process;
- Maintain a proper credit management, measurement and monitoring process; and
- Ensure adequate control over credit risk.

SHB conducts credit approval through multiple levels to ensure that a loan application is independently reviewed; at the same time, the approval of loans is made on the basis of credit limits assigned to each competent authority. In addition, the credit approval model of SHB has the involvement of the Credit Committee to ensure that credit approval is carried out in the highest quality. In the process of credit risk management, SHB has applied the Credit Manual, detailing lending policies and procedures, as well as implementing guidelines to standardize SHB's credit operations.

b) Liquidity risk

Liquidity risk is a financial risk that for a certain period of time the bank is unable to mobilize the asset at maturity or unable to liquidate an asset at a reasonable price.

Risk measurement, monitoring and management: Liquidity risk is measured by the use of indicators related to cash flow, capital solicitation, and liquidity of SHB's assets. SHB also develops and implements a system of credit limits and approval authorities based on risk measurement results for each portfolio.

Liquidity risk is minimized by holding a fair amount of cash and cash equivalents in the form of Nostro accounts, term deposits with the SBV and other credit institutions, and valuable papers. Risk-weighted prudential ratios are also used to manage liquidity risk. SHB often conducts analysis on interest rate differences, compare to domestic and international markets for timely adjustments. In addition, the application of internal risk management processes has also become more effective through the implementation of the Centralized Fund Management System and Centralized Payment System, whereby all SHB's fund and payment transactions are conducted by its Head Office.

c) Operation risk

Operational risk is the prospect of loss resulting from inadequate or failed procedures, systems or policies. Employee errors. Systems failures. Fraud or other criminal activity. Any event that disrupts business processes.

d) Market risk

Interest rate risk

SHB's operations are exposed to interest rate risk when interest-bearing assets and interest-bearing liabilities mature at different times or in different amounts. Some assets do not have specific terms or are very sensitive to interest rates and do not correspond to specific payables.

Risk measurement, monitoring and management: SHB applies the interest rate risk measurement method for all Liabilities-Assets items in terms of total interest income. SHB also develops and implements a system of credit limits and approval authorities based on risk measurement results for each portfolio.

Currency risk

Currency risk is a form of risk that arises from the change in price of one currency against another.

Risk measurement, monitoring and management: SHB has set a position limit for each currency based on SHB's internal risk assessment system and SBV regulations. Daily management of currency position and hedging strategies are used by SHB to ensure that currency positions are maintained within established limits.

II. BUSINESS PERFORMANCE IN 2018

In 2018, SHB continues to affirm its position as one of the leading banks in Vietnam with the completion and achievement of important objectives and turning points:

II. BUSINESS PERFORMANCE IN 2018

1. BUSINESS PERFORMANCE

1.1. Business performance

In 2018, SHB continues to affirm its position as one of the leading banks in Vietnam with the completion and achievement of important objectives and turning points:

Total assets of the bank reached VND 323,276 billion, an increase of 13.03% compared to 2017, achieving 102.5% of the plan. Equity reached VND 22,011 billion, in which owner's equity reached VND 16,333 billion, an increase of 11.2% compared to 2017.

With the goal of focusing on customer deposit, the total mobilized funds reached VND 300,565 billion, of which customer deposit reached VND 243,420 billion, up 15.41% compared to 2017.

Abundant and long-term mobilized funds is an important condition for SHB to disburse loans for many key areas of the economy according to the orientation of the Government and the State Bank. Customer loans and bonds reached VND 231,474 billion, up 15%, of which, customer loans reached VND 216,989 billion.

The network and personnel continue to be invested and expanded with the opening of new branches at home and abroad, bringing the total transaction points to 525 domestic and foreign points. In which, there are one 100%-owned subsidiary bank and 2 branches in Laos; one 100%-owned subsidiary bank and 4 branches in Cambodia, a representative office in Myanmar and 2 domestic subsidiaries (SHB Asset Management Company Limited - SHAMC, SHB Finance Company Limited - SHB FC). With 7,600 employees and a network in 44 provinces and cities nationwide and abroad, SHB is serving nearly 4 million individual and corporate customers and connecting to 400 correspondent banks across all continents. Network expansion goes hand in hand with network re-organization in a streamlined and efficient manner, in accordance with management and administration capabilities.

With the results achieved, SHB is currently in the group of 5 largest private joint stock commercial banks in Vietnam.

In 2018, SHB's total operating income reached nearly VND 25,000 billion, an increase of 17.96% compared to 2017. In which, interest income increased by 24%. diversifying SHB's income structure and reducing its dependence on lending business. Besides increasing scale and income, SHB strictly controls costs to increase operational efficiency. Operating cost in 2018 increased by VND 593 billion compared to 2017 due to the bank's continued investment in network expansion, human resources and technology. Operating cost ratio to total operating income is low at 47%.

Profit before tax reached VND 2,094 billion, up 8.75%, completing the plan of 2018 set by the General Meeting of Shareholders.

Capital adequacy and prudential ratios are always met and exceeded the State Bank's regulations, in which, capital adequacy ratio reached 11.79% (meeting requirements of the State Bank $\geq 9\%$), customer loan/customer deposit ratio reached 75.89% (SBV requirement $\leq 80\%$), the ratio of short-term funds for medium and long-term loans was 29.30% (SBV requirement $\leq 45\%$).

In 2018, SHB officially launched cash loan products to serve consumer needs. In the first month of the launch, SHB Finance Company has reached over 1,000 loans. In addition, various insurance products are launched by SHB in partnership with VNI Insurance, PVI Insurance and Bao Viet Insurance. Many modern technology projects aiming to improve customer service capacity have been initiated by SHB, such as "Banking modernization project" in a 5-year overall information technology reform plan advised by IBM Group, anticipating the trend of the industrial revolution 4.0. Risk management under Basel 2 standards is being implemented by SHB in the right way, approaching international standards oriented by the State Bank.

1.2. Business performance vs. plan

Indicator	Actual 31/12/2018	Growth 2018/ 2017		% 2018 Plan
		(+/-)	%	%
Total Assets (BVND)	323.276	37.266	13,03%	102,5%
Charter Capital (BVND)	12.036	839	7,50%	
Customer Deposits (BVND)	243.420	32.498	15,41%	97,13%
Customer Loans (BVND)	231.498	29.514	15,00%	100,00%
Profit before tax (BVND)	2.094	169	8,75%	102,14%
Capital Adequacy Ratio (%)	11,79			Completed
Non Performing Loans Ratio (%)	2,40			Completed

(Source: Audited Consolidated Financial Reports for 2018)

2. ORGANIZATIONAL STRUCTURE
AND HUMAN RESOURCES

2.1 Board of Management

No.	Full Name	Position	Share ownership
1	Mr. Nguyen Van Le	Chief Executive Officer	0,226%
2	Mr. Le Dang Khoa	Deputy General Director	No share
3	Ms. Ngo Thu Ha	Deputy General Director	0,088%
4	Ms. Ninh Thi Lan Phuong	Deputy General Director	0,004%
5	Ms. Dang To Loan	Deputy General Director	0,070%
6	Mr. Nguyen Huy Tai	Deputy General Director	No share
7	Ms. Ngo Thi Van	Chief Accountant	No share

2. ORGANIZATIONAL STRUCTURE
AND HUMAN RESOURCES

Board of Management's members



Mr. NGUYEN VAN LE
Chief Executive Officer

- Mr. Nguyen Van Le has been appointed as Chief Executive Officer (CEO) of SHB since 2000; He earned a PhD in Banking and Finance at Banking Academy; He has more than 22 years of managing experience in banking and finance.
- **Achievements/awards:**
Third Class Labor Medal presented by the President of Vietnam, Certificate of Merit by the Prime Minister and the Governor of the State Bank of Vietnam and Awards of Excellent and Distinctive Leader; greatly contributing to the development of SHB in particular and the national economy and society in general. Participating in various social and charitable activities.

2. ORGANIZATIONAL STRUCTURE AND HUMAN RESOURCES



Mr. LE DANG KHOA

Deputy CEO

Mr. Le Dang Khoa has been appointed as Deputy CEO of SHB since March, 2009; He holds an MBA degree at National Economics University. Mr. Khoa has 22 years of experience in banking finance industry.

Previous position:

Former Director of Treasury Division of VIB.



Ms. NGO THU HA

Deputy CEO

Ms. Ngo Thu Ha has been appointed as Deputy CEO of SHB since March 15, 2011; She earned a PhD in Economics at National Economics University; She has 22 years of experience in banking finance industry.

Ms. NINH THI LAN PHUONG

Deputy CEO

Ms. Ninh Thi Lan Phuong has been appointed as Deputy CEO of SHB since June 11, 2011, and concurrently holding the position of Chairperson of Council of Members of SHB Assets Management one-member Liability limited Company (SHAMC) Master in Economics since 2017; Ms. Phuong holds a Master degree in Economics at Banking Academy; She has 22 years of experience in banking finance industry.

Previous position:

2008 – 2012: chief accountant at SHB

2. ORGANIZATIONAL STRUCTURE AND HUMAN RESOURCES



Ms. DANG TO LOAN

Deputy CEO

Ms. Dang To Loan has been appointed as Deputy CEO of SHB and Director of SHB HCMC Branch since October 09, 2012. She holds a Master degree in Economics (Credit Finance Major) at National Economics University. Ms. Loan has 23 years of experience in banking finance industry.

Previous position:

From August 2007 to October 2012: Director of SHB Ho Chi Minh City Branch



Mr. NGUYEN HUY TAI

Deputy CEO

Mr. Nguyen Huy Tai has been appointed as Deputy CEO of SHB and Director of SHB Hanoi Branch since February, 2013. He holds a Bachelor degree in Economics (Credit Finance Major) at Banking Academy and a Bachelor of Law at Hanoi University of Law. Mr. Tai has 21 years of experience in banking finance industry.

Previous position:

From March 2009 to February 2013: Director of SHB Hanoi Branch



Ms. NGO THI VAN

Chief Accountant

Ms. Ngo Thi Van has been appointed as Chief Accountant and Director of Accounting Department of SHB. She holds a Bachelor degree in Economics (Accounting and Auditing Major) at Banking Academy. Ms. Van has 16 years of experience in accounting and banking finance industry.

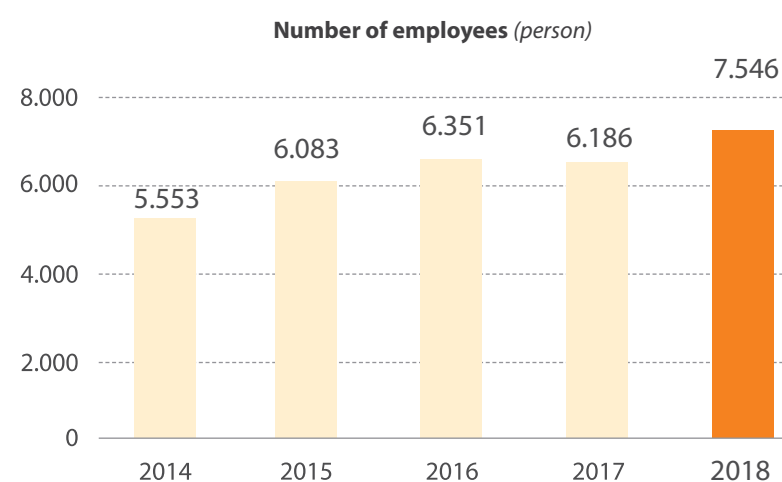
2. ORGANIZATIONAL STRUCTURE AND HUMAN RESOURCES

2.2 Change in Board of Management

On 26/10/2018, SHB recruited and appointed Mr. Tran Nhat Nam as Deputy CEO cum Director of Investment Banking Division. However, in January 2019, due to personal reasons, the staff resigned from SHB.

2.3 Number of employees

Total number of employees of the Bank and its subsidiaries as of 31/12/2018 was 7,546 employees, with over 92% are graduates and postgraduates.



2.4 Employee policy

With the goal of building an experienced, qualified and committed workforce that meets the requirements of a modern bank, SHB continues to pursue many policies to attract and retain talents.

- **Public and transparent recruitment policy** with criteria to assess expertise and skills of candidates based on occupational standards has been used for recruitment.

SHB always paid attention to human resource quality with input standards on qualifications, health and work ethic with the opening of an online recruitment website, an internal recruitment bulletin and "SHB's Talent Internship" program. Professionalism, transparency and fairness in SHB's recruitment unceasingly increased which then enhanced the brand name of SHB in the labor market.

- **Training and development policy:** Training and employee development policy SHB always considers human resources as the most valuable assets, taking people as the greatest motivation for SHB development. Therefore, training and employee development policies according to business strategy of the Bank have been built by for each group of employees.

- Training in 2017 gained positive results. Title-based training courses were designed and focused on deep knowledge, expertise and soft skills.

Apart from hundreds of external and internal training courses, SHB conducted training research and development through the application of high technology in training such as: Online Learning Management System - online testing application; survey system – online post-course quality assessment; training via videoconference, etc. to save training costs as well as improve employee productivity.

- **Compensation and benefit policy of SHB** is competitive with the aim of providing a stable source of income for employees to make them assured with the bank.

For details of employee policies and amendments thereof, please see section of Sustainable Development in page 86.

3. INVESTMENT AND IMPLEMENTATION OF PROJECTS

3.1 Investment and implementation of projects

Determining the goal of becoming a leading modern retail bank in Vietnam, SHB has built a transformation roadmap to become a comprehensive, efficient and dynamic digital bank. According to this roadmap, within 5 years, SHB will focus on implementing projects in the areas of Customer Centricity, Big Data, Digitization, Process Optimization, Technology Infrastructure, IT Operating model. To implement the IT strategy roadmap, right in 2018, SHB has started to launch projects in those areas. Some typical projects are as follows:

Big Data Project:

As we all know data is an extremely important source of industrial revolution 4.0. Therefore, SHB considers data to be valuable assets and is a core element in the digital transformation journey. Therefore, in 2018 SHB began focusing its resources on implementing Big data, Data warehouse and Data analytic projects. Good and reliable data sources and modern analytical tools system will help SHB: (i) Understand customers to offer products and services that best suit each customer; (ii) Analyze and forecast business trends; (iii) Analyzing, forecasting, identifying risks based on data; (iv) Provide correct data to support business and executive decisions; (v) Gradually apply AI and Machine Learning to business activities as well as administration; ... Some items of the project will be put into operation by the end of 2019 and completed by 2020.

Digitalization Project

Some of the first projects in digitalization have begun to start up such as: (1) the application of electronic office systems to digitize office operations, applying digital signatures to replace hand-signing and e-managing storage of documents; (2) Business re-engineering project to help standardize, simplify and optimize the process to determine the redundant process to be removed and process to be digitized; (3) RPA - Robotic Process Automation Project. The project will be completed and put into operation by the end of 2019 and early 2020 as planned.

Process Optimization Projects

In these projects, SHB focuses strongly on implementing projects related to Financial Management, Risk Management and Internal Auditing.

In financial management project, SHB has implemented software solutions such as ERP, Planning & Budgeting, Profitability, ALM, FTP. The implementation of Finance Transformation project helps SHB apply the most advanced standards and practices in financial management to improve and optimize the bank's operational efficiency. Some items of the project have been completed and put into operation by the end of 2018 as planned, the rest will be completed in the fourth quarter of 2019.

Regarding Risk Management Project, SHB has been cooperating with KPMG to develop Basel II implementation roadmap. At the same time, SHB has just selected the EY-FPT-Oracle consortium to implement the Basel II capital calculation system (RWA).

Currently, SHB is also promoting the selection of an Internal Audit solution provider.

Customer Centricity projects

Determining customer-oriented goals, bringing the best prices to customers, SHB has invested heavily in projects to enhance customer experience and put customers at the heart of every action and thought. of the bank. The first Customer centricity project that has been implemented is the CRM system.

IT Operating Model projects

In 2018, SHB began to work with the world's leading consultants to support the development of an IT Operating Model and appropriate IT resources to implement the above roadmap. This is one of the important foundations for SHB to successfully transform into a comprehensive digital bank.

3. INVESTMENT AND IMPLEMENTATION OF PROJECTS

3.2 Subsidiaries



SHB Loan Management and Asset Development One Sole Member Limited Liability Company (SHAMC)

SHB Loan Management and Asset Development One Sole Member Limited Liability Company (SHB AMC) was established under Decision No. 508/QĐ-NHNN dated March 11, 2009 and officially started operation since December 05, 2009.

After ten years in operation, the company plays an increasingly important role in bad loan recovery and asset management for the Bank and for its customers. SHAMC continues focusing on its main business lines: Trading and management of assets in relation with loan settlement and safe-guarding activities to support SHB's business. Besides meeting the demand for bad loan settlement and asset management of SHB, SHBAMC also provides such services for other banks as prescribed under the laws.

To present, SHAMC has satisfied 100% of the demand for security/safe-guarding proposed by the Bank's units nationwide, raising the number of SHB's units safeguarded by SHAMC as of December 31, 2018 to 246 units (including 53 branches and 179 transaction offices nationwide).

By the end of 2018, SHAMC was managing 42 warehouses nationwide. This number will also increase in subsequent years to serve warehouse protection of its parent company - SHB.

Since April 2017, SHAMC has cooperated with SHB Asset Valuation Center to provide real estate valuation consultancy service for 36/54 branches of SHB. Warehouse inspection is carried out in accordance with the prescribed frequency in order to give early warning to SHB Branches for timely solution. In addition, SHB AMC also strengthens night inspection/cross inspection between units to improve inspection quality, ensuring employees' compliance with regulations, promptly handling violations by security guards against rules and regulations on behavior, conduct, operation and shift position

As of December 31, 2018, total number of employees of the Company increased by 83 against 2017. Profit before tax of the Company reached VND 73.35 billion and total assets reached VND 139 billion.



Solid partners, flexible solutions

Saigon - Hanoi Bank Lao Limited

Saigon - Hanoi Bank Lao Limited was founded with charter capital of USD 50 million, on the basis of converting SHB Laos branch. SHB Laos operates independently and has independent organizational structure, with one branch in Champasak. SHB Laos provides banking products and services, contributes to diversify business portfolio of the parent bank, mitigates risks, proactively improves and implements various business operations as prescribed by the laws as well as under authorization from the parent bank in Vietnam. SHB Laos' inauguration will bring SHB more opportunities to exploit and take advantage of the vast, potential and promising market of Laos, to attract investment, to enhance the reputation and position of SHB in financial markets of Vietnam, Laos and international markets in parallel with mission and vision to develop SHB's international brand, and contribute to the friendly neighborly relations between Vietnam and Laos.

On 17/12/2018, SHB Laos opened another branch in Savannakhet, bringing the total number of SHB transaction points in Laos to 03 (01 head office in Vientiane, 01 branch in Champasak and 01 branch in Savannakhet), affirming position of SHB Laos in particular and SHB in general in Laos market.

After seven years of operation, as of December 31, 2018, total assets reached LAK 1,650 billion, YoY growth of 30.23%, customer deposit of LAK 792 billion, profit before tax was LAK 27.6 billion, or VND 80 billion, YoY growth of 61%.



Solid partners, flexible solutions

Saigon - Hanoi Bank Cambodia Limited

With chartered capital of USD 75 million, SHB Cambodia is SHB's second 100%-owned subsidiary in Indochina after SHB Lao. SHB Cambodia operates independently and has independent organizational structure, on the basis of converting SHB Cambodia branch.

After 7 years of operations, SHB Cambodia has created a diverse customer base, including Vietnamese enterprises in Cambodia and local businesses, focusing mainly on key economic sectors such as rubber, electricity, bridges & roads and mining. In the coming time, SHB Cambodia will boost its comprehensive development to exploit the full potential and provide a full range of products and services for customers. In order to achieve that goal, SHB Cambodia completed capital increase from USD50 million to USD 75 million in 2018. After the capital increase, the Bank will have more financial resources to actively carry out financial and banking activities and expand the transaction network as specified by laws of Cambodia and Vietnam and under the authorization from the parent bank in Vietnam, expanding network throughout the territory of Cambodia, fully complying with current regulations on prudential banking business of both Vietnam and Cambodia.

As of 31/12/2018, SHB Cambodia had 5 transaction points including 1 headquarter and 4 branches with 58 employees. Total assets reached USD 288 million, yoy growth of 17%, customer loan was USD 242 million, yoy growth of 26.8%, profit before tax was USD 3.4 million, or VND 79 billion.



Solid partners, flexible solutions

Hanoi Bank Finance One Member Liability Limited Company (SHBFC)

Saigon - Hanoi Bank Finance One Member Liability Limited Company (in short: SHB Consumer Finance Co., Ltd) was established in December 12, 2016, on the ground of the merger of Vinaconex - Viettel Finance Joint Stock Company (VVF) into Saigon - Hanoi Joint Stock Bank (SHB). Its charter capital is VND 1,000 billion.

Specializing in consumer finance, SHB Consumer Finance Co., Ltd (SHBFC) offers diverse, convenient products on a modern, advanced technology platform, meeting capital demand of Vietnamese. SHB's receipt of VVF's merger is a necessary and important move to contribute to enhancing Vietnamese financial market's competitiveness by creating regional scale banks. This is also a great opportunity for SHB to realize its strategy of becoming one of leading retail banks in Vietnam as well as increase its competitiveness and position on national and international market.

In 2018, the company implemented strong sales to take an initial market share. Diversified sales channels include direct sales channels with 134 sales teams, networks covering 30 provinces/cities; telephone sales channel; online sales channel via website, landing page, facebook fanpage, zalo ... SHB Finance brand has been received by customers and partners and become a bright spot on consumer finance market in terms of quality, coverage and business growth with over 90,000 customers, outstanding loans of over VND 709 billion, pre-tax profit of VND 11.1 billion. SHBFC's personnel as of December 31, 2018 were 1,149 people, up 1,125 people compared to 2017. Basically key performance indicators of the company are showing good business performance and within targets of its Business Plan.

4. FINANCIAL INDICATORS

Some key financial indicators

Indicator	Unit	2017	2018	Growth 2018/2017
1. Size				
Total assets	BVND	286.010	323.276	13,03%
Charter capital	BVND	12.036	12.036	-
Total capital	BVND	17.829	22.011	23,46%
2. Business result				
Customer deposits	BVND	210.921	243.420	15,41%
Customer loans	BVND	201.984	231.498	15,00%
Total income	BVND	20.989	24.758	17,96%
Profit before tax	BVND	1.925	2.094	8,75%
3. Prudential ratio				
Capital Adequacy Ratio (%)	%	11,30	11,79	Compliant with SBV's requirements ($\geq 9\%$)
NPL ratio	%	2,33	2,40	Compliant with SBV's requirements ($\leq 3\%$)
Overdue loans	%	4,00	4,56	Compliant with SBV's requirements ($\leq 5\%$)
4. Liquidity				
Loan-to-Deposit Ratio	%	78,05	75,89	Compliant with SBV's requirements ($\leq 80\%$)
Ratio of using short term funds to finance mid and long term loans	%	37,37	29,30	Compliant with SBV's requirements ($\leq 45\%$)
Quick ratio	%	15,00	13,86	Compliant with SBV's requirements ($\geq 10\%$)

(Source: Audited Consolidated Financial Report 2018)

5. SHAREHOLDER STRUCTURE, CHANGES IN OWNER'S EQUITY

5.1 Shares:

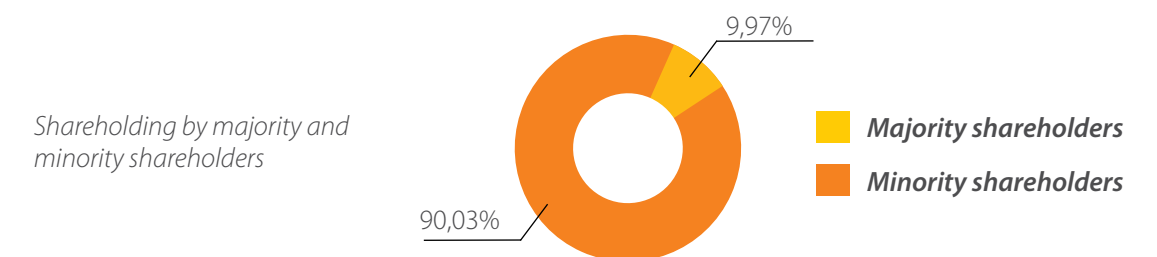
- Total number of shares: **1.203.616.110** shares
- Total number of shares in circulation: **1.203.119.926** shares
- Number of shares to be conditionally transferable: **61.090.214** shares
- Number of shares to be freely transferable: **1.142.525.896** shares

5.2 Shareholder structure

- Majority shareholders, minority shareholders

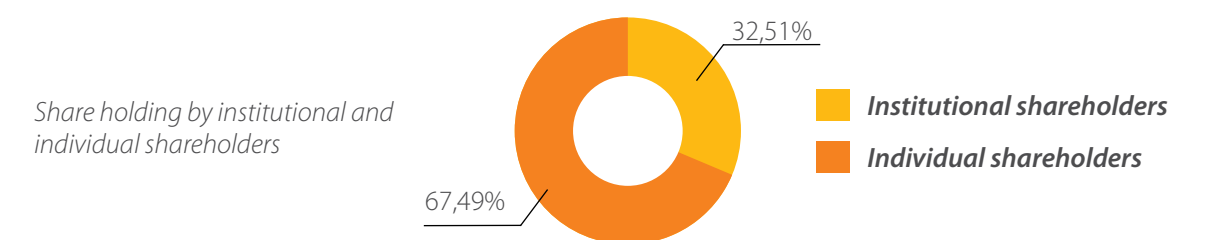
No.	Type of shareholders	Number of shareholders	Percentage of holding ordinary shares (%)
1	Majority shareholders	1	9,97
2	Minority shareholders	38.012	90,03
Total:		38.013	100

Majority shareholders are shareholders holding more than 5% of the Bank's shares. Minority shareholders are shareholders with below 5% of the Bank's shares



- Individual shareholders and institutional shareholders

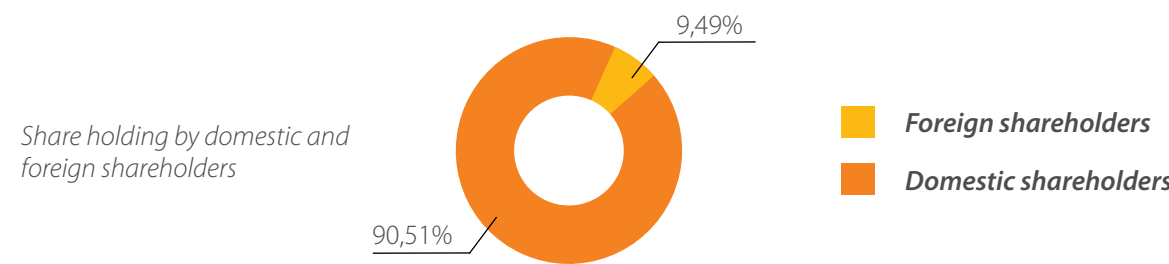
No.	Type of shareholders	Number of shareholders	Percentage of holding ordinary shares (%)
1	Institutional shareholders	194	32,51
2	Individual shareholders	37.819	67,49
Total:		38.013	100



5. SHAREHOLDER STRUCTURE, CHANGES IN OWNER’S EQUITY

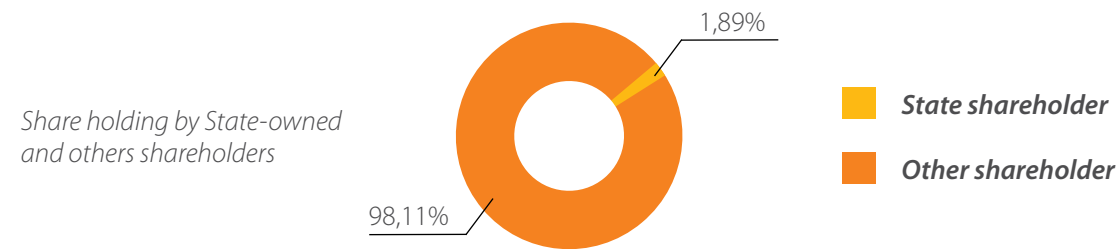
- Domestic shareholders and foreign shareholders

No.	Type of shareholders	Number of shareholders	Percentage of holding ordinary shares (%)
1	Domestic shareholders	37.709	90,51%
2	Foreign shareholders	304	9,49%
Total:		38.013	100%



- State-owned shareholders and others

No.	Type of shareholders	Number of shareholders	Percentage of holding ordinary shares (%)
1	State-owned shareholders	8	1,89%
2	Others	38.005	98,11%
Total:		38.013	100%



- 5.3 Changes in owner’s equity: None
- 5.4 Transaction of treasury stocks: None
- 5.5 Other transactions: None

6. ENVIRONMENTAL AND SOCIAL IMPACT REPORT

Details of environmental and social impact report, please see the section on Sustainable Development, page 85



III. REPORT AND EVALUATION OF THE BOARD OF MANAGEMENT

Over more than 25 years of establishment and development, SHB is proud to be one among Top 5 largest private joint stock commercial banks in Vietnam, performing well two major tasks at the same time: doing prudential and effective business towards international standards while actively leading the implementation of guidelines and policies of the Party, the Government and the State.

III. REPORT AND EVALUATION OF THE BOARD OF MANAGEMENT

1. EVALUATION OF BUSINESS PERFORMANCE

In the past five years, SHB’s growth rate of key indicators in business activities has always been stable, higher than the average growth rate of the whole industry, reaching from 20% to 25%. Especially in 2018 SHB reached many achievements and realized all business targets.

In 2018, in the context of economic recovery and increasingly fierce competition in the banking industry, SHB continued gaining significant achievements thanks to its inner strengths, determination of the domestic and international network; support from partners, customers and trust of shareholders. The performance indicators were higher than those in 2017 and most of them exceeded the set target.

Customer deposit growth of SHB has been stable over the years and higher than the market average growth rate. By the end of 2018, customer deposit growth reached 15.41% (while the average growth rate of entire credit institution system was 13%). Credit grew by 14.6 %, meeting the SBV’s credit growth quota. Non-interest income contributed positively to the bank’s total income structure. Income from FX business grew by 13.8%, international payment volume grew by 24%, and insurance premium revenue grew by 16%. All prudential ratios required by the SBV are met.

Thanks to the solidarity between the Board of Directors, the Board of Management and all employees, the drastic direction from the Board of Directors to promote business activities, strive to complete the 2017 plan assigned by the Board of Directors , SHB has made great achievements such as:

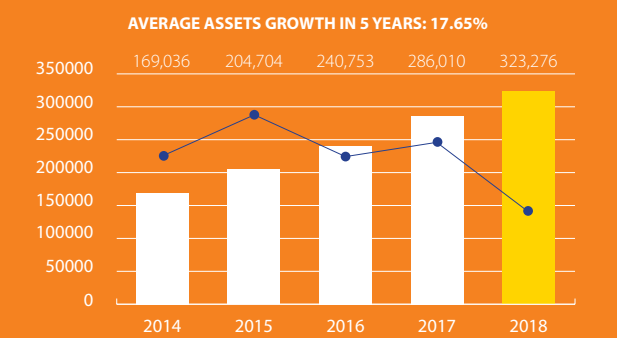
- Achieved and exceeded the targets set out for total assets, outstanding loans, charter capital, profit, etc.; enhanced financial capacity, management capacity, maintaining its position as one of the largest private joint-stock commercial banks in Vietnam.
- Strictly controlled operating expenses, thereby the operating expenses to total operation income decreased sharply
- Completed the plan to put SHB Consumer Financial Company Limited (SHB FC) into operation, launched cash loan product and originated thousands of loans.
- The dividend yield was higher than that set out by the General Meeting of Shareholders



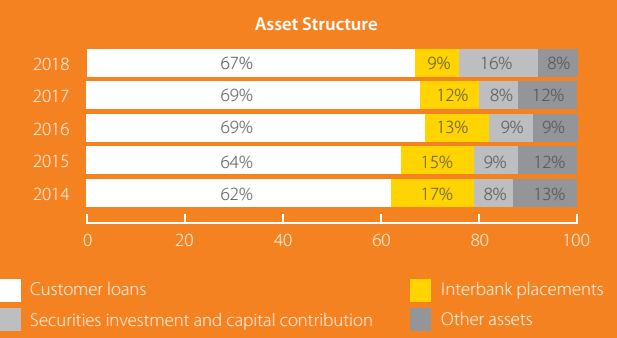
2. FINANCIAL PERFORMANCE

2.1 Total assets

Total assets in 2018 increased by 13.03% to VND 323,276 billion, continuing to provide SHB a position in top private commercial banks in Vietnam. Average asset growth rate of SHB in the last 5 years reached 17.65%, higher than the average growth rate of the whole banking industry at 12.5%.



Along with the scale growth, SHB always pay attention to improve the assets quality with appropriate assets structure, ensuring high profitability, safety and good liquidity. The asset structure shifted towards reducing the proportion of customer loans in the period of 2018 and increasing the proportion of non-credit activities to reduce dependence on credit activities. Therefore, Loan-to-deposit ratio was always kept stable at 75.89% (SBV’s requirement is < 80%). Earning assets accounts for nearly 90% of total assets. The ratio of short-term capital used for medium and long-term loans is 29.30% (SBV’s regulation is ≤ 45%). Capital adequacy ratios and NPL ratio ensure compliance with SBV’s requirements

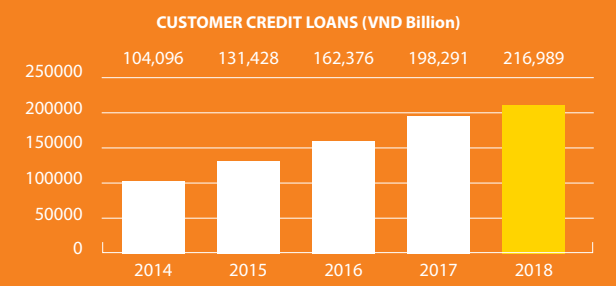


2.2 Credit activities

Abundant and stable deposit sources create an important condition for SHB to provide loans in various key sectors of the economy in line with orientations of the Government and the SBV.

As of 31/12/2018, SHB’s total customer loans and bonds increased to VND 231.498billion, in which customer loans were VND 216.989 billion, yoy credit growth of 9.43%. Credit growth rate in the last 5 years is 23.48%, higher than the average growth rate of the whole banking industry (at 16.38%).

In 2018, SHB continued to focus on restructuring its credit portfolio by product category, and by customer segment focusing on some low-risk sectors in accordance with general credit development orientations of SHB and of SBV



Taking its leading role as one of the five largest joint stock commercial banks in Vietnam, SHB had actively responded to the policy of the Government and the State Bank of Vietnam, whereby loans were prioritized to finance key industries under the Country’s 2011-2020 socio-economic development strategy, namely: rural & agriculture, export, small and medium-sized enterprises, supporting industries, high technology enterprises and start-up enterprises, etc. The provision of credit packages with many incentives which were customized to sectors, commodities, customer groups that SHB had been doing was considered a concrete action proving its commitment to accompanying, sharing financial burdens with customers on “customer-centricity” basis.

In order to achieve the above results, SHB had actively implemented many credit programs and products such as: Program offering subsidized loans for businesses in purchase of rice for temporary storage during Summer-Autumn and Winter-Spring season crops; loans for aquaculture, seafood processing, export; loans for agricultural, forestry, fishery and salt production, developing industries, and investing in the construction of rural infrastructure. Major programs include “Accompanying large corporations,” “Blue-chip Preferential Credit Package,” “Pilot Loan for Agricultural Development,” “Agribusiness Loan,” “Preferential Interest – Great Success,” “Market Stabilization Loans,” “Interest incentives - Companion to businesses”, “Working capital loans for 24h”, etc. with following considerable incentives:

+ Interest rate is 1.5-2% lower than the normal lending rate and financing up to 90% of capital demand.

+ Credit products are suitable for farmers’ production activities such as inter-seasonal loans, credit book loans, granting loans and collecting debt (principals and interests) at customer’s location instead the Bank’s office; loans for agricultural production and export models under high technologies chain, helping people and enterprises shorten production time, while providing the Bank with perfect cash flow management and cost-effective transaction.

+ Flexible repayment policy, in line with customer cash flow; reforming credit procedures to facilitate customers’ access to capital and banking services; Shortening processing time for procedures such as certification, notarization, etc.

+ Developing “Customer Referral” programs that allow corporate customers in the same supply chain and production chain to enjoy the overall preferential package with optimal benefits and simple procedure; considering granting loans to members without collateral if the chain’s cash flow can be well controlled.

In each program, SHB not only provides financial supports but also accompanies customers from developing business plans to providing comprehensive product packages including deposit, payment, e-banking, money transfer ... on modern technology, offering customers with effective financial management. That is why SHB products and services are highly appreciated by domestic and foreign organizations and offered honored awards for many years such as: Fast

Disbursement Bank for Rural Finance Project III, Best SME Bank, Best Trade Finance Bank, Best Project Finance Bank, etc.

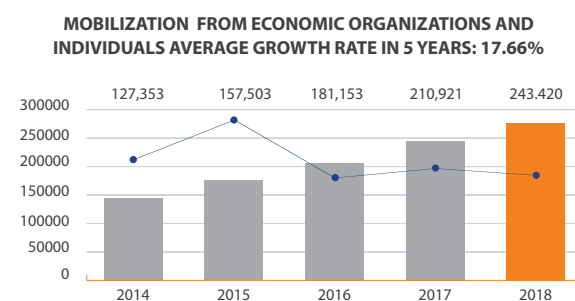
In addition, credit growth in retail banking with diverse and competitive products suitable with different customer segments had been top priority of SHB. Loans for car purchase, real-estate purchase, business working capital, account overdraft, studying abroad, securities investment, etc. were promoted via the cooperation between SHB and many other partners in order to bring best benefits to customers. Many preferential programs for retail customers, especially those who have demand for business loans, offer attractive interest rate incentives of only 9.2%/year for the first year and floating interest margin of only 2.9%/year, free debit card issuance and electronic banking services; and additional 0.1%/year discount on preferential interest rates, free credit card issuance and first-year annual credit card maintenance fee.

Deposit activities

Deposit saw strong growth thanks to the entire Bank’s efforts when 100% branches fulfilled or even surpassed deposit targets.

In 2018, customer deposit interest rates I continued relatively stable trend since 2015. Therefore, SHB’s deposit activities had achieved very positive results.

- As of 31/12/2018, total deposit of the Bank reached VND 300,565 billion. In which, customer deposit increased by 15.41% compared to 2017 to VND 243,420 billion. Customer deposit growth rate in the last 5 years is 17.66%, higher than the average growth rate of the whole industry (at 16%).



Not only achieving high growth rate and growth amount but SHB’s deposit structure also saw effective and sustainable growth. In particular, customer deposits increased by increased by 20% compared to 2017 and always accounted for a high proportion at 60% of total deposits. In addition, SHB ceaselessly sought for low-cost sources of fund from local and international financial institutions. In 2017, the funds financed from international organizations and other governments (including WB, ADB, JICA, KFW,...) that selected SHB as on-lending bank and serving bank was USD2.54 billion with 25 projects country-wide. This is SHB’s low cost medium and long term fund to finance medium and long-term projects that meet donors’ criteria. This low cost medium and long term funding source will help SHB to improve management capacity and credit ratings.

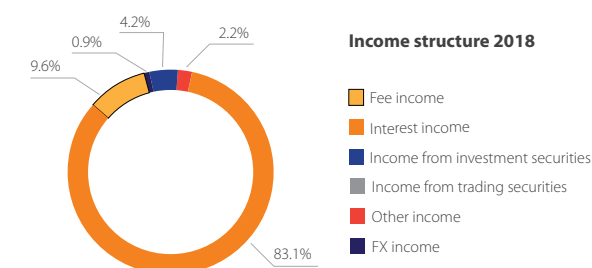
To achieve this result, SHB is constantly improving products and improving service quality suitable for all customer segments. Customer retention goes hands in hands with customer acquisition. In particular, marketing and customer care are always top priority, expressed through professional service style and reasonable advice of deposit products to create confidence from depositors. The network is constantly expanded and technology is improved to bring the bank closer to the people.

2.4 Investment

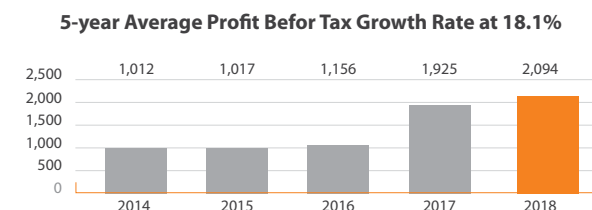
The portfolio continues to be structured by SHB with a reasonable and effective investment portfolio structure. As of December 31, 2018, total valuable paper investment was VND 49,958 billion, an increase of 117.6% compared to 2017; total long term investment and capital contribution was VND 4,070 billion, an increase of 17, 9% compared to 2017.

2.5 Income

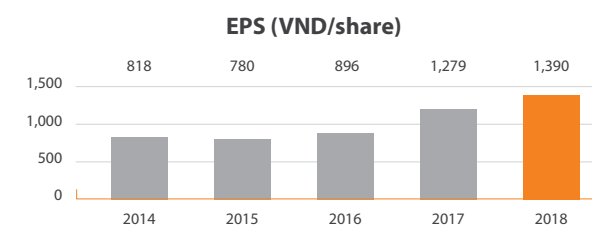
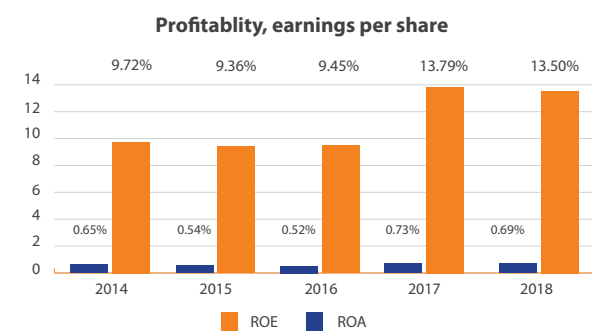
Total income of SHB in 2018 reached VND 24,758 billion, an increase of 18.0% compared to 2017. Total net operating income reached VND 6,742 billion. Of which, net interest income increased by 15.8% to VND5,556 billion. Net income from foreign exchange reached VND62 billion, up 13.8%. Total cost in 2018 was VND 22,664 billion. In particular, operating expenses increased by VND 593 billion to VND 3,223 billion due to network expansion and new staff hiring; however, it still closely followed the cost plan. Loan-loss provisioning cost was VND 1,425 billion.



Profit before tax in 2018 reached VND 2,094 billion, completing the plan set by the General Meeting of Shareholders. The average growth rate of profit before tax in the last 5 years is 18.1%.



2.6 Profitability, earnings per share

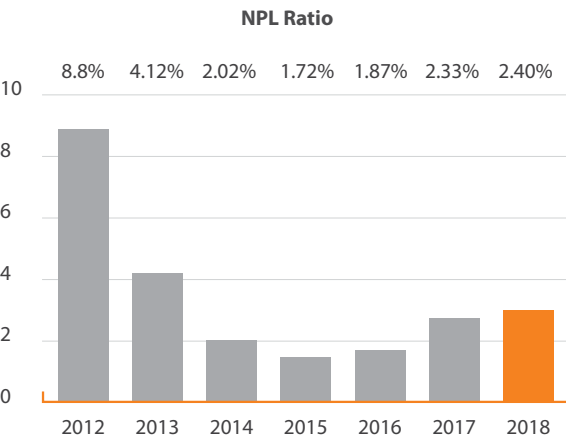


2.7 Credit quality

SHB’s loan growth is not just in quantity but is attached with credit quality, in which non performing loans ratio is reduced to below the average ratio of the whole banking system.

In 2018, SHB successfully collected some large bad loans from the merger of Habubank at about 3,000 billion VND, completing the bad loan collection plan. In addition to bad loan collection results, SHB also implements a number of other bad loan handling methods such as liquidation and collection of assets.

In addition, SHB always enhances provisioning to improve asset quality. By the end of 2018, total loan-loss provisions were VND 5,592 billion, up 11.5% compared to the previous year. In addition to making provisions in accordance with regulations, in 2018, SHB will continue to implement Habubank-inherited bad loans handling roadmap. Thanks to that, NPL ratio of SHB dropped from 8.8% after Habubank merger to around 2% in 2018 (within the limit of the State Bank of <3%).



2.8 Capital adequacy and liquidity

Always compliant with SBV's requirements on prudential ratios

Apart from impressive business results, capital adequacy ratio is always higher than the required 9% ratio, liquidity reserve ratio is 13.86%, (higher than SBV requirement ≥ 10%); and ratio of short-term funds for medium and long-term loans is 29.30% (higher than SBV requirement ≤ 45%); solvency ratio of local and foreign currencies is always compliant with regulations of the SBV.

	2014	2015	2016	2017	2018
CAR ratio	11,30%	11,40%	13,00%	11,30%	11,79%

SHB's operational structure was designed in decentralized management from business divisions to business units, from supporting divisions/departments at head-office to

supporting departments/teams at branches/transaction offices system-wide. The decentralized management ensured smooth operation of the whole system, from highest level to each business unit, thereby minimizing risks occurring to the Bank.

Policies, regulations and procedures on management of credit risks, liquidity risks, market risks, operational risks, etc. were regularly reviewed and adjusted to timely detect and prevent risks which may occur during the course of operation. Such policies, regulations and procedures may include: Controlling credit balance within the risk appetite and risk limit of the Bank; Reviewing and evaluating the internal credit rating system applied to corporate customers, retail customers and business households; Analyzing problem loans, high risk loans and giving warning to business units for timely applications of debt collection measures;

Internal audit was strengthened including comprehensive audit and thematic audit with concentration on auditing main operations such as credit, investment, entrustment, fund mobilization, accounting, and several new issues such as network,... to make timely detection and warning of errors during operations and promptly propose corrective measures and minimize risks in business.

Anti-money laundering inspection, monitoring and prevention, implementation of post-inspection corrective actions and recommendations by SBV Inspectors were areas that SHB internal auditors much focused on.

3. Improvements in organizational structure, policies and management

Improvements in organizational structure and management

In 2018, for organizational structure and resource allocation optimization, SHB continuously enhanced the organization structure and completed

the on functionalities of the departments/divisions in the direction of professionalism, effectiveness throughout the system following its development strategy to become a leading retail bank. Several divisions/departments/functional units have been merged/split or newly formed. For instance, SHB has established the Investment Banking Division with the purpose of expanding and diversifying the Bank's business lines; Financial Planning Department was divided into 3 functional departments, namely: Planning Department, Finance Administration Department, and Department of Data Administration and Information System.

The network system of branches, transaction offices locally and internationally was continuously expanded to improve its competitiveness and realize its goal of becoming one of the leading retail banks in Vietnam. The scale expansion was undertaken in association with the re-arrangement and reinforcement of network, branch and transaction office structure in a simple yet efficient way in conformity with the Bank's governance capabilities. SHB's network continued to be expanded with the opening of 05 new branches in Nam Dinh, Hai Duong, Binh Thuan, Vinh Long provinces and especially the opening of Son La Branch has marked SHB's presence in the remote area of Tay Bac; opening a new branch in Savannakhet – under SHB Laos; completing the application for the opening of new transaction offices and branches in some provinces. 2018 also marked SHB's great efforts in completing organizational structure, procedures, and regulations of SHB Consumer Finance Company Limited (SHBFC), promoting the deployment of products and services; opening a representative office in Myanmar; applying for license of SHB representative office in Australia, extending its development scale and network to international level.

Improvements in human resources policies

In 2018, SHB rearranged the titles and salary regimes of 100% of employees; increase the salary of all employees in the whole system and this is also the year SHB adopted the key performance index (KPI) mechanism to evaluate the performance of staff in a unified manner across the system. The increase in salary and application of KPI policy properly and reasonably helped employees improve personal responsibility, improve efficiency

and increase management capacity - thereby leading to the formation of a working culture, sale Professional goods in the organization. Therefore, the performance of employees increased by about 20%, business errors were minimized.

Robust advancement in technology and products

In 2018, SHB has completed and implemented many key technology projects to support banking management, improve product and service quality as well as ensure risk management. Especially, during the year, SHB launched the "Bank Modernization" project through a five-year overall information technology strategy advised by IBM Corporation, anticipating the trend of the 4.0 industrial revolution. Some big projects/solutions can be named as: Customer Centricity, Big Data, Digitalization (Digital), Process Optimization, Technology Infrastructure (Technology), IT Operating model.

During the year, SHB has also officially placed its presence in the financial lending market with various credit loan products to serve consumer needs. In the first month of service launch, SHB Finance One-member Company Limited (SHB Finance) reached the volume of over 1,000 loans. In addition, several comprehensive co-operation agreements on insurance products were signed between SHB and VNI, PVI Insurance and Bao Viet Insurance to provide most diverse and convenient choices for customers.

Strong development in international relations, local and international cooperation

With such achievements in 2018, SHB was honored to receive courtesy visits and great encouragement from senior leaders of the Government.

Besides, in 2018, SHB continued to sign comprehensive cooperation agreements with large international groups such as Manchester City, Barcelona - the world's leading football teams. International cooperation was strongly boosted to promote SHB's brand and position and look for cooperation opportunities at regional and international level. So far SHB has established relationships with about 400 international financial institutions.

At local level, SHB continued to sign agreements with many enterprises, groups and corporations in oil and gas, petroleum, electricity,

telecommunications, etc.. Especially, within the year, SHB has engaged in the strategic co-operation with two huge international financial institutions in Russia, namely International Investment Bank (IIB) and International Bank for Economic Cooperation (IBEC), and joined bilateral cooperation forums between Vietnam and big countries worldwide, opening up many development opportunities with Asian, European, American countries and countries from other continents.

SHB continued to be appointed as a serving bank, on-lending bank for many large-scale ODA projects

As a veteran commercial bank in implementing ODA projects (since 2004), SHB has always been highly valued and trusted by state ministries, agencies and donors such as the World Bank, Asian Development Bank, JICA, KFW, etc. as serving bank and on-lending bank at many ODA projects, including: "Renewable Energy Development Project", "Nam Thai Binh Duong Solid Waste Processing Complex Construction Project", "Small & Medium Enterprise Finance Program", "Transmission grid investment phase 3", "Efficient Power Grids in Small and Medium-sized Cities", "Second Greater Mekong Sub-region Corridor Town Development Project", "Water Sector Investment Program - Tranche 3", etc. These projects finance for enterprises' new investment and expansion of their business activities at preferential loan interest rates, thereby creating stable jobs, improving living standards and working environment for the workers...

To present, the funds financed from international organizations and other governments to SHB as on-lending bank and serving bank was USD2.5 billion with 25 projects system-wide. In implementation of ODA projects, SHB benefits from stable medium and long term funds with low interest rates; a large amount of foreign currency as demand deposit and flexible determination of foreign exchange rates; opportunities to develop a large number of customers, etc. In addition to improved business performance, SHB has positioned itself among peer banks in the market, while enhancing its reputation in the public.

4. Development plan (2019 – 2022)

Based on the business performance in 2018 and the orientation of becoming a Top 3 biggest private-owned commercial joint stock bank in Vietnam, the main objectives of SHB for the period of 2020 – 2022 are identified as follows:

*** Business objectives:**

1. Total assets of the Bank continues to rank at Top 5 private owned commercial joint stock banks in Vietnam with average growth rate of 15% - 20% per annum.
2. Mobilization from Market 1 (economic organizations and individuals) ranks at Top 4 private owned commercial joint stock banks in Vietnam.
3. Market share of credit loans ranks at Top 5 private owned commercial joint stock banks in Vietnam (excluding 4 State-owned commercial joint stock banks), increases 0.4% compared to that in 2018.
4. On balance NPL/total outstanding loans < 3%, overdue loans (loan group 2 to group 5)/total outstanding loans < 5%.
5. Promoting the collection of NPL, overdue loans. In 2019 the Bank plans to collect VND 3,500 billion of NPL. At the same time, it is necessary to make full provision for risk provisions in accordance with the regulations of the State Bank of Vietnam, in which the provision for debts sold to VAMC in 2019 is estimated at VND 2,164 billion.
6. Target in 2019: Service income/total net income expected to reach 10% -12%.
7. Injection of additional charter capital and tier 2 equity capital to ensure capital adequacy ratio (CAR) in compliance compliance with Basel standards (according to Circular 41/2016/TT-NHNN and Circular 13/TT-NHNN). The injection of additional charter capital is a condition for SHB to continue to maintain the business development speed in parallel with safety ratios in business operations in accordance with regulations of the State Bank of Vietnam prescribed in Circular 41/2016/TT-NHNN and Circular 13/TT-NHNN effective from January 01, 2020.

*** Operational objectives:**

8. Continuously improve governance capability; reform, renovate human resources development in order to have a work force with high qualifications.
9. Strengthen practices of risk management, investigation, supervision and internal audit of each operation in order to enhance the capability of early detecting and warning on emerging risks in SHB's activities.
10. Enhance the management, supervision and collection of NPL, problem loans; establish strict loan management procedures in conformity with business targets in order to ensure both credit growth and credit quality.
11. Continuously invest in information technology applications in order to increase management capability, renovate human resource development initiatives to develop a highly qualified employee base; enhance risk mitigation as well as synchronous, efficient and competitive development of banking services and products, thereby improve work performance of employees.
12. Promote the Bank's roles as a serving bank for ODA projects funded by international financial institutions; promote fund mobilization from local and international financial institutions, in particular long-term funds at reasonable costs.
13. Promote public communication and international relations in order to strengthen and enhance the popularity of SHB's brand name in local and international markets.
14. Enhance activities of the Communist Party, Youth Union, Labour Union in order to educate ethical mentality for SHB employees, enhance solidarity spirit as well as maintain and develop corporate culture, contributing to SHB's business performance and sustainable development.

*** Business plan until end of 2019**

Key planned financial indicators in 2019

Unit: VND billion

No.	Indicator	Plan in 2019	Vs 2018	
			+/-	%
1	Total assets	372.917	49.641	15,36%
2	Charter capital (*)	17.571	5.534	45,97%
3	Mobilization from economic organizations and individuals	283.922	40.502	16,64%
4	Credit loans	261.592	30.094	13,00%
5	Profit before tax	3.068	974	46,51%
6	NPL (%)	<3%		
7	Dividend yield (%)	11% VDL		
8	CAR	>9%		
9	Loan to Deposit Ratio (LDR)	<80%		
10	Ratio of short-term capital used for medium and long-term loans	<40%		
11	Liquidity Reserve	>10%		
12	ROA	0,87%		
13	ROE	16,05%		

(*) In order to ensure safety ratios in the Bank operations in compliance with Circular 41/2016/TT-NHNN by SBV, in 2019 SHB plans to inject additional capital amount of VND 5,534 billion via private release to shareholders and investors.

5. Environmental and social responsibility

In implementation of the National Strategy for Green Growth, SHB has adopted and promoted the green credit policy, allocate capital sources for “green” projects such as wind energy, solar energy, hydropower, thermal power, waste treatment, clean water, etc. in order to raise enterprises’ awareness on environmental protection. SHB insisted on not financing for projects that violate regulations and laws on environmental protection. SHB also focused on training and raising awareness for staff on environmental protection at workplace, as well as efficient and economical use of natural resources.

In addition, SHB has always complied with provisions of the law on employment, wages, insurance and other regimes for employees. Working environment and conditions are continuously improved, creating favorable conditions for employees to optimize their working capability. Trade union and party activities have been promoted, promptly solved matters relating to the rights and obligations as well as improved spiritual life of employees.

SHB is also aware of the importance and necessity to contribute to the sustainable development and wealth of the community. SHB’s contribution in supporting social security in the past 5 years has amounted to hundreds of billion VND, of which nearly 20 billion VND was made in 2018, not including contribution programs from employee’s salaries and wages. The amount has been used to sponsor different funds, flood victims, natural disaster victims, poor households, and policy beneficiaries across the country. In the future, SHB will continuously engage our commitment to social security, contributing to the community development and welfare as a large enterprise.

Detailed reports relating to environmental and social responsibility, please refer to the section on Sustainable Development, page 85.



IV. EVALUATION OF THE BOARD OF DIRECTORS ON THE PERFORMANCE OF THE BANK

Promoting available strengths,
being keen on realizing the
objectives to make sustainable
development, effectiveness
improvement, and position
enhancement.

IV. EVALUATION OF THE BOARD OF DIRECTORS ON THE PERFORMANCE OF THE BANK

1. Evaluation of the Board of Directors on the performance of the Bank

Stepping further from gained achievements and learned lessons, the Board of Directors has built appropriate policies and orientations with drastic implementation measures. Thus, business results of SHB have shown rapid growth, sustainability, and safety with optimistic indicators in 2018:

- Fulfilled 2018 business plan assigned by the General Meeting of Shareholders.
 - Total assets of VND 323,276 billion, increased 13.03%
 - Deposits from corporate and individual customers reached VND 243,420 billion, increased 15.41%
 - Customer loans amounted to VND 231,498 billion, increased 14.6%
 - Profit before tax reached VND 2,094 billion
- Applying drastic measures to help the Bank keep its non-performing loans ratio within required limit of 2.4% as regulated by SBV.
- Mobilized funds, especially customer deposits, rose substantially to ensure the Bank's liquidity.
- Operating costs were managed properly, which contributed to improving the business performance of the bank. Costs growth was controlled at a low level of 11% compared with the previous year.
- The Bank has financed many national key projects in line with the orientation and strategy of the State.
- More branches and transaction offices were opened and structured as scheduled in many provinces and cities of the country and overseas markets.
- The Bank had successfully restructured and completed description of tasks and functions, regulations, processes and procedures of Departments/Divisions/Centers, Branches, and Transaction Offices under business development orientations set by the BOD.
- The Bank had continued business restructuring of some borrowing companies after the acquisition of Habubank. So far, those companies have stabilized their business, made profit, ensuring jobs for thousands of employees and made repayment to SHB.
- SHB Consumer Finance Co Ltd (SHB FC) officially came into operation and launched their products and services to the market, leading SHB closer to the goal of becoming one of leading retail banks in Vietnam.
- Ensured profit and dividend for shareholders beyond the target set out by the General Meeting of Shareholders.
- Properly fulfilled environmental and social responsibility including developing green credit development that is in conformity with international and domestic standards on environmental protection, energy, and resource saving. Through Gratitude funds and programs, SHB has always tried its best to share the heavy burden of the society to support people with meritorious services to the revolution, poor people and people suffering from catastrophes.

2. Evaluation of the Board of Directors on performance of the Board of Management

The year 2018 continued seeing bright color in SHB's business following solid achievements in the past years. Gaining such achievements when competition among banks was increasingly fierce, Board of Directors of SHB always closely followed developments of all SHB business activities, supervised the Board of Management to perform policies approved by the General Meeting of Shareholders and the Board of Directors.

Board of Management of SHB performed their tasks and authority with a high sense of responsibility, managing operations of units of SHB safely and effectively and in compliance with prescriptions of the laws on banking; ensuring that every activity in each SHB unit was fully and timely checked and controlled.

3. Plan and Orientations of the Board of Directors

SHB's goal is to become a leading modern multi-functional retail bank in Vietnam with the vision to become a strong financial holding group under international standards by 2023. The Board of Directors always develops strategic objectives consistent with each development period, with the overall strategy of competition by differentiation based as oriented for the period of 2019 – 2022 as follows:

- Continue to be in Top 5 largest private joint-stock commercial banks in Vietnam.

Pushing forward the development of business activities with key financial criteria average growth rate from 15 – 20%; increasing market shares for main business lines of the bank, for instance: deposit-taking products, lending products, and other highly competitive products; improving efficiency of investment activities in order to diversify profit-making channels for the bank; increasing fee income to take up about 35-40% of net income; efficient expense management and cost control; improving financial ability, growing safely and sustainably in accordance with international standards.

- Develop and restructure the network

- Continue the expansion of network along with strict network monitoring and control to optimize network operation. Completing registration procedures and opening new transaction points as approved by the SBV; promote the operation and business activities of SHB Consumer Finance Company Limited.

- Improve policies and regulations

Regularly improving and updating the Bank's regulations and policies in line with provisions of laws and the Bank's operations.

- Enhance governance capability

Continuously innovating and improving governance and administration capability in all business activities; keeping up with the development of domestic and foreign markets in order to properly adjust business strategies in consistence with each period and on a long-term basis; proposing business orientation with flexible business solutions and initiatives to bring about stable and sustainable development.

- Strengthen risk management

Step by step developing a suitable risk management system that is adequate to Basel II standards: developing and improving the system of criteria for risk identification and risk assessment as the basis to detect and mitigate risks. Strengthening the organization for risk management and urgently implement risk management and anti-money laundering solutions under the guidance of the State Bank in accordance with provisions of laws and international best practices.

- Diversify and enhance product & service quality

Accelerating the development of products and services by promoting research, evaluation of market impacts to existing products of SHB, surveying and assessing the needs of customers to develop featured products or services.

- Actively handle NPLs

Accelerating the settlement of non-performing loans; setting aside adequate risk provision amounts as prescribed. Ensuring to maintain NPL ratio below 3%.

- Attract and develop high-quality human resource

Improving human resource policy to be fair and creating a healthy working environment; focusing on training, especially training on governance capacity and management capacity for managers from Head/Deputy Head of Departments upwards. Regularly updating, and providing professional training for all employees under the policy that each employee is concurrently an instructor that offers training to his/her colleagues within their professional areas.

- Corporate culture is the core value

Maintaining and developing SHB's corporate culture with the traditional and distinctive identity of SHB. Enhancing solidarity and loyalty of employees to create collective strength to contribute to the sustainable development of the Bank.

V. CORPORATE GOVERNANCE

With the principle of “Solid partner, flexible solutions” and innovative business strategy, SHB commits to providing high benefits to customers and shareholders – investors.

1. BOARD OF DIRECTORS

Board of Directors is the highest governing body of the Bank including members elected by the General Meeting of Shareholders, having full rights to implement decisions and responsibilities of SHB.

1.1 Members and structure

No.	Full Name	Position	Date of appointment	Shareholding (%)
1	Do Quang Hien	BOD Chairman	23/4/2018	2,742%
2	Vo Duc Tien	BOD Vice Chairman	23/4/2018	0,004%
3	Nguyen Van Le	BOD Member and CEO	23/4/2018	0,226%
4	Trinh Thanh Hai	Independent BOD Member	23/4/2018	-
5	Do Quang Huy	BOD Member	23/4/2018	-
6	Pham Cong Doan	BOD Member	23/4/2018	-
7	Thai Quoc Minh	BOD Member	23/4/2018	-

BRIEF ON BOD MEMBERS PROFILE



MR DO QUANG HIEN
Chairman of BOD of SHB

- Chairman of BOD of SHB
- Chairman of BOD of Saigon – Hanoi Securities Joint Stock Company (SHS)
- Chairman of BOD of Saigon – Hanoi Insurance Corporation (BSH)
- Chairman of Hanoi SME Association
- Member of the Central Committee of Vietnam Fatherland Front

Qualification:

- Radio physics engineer
- 35 years of experience in the field of finance and banking

Achievements:

- + Second-class and third-class labour medals granted by President of Vietnam.
- + “2017 Businessman of Asia” honoured by Enterprise Asia Magazine

BRIEF ON BOD MEMBERS PROFILE



Mr Vo Duc Tien

Vice Chairman of BOD of SHB

Current Position: Vice Chairman of BOD of SHB

Qualification: Master of Economics, Banking Academy

Experience: 35 years of experience in the field of finance and banking



Mr Nguyen Van Le

Member of BOD and CEO

Current Position: Member of BOD and CEO since 2000

Qualification: PhD in Economics, Banking Academy

Experience: 22 years of experience in the field of finance and banking.



Mr TRINH THANH HAI

Independent member of BOD

Current Position: Independent member of BOD

Qualification: MBA, George Washington University - USA

Experience: 33 years of experience in the field of finance and banking.

BRIEF ON BOD MEMBERS PROFILE



Mr DO QUANG HUY

Member of BOD

Current Position: Member of BOD

Qualification: Master of Economics

Experience: 40 years of experience in the field of finance and banking.



Mr THAI QUOC MINH

Member of BOD

Current Position: Member of BOD

Qualification: Master of Economics

Experience: 35 years of experience in the field of finance and banking.



Mr PHAM CONG DOAN

Member of BOD

Current Position: Member of BOD

Qualification: Bachelor of Economics

Experience: 39 years of experience in the field of finance and banking.

1. BOARD OF DIRECTORS

Change of BOD members

On April 23, 2018, the BOD dismissed Mr. Tran Ngoc Linh from the position of BOD member.

1.2 Committees under the BOD

Professional councils and governance committees are established by BOD to implement the tasks assigned by BOD:

- | | |
|--|--|
| + HR Committee | + Credit Committee |
| + Risk Management Committee | + Investment Committee |
| + Assets and Liabilities Management Committee (ALCO) | + Problem Loan Management and Collection Committee |

1.3 Activities of the Board of Directors

In 2018, the Board of Directors conducted 4 meetings with 100% participation rate. In addition, the Board of Directors regularly participated in Board of Management meetings, and meetings with business units of the Bank in order to monitor the business performance and status of the units, promptly resolve difficulties and create motivation for business development. Besides, functional committees under the Board of Directors also regularly reported to the Board of Directors on issues under their responsibility to ensure full and comprehensive provision of information to the Board of Directors regarding the Bank's operations, ensuring compliance with the provisions of Law and resolutions of the General Assembly of Shareholders.

Meetings of the Board of Directors in 2018

No.	Member of Board of Directors	Position	Appointment Date/Date of Removal from member of Board of Director	Number of Meetings of Board of Directors attended	Rate of meeting participation	Reason for not participating into meetings
1	Mr. Do Quang Hien	Chairman of BoD	Appointed from April 27, 2017	4/4	100%	
2	Mr. Vo Duc Tien	Vice Chairman of BOD	Appointed from April 27, 2017	4/4	100%	
3	Mr. Nguyen Van Le	Member of BOD cum General Director	Appointed from April 27, 2017	4/4	100%	
4	Mr. Tran Ngoc Linh	Member of BoD	Removed from April 23, 2018	1/4	50%	Already removed from member of BoD from April 23, 2018
5	Mr. Do Quang Huy	Member of BoD	Appointed from April 27, 2017	4/4	100%	
6	Mr. Pham Cong Doan	Member of BoD	Bổ nhiệm kể từ ngày 27/04/2017	4/4	100%	
7	Mr. Thai Quoc Minh	Member of BoD	Appointed from April 27, 2017	4/4	100%	
8	Mr. Trinh Thanh Hai	Independent member of BoD	Appointed from April 23, 2018	3/4	50%	Appointed Independent member of BoD from April 23, 2018

1. BOARD OF DIRECTORS

The Board of Directors always strictly followed all operations of the Bank, supervised the Board of Management in implementing guidelines and policies passed by Annual General Shareholder Meeting and Board of Directors. Accordingly, SHB focused on promoting the market share of the Bank's core businesses while applying strict risk control and management system wide. In addition, the Board of Directors also requested the Board of Management to direct the prompt recovery of bad debts, overdue debts, strengthening the pre-, during and post-lending inspection to minimize new bad debts, raise credit quality throughout the system to ensure the stability, sustainable development and completion of plans assigned by the General Meeting of Shareholders.

The Board of Directors has assigned specific tasks to each of its member. Each BOD member is assigned with governance tasks in critical areas of the Bank in order to give timely direction to Board of Management for operation adjustment from time to time for the ultimate purpose of fulfilling business plan set by the General Meeting of Shareholders.

Via meetings during the year 2018, the Board of Directors has issued 32 resolutions concerning the Bank's network structure, organization, human resources, customer loans, etc.

Resolutions of the BOD in 2018

No.	Resolution No.	Date	Description
1	01/NQ-HĐQT	03/01/2018	Relocation of SHB Thanh Hoa Branch's office
2	02/NQ-HĐQT	05/01/2018	Relocation of SHB Nghe An Branch's office
3	03/NQ-HĐQT	08/01/2018	Relocation of SHB Hung Yen Branch's office
4	04/NQ-HĐQT	08/01/2018	Relocation of SHB Pho Yen transaction office (Thai Nguyen Branch)
5	05/NQ-HĐQT	06/02/2018	Identification of deposited securities
6	06/NQ-HĐQT	08/02/2018	Completion of charter capital raising of SHB in 2017
7	07/NQ-HĐQT	08/02/2018	Preparation of shareholders list and organization of Annual General Meeting of Shareholders 2018
8	08/NQ-HĐQT	08/03/2018	Relocation of SHB Xuan Khanh transaction office (Can Tho Branch)
9	08A/NQ-HĐQT	29/03/2018	Use of 2017 profit of Saigon – Hanoi Bank Cambodia Limited to raise its charter capital
10	09/NQ-HĐQT	02/04/2018	Relocation of SHB Cach Mang Thang 8 transaction office (Ho Chi Minh City Branch)
11	10/NQ-HĐQT	02/04/2018	Change of title and introduction of candidate for voting as independent member of SHB's BOD for 2017-2022 tenure

1. BOARD OF DIRECTORS

No.	Resolution No.	Date	Description
12	11/NQ-HĐQT	04/04/2018	Relocation of SHB Dien Chau transaction office (Nghe An Branch)
13	12/NQ-HĐQT	09/04/2018	Change of management authority of 3 transaction offices under Ho Chi Minh City Branch to Phu Nhuan Branch
14	13/NQ-HĐQT	26/04/2018	Allocation of tasks to BOD members for 2017-2022 tenure
15	14/NQ-HĐQT	26/04/2018	Adjustment of remuneration for BOD members and BOS members for 2017-2022 tenure
16	15/NQ-HĐQT	10/05/2018	Approval of VND1,000-billion investment into government bonds through depositing into Securities Company
17	16/NQ-HĐQT	22/05/2018	Approval of list of candidates for appointment as members of the Board of Members in 2016-2021 tenure and CEO of SHB Consumer Finance Co., Ltd.
18	17/NQ-HĐQT	22/05/2018	Approval of dismissal of 3 members of the Board of Members in 2016-2021 tenure and CEO of SHB Consumer Finance Co., Ltd.
19	18/NQ-HĐQT	25/06/2018	Approval of securities exchange of Duc Khai Petrol Corporation
20	19/NQ-HĐQT	02/07/2018	Relocation of SHB Binh Thuan Branch's office
21	20/NQ-HĐQT	02/07/2018	Relocation of SHB Nam Dinh Branch's office
22	21/NQ-HĐQT	02/07/2018	Relocation of SHB Son La Branch's office
23	22/NQ-HĐQT	02/07/2018	Relocation of SHB Vinh Long Branch's office
24	23/NQ-HĐQT	17/07/2018	Approval on credit limit granted to Saigon – Hanoi Securities Joint stock Company
25	24/NQ-HĐQT	11/07/2018	Approval on bond issuance method in 2018 of SHB
26	25/NQ-HĐQT	27/07/2018	Credit limit for late payment L/C, UPAS L/C
27	26/NQ-HĐQT	14/08/2018	Addition of some business lines in SHB's license of operation
28	27/NQ-HĐQT	15/08/2018	Approval on bond issuance method in 2018 of SHB
29	28/NQ-HĐQT	17/09/2018	Relocation of SHB Hai Duong Branch's office

1. BOARD OF DIRECTORS

No.	Resolution No.	Date	Description
30	29/NQ-HĐQT	17/09/2018	Relocation of SHB Binh Duong Branch's office
31	30/NQ-HĐQT	19/11/2018	Addition of some business lines in SHB's license of operation
32	31/NQ-HĐQT	20/11/2018	Granting of credit limit with collaterals to Saigon – Hanoi One-member Limited Finance Company

1.4 Activities of the BOD's committees

HR Committee

HR Committee is organized to perform several functions on human resource management and remuneration as authorized by the BOD.

HR Committee comprises of 6 members, Mr. Do Quang Hien – Chairman of the BOD – holds the position of Chairman of the Committee. In 2018, the Committee has advised the BOD in the issuance of regulations and policies in HR management, election, appointment, removal of BOD members, BOS members and BOM members in accordance with provisions of the laws and Charter of SHB; advised the BOD in issuance of internal regulations of the bank under the approval authority of the BOD relating to salary, compensation, bonuses and recruitment of staff, training, and other compensation policies to the Administrator, managers and staff of the Bank; conducted examination, inspection and assessment of the implementation of HR regulations and policies. Based on that, the Committee advised the BOD to revise existing regulations and/or to issue new regulations in accordance with the practical situation and development strategy of SHB.

Risk Management Committee

Risk Management Committee is organized to perform several functions and duties on risk management as authorized by the BOD.

Risk Management Committee comprises of 5 members. Mr. Do Quang Hien – Chairman of the BOD – holds the position of Chairman of the Committee. In 2018, in order to comply with the regulations of the State Bank of Vietnam on internal control system of commercial banks and branches of foreign banks, which officially comes into effect since January 01, 2019, Risk Management Committee has co-ordinated with Risk Management Division under the Board of Management in implementing the following tasks:

- Complete the risk management system of SHB with 3 lines of defense. Of which, the first line is designed with functions of recognizing, controlling and mitigating risks inherent in income-generating departments/units; the second line has the function of compliance supervision and risk management; and the third line has the function of internal audit.
- Redesign and develop risk management framework of SHB, and at the same time complete the assessment of critical risks as a basis for developing the Risk appetite statement and SHB risk profile management in accordance with Basel II standards regarding Risk Management and management requirements of the State Bank of Vietnam;
- Review and consolidate the system of governance policy documents for each key risk including credit risk, operational risk, market risk, liquidity risk, centralized risk, interest risk on bank book to best support business operations at SHB and ensure the effectiveness and efficiency of SHB risk management in the following years;

- Develop and issue regulations on risk limits and risk control thresholds as a basis to implement risk management and risk report at SHB;
- Complete the organization and operation of Credit Council, Risk Council, Capital Management Council, ALCO under CEO so that SHB can smoothly operate right from the beginning of 2019;
- Complete the organization and operation of Compliance Department under the Board of Management to assist CEO in supervising and monitoring the Bank's compliance with legal regulations, internal regulations and directions of the Board of Directors, CEO, especially pay attention to controlling limits and safety ratios in SHB operations in accordance with requirements of SBV;
- Ensure the quality of reports related to risk management as required by the State Bank of Vietnam, requirements for transparency and information disclosure under the guidance of the Ministry of Finance, the State Securities Commission, and Hanoi Stock Exchanges.
- Supervise the units in the whole system in implementing policies on prevention and risk management, thereby advising and proposing the Board of Directors to amend and supplement appropriate policies and regulations in accordance with the actual situation and in compliance with relevant laws.

Business Development Division

Business Development Division performs functions and duties concerning strategy planning and development of products, markets, customers of the Bank as authorized by the BOD.

Business Development Division comprises of 5 members. Mr. Tran Khac Chien is in charge of the of the position of Director. In 2018, the Division has directed and implemented several product development projects to serve various groups of target customers based on the research on competitors and macro environment in line with development characteristics of different regions.

Assets and Liabilities Management Committee

This Committee performs several functions and duties relating to risk management strategies and policies of all risks concerning Assets and Liabilities of the Bank as authorized by the BOD.

In 2018, ALCO Committee has provided helpful advices to the BOD on the scale, structure and growth rate of SHB's assets and liabilities in line with the scale of the business and development strategy of the Bank from time to time, made good forecasts and promptly responded to market changes; reviewed and ensured safety ratios and limitations of business activities in compliance with regulations of the State Bank of Vietnam and SHB; gave opinions and advices to the BOD in developing market strategy, capital growth strategy, liquidity risk management, market risk management, etc.

Credit Committee

Credit Committee performs several functions and duties on credit policy as authorized by the BOD.

In 2018, the Credit Council has advised the BOD in: Targeted structure of the loan portfolio of the Bank by sectors, products or geographic locations; Approving credit policies including interest rates, fees, credit conditions, credit risk prevention measures applied to each type of customers and related parties; Approving loans exceeding the approval limit of the CEO such as loans exceeding 10% of SHB's equity and other loans exceeding credit limits.

Investment Committee

Investment Committee performs several functions and duties on investment activities as authorized by the BOD.

In 2018, the Committee has appraised investment plans and allocate investment in allowed sectors to increase income and profits for SHB. Among which, some big projects have been approved, such as: investments in government bond, corporate bond, issuance of SHB bond, etc.

Problem Loan Management and Collection Committee

This Committee is set up by the BOD to handle problem loans.

In 2018, Problem Loan Management and Collection Committee has effectively performed the function of advising and supporting to the BOD in developing strategy, measures to prevent and mitigate overdue and non-performing loans in order to achieve goals of safe and effective operation of SHB; as well as directing and approving measures to prevent and handle problem loans in the entire Bank



2. BOARD OF SUPERVISORS (BOS)

The Board of Supervisors (BOS) is functions as a supervising body on the Bank’s operations. Members of the Board are appointed by the General Meeting of Shareholders.

2.1 Members and organization of Board of Supervisors (BOS)

No.	Full Name	Position	Holding Percentage (%)
1	Mr Pham Hoa Binh	Head of BOS	0,007%
2	Mrs Nguyen Thi Hoat	Deputy Head of BOS	-
3	Mr Nguyen Huu Duc	Member	-
4	Mrs Le Thanh Cam	Member	-
5	Mrs Pham Thi Bich Hong	Member	-



Ms. NGUYEN THI HOAT
Deputy Head of the BOS

Qualification: Master of Economics, Academy of Finance, 10 year experience in the field of banking and finance, Joined SHB since 2015.



Ms. LE THANH CAM
Non-specialized member of the BOS, concurrently holding the position of Director of Internal Audit Division

Ms Le Thanh Cam earned an MBA at Pacific Western University US; a Bachelor Degree in Finance and Banking at National Economic University; Ms. Cam has 30 years of experience in the field of finance and banking. She joined SHB since 2013.

MEMBERS AND ORGANIZATION OF BOARD OF SUPERVISORS (BOS)



Mr. PHAM HOA BINH
Head of the BOS

Mr. Pham Hoa Binh held a Bachelor Degree in Economics, Banking Academy; Mr. Binh has 35 years of experience in the field of banking and finance. He joined SHB since 2006.



Mr. NGUYEN HUU DUC
Specialized member of the BOS

Mr. Nguyen Huu Duc earned a PhD in Economics, Moscow Academy of Finance – Russian Federation; Mr. Duc has 45 years of experience in the field of banking and finance. He joined SHB since 2008.



Ms. PHAM THI BICH HONG
Non-specialized member of the BOS

Ms. Pham Thi Bich Hong held a Bachelor Degree in Economics, Hanoi University of Commerce; Ms. Hong has 30 years of experience in the field of banking and finance; She joined SHB since 2017.

2. BOARD OF SUPERVISORS

2.2 Operations of the Board of Supervisors

The operations of the BOS in 2018 is in compliance with functions and duties of the Board and in line with regulations of the Law, SHB Charter and internal regulations. With 4 Board meetings and the participation rate of members of 100%, the BOS has approved the following contents:

BOS Meeting dated January 30, 2018: Evaluation on tasks implementation results of the BOS in 4Q/2017 based on the orientation and operation plan set for 4Q/2017, arising tasks in the Quarter; and action plan of the Board in 1Q/2018;

BOS Meeting dated April 17, 2018: Evaluation on tasks implementation results of the BOS in 1Q/2018 based on the orientation and operation plan set for 1Q/2018, arising tasks in the Quarter; and action plan of the Board in 2Q/2018;

BOS Meeting dated June 30, 2018: Evaluation on tasks implementation results of the BOS in 2Q/2018 based on the orientation and operation plan set for 2Q/2018, arising tasks in the Quarter; and action plan of the Board in 3Q/2018;

BOS Meeting dated October 31, 2018: Evaluation on tasks implementation results of the BOS in 3Q/2018 based on the orientation and operation plan set for 3Q/2018, arising tasks in the Quarter; and action plan of the Board in 4Q/2018;

Based on agreed contents in the meetings, the BOS has fulfilled the plan and duties as set for the whole year and for each Quarter, specifically:

- Supervising the governance and management of SHB's system to ensure that SHB is always in compliance with the law and SHB's charter.
- Issuing and reviewing Internal Regulation of the BOS and of the Internal Audit Division to ensure compliance with regulations of the Law on amendment and supplementation of the Law on Credit Institutions No. 17/2017/QH14 dated November 20, 2017 and amended Charter of SHB.
- Performing the internal audit function of the BOS:

Through the Internal Audit Division under the Board of Supervisors with a system of internal audit departments in each business unit, the Bank's internal control and audit has been implemented independently, regularly and comprehensively at each business unit.

The BOS regularly monitored the operation of the Internal Audit Division, promptly directs and revises the contents of the documents and reports to ensure that they meet requirements of each task; directed internal audits (on-site), reaching 187% of the 2018 plan; tackled errors detected throughout the audit process, implemented correction remedies after inspection and audit; remotely monitored banking operation safety norms as prescribed by the SBV; coordinated in constructing methods, measures, techniques and tools for monitoring; supervised SHB's internal targets; directed the Internal Audit Division to participate in the settlement of complaints and denunciations; prepared periodical reports for quarterly submission to The SBV Banking Supervision Agency, and periodical reports of Internal Audit Division as regulated.

Timely provided report on consolidated audit results; report on correction results after audit period of the business units; report on the results of the supervision of total lending activities; etc.

- Ensured the preciseness of the assessment on 2017 financial statement and semi-annually interim financial statement in 2018 of SHB.
- Conducted the checking of accounting books, other related documents and the management activities of SHB to ensure consistence between CEO and the BOD.
- Promptly informed the BOD when detecting misconduct or violation by management of the Bank.
- Timely updated list of major shareholders and relevant people of the BOD, BOS, and CEO in compliance with the Law and SHB Charter.
- Ensured effective co-ordination with External Auditor, State Audit Agency; Inspection Agencies of the Government and SBV when required.

2. BOARD OF SUPERVISORS

3. Compensations and benefits of the Board of Directors, Board of Management and Board of Supervisors

3.1 Salary, bonuses, compensations, and other benefits

- In 2018, compensations of the BOD and BOS was VND 24.4 billion.
- Salary of the Board of Management in 2018 was VND 17.5 billion.

3.2 Share transactions by internal shareholders:

In 2018, there was no share transactions performed by internal shareholders.

3.3 Implementation of regulations on corporate governance

SHB has conducted the 6-month periodical corporate governance report in accordance with Circular No. 155/2015/TT-BTC dated October 6, 2015. In which:

- The Bank has ensured shareholders' rights and benefits.
- The BOD has convened annual General Meeting of Shareholders in accordance with regulations. Publicly disclosing meeting document on the official website as a basis for discussion and voting at the Annual General Meeting of Shareholders. Organizing the Annual General Meeting of Shareholders mindfully, carefully to show the prestige and reputation of the bank.
- The BOD and the Supervisory Board have made sufficient reports at the General Meeting of Shareholders.
- The nomination, election, appointment, and qualifications of members of the BOD and the BOS have complied with regulations of the Credit Institution Law, Circular No.121/2012/TT-BTC. The BOD and the BOS have performed rightly their duties and tasks.
- Board of Directors and Board of Supervisors fully comply with responsibilities and obligations under provisions of the Enterprises Law, the Law on Credit Institutions and other relevant legal documents.
- Members of the Board of Directors, Board of Supervisors, Board of Management, and other managers publish all related benefits and interests according to the Enterprise Law and other relevant legal documents.
- The Bank complies fully with reporting and information disclosure regulations, and has been considered as one of the most transparent companies on the stock market.

VI. HIGHLIGHTS IN 2018

SHB is committed to accompanying the prosperity of the country, the wealth of shareholders, partners and customers.

HIGHLIGHTS IN 2018



SHB solemnly welcomed the Governor of the Central Bank of Laos Sonexay Sitphaxay to visit SHB Head Office, marking an important contribution to the socio-economic development of Vietnam and Laos. "



General Secretary Nguyen Phu Trong and President of Russian Federal Vladimir Putin witnessed the strategic cooperation signing ceremony between SHB and two major international financial institutions in Russia, the International Investment Bank (IIB) and International Bank for Economic Cooperation (IBEC), opening up opportunities to develop and promote bilateral trade cooperation between Eastern European countries and Vietnam



Celebrating 25 years of establishment, SHB is honored to receive the Second-class Labor Medal of the President of the Socialist Republic of Vietnam and many other noble titles, affirming strong and sustainable growth steps throughout the development of the Bank.



SHB signed comprehensive cooperation agreement with PVI Insurance Corporation (PVI Insurance), Aviation Insurance (VNI), contributing to product diversification and bringing highest convenience to customers, in line with the current development trend.



Opening of Savannakhet branch, which is the 2nd branch of SHB Laos, marking the impressive achievements of SHB in Laos market; and new branches in Son La, Hai Duong, Nam Dinh, Vinh Long and Binh Thuan ... contributing to enhancing the position and prestige of SHB in international market, strengthening the presence in local areas to continue the strategy of network expansion, improving the quality of customer service.

HIGHLIGHTS IN 2018

SHB has successfully organized many large trade promotion conferences, contributing to promoting development potentials and investment opportunities in Nghe An, Thai Nguyen, An Giang, Districtg Binh provinces..., realizing the commitment to always accompany with enterprises in economic development and poverty reduction.



SHB accompanied and co-operated with Manchester City Football Club to bring the Premier League Trophy and the British League Trophy to Vietnam with the desire to continuously light up the fire of passion, spread the faith in victory to the community in general, and national football lovers in particular, contribute to promoting the image of our country and people to the world.



SHB successfully organized the 26th General Meeting of Shareholders with business plan and tasks approved by the General Meeting of Shareholders and committed to take every effort to fulfill the set objectives.



SHB kicked off the project of "Bank Modernization" through a five-year overall IT strategy advised by IBM Corporation, anticipating the trend of the 4.0 industrial revolution, in order to achieve sustainable and effective growth with comprehensive, convenient, cost-effective and high quality banking products and services packages.



SHB launched the project of "Assessing the difference and developing a roadmap for implementing the Basel II compliance program", getting closer to realizing the goal of becoming a strong financial group according to international standards.



VII. ACHIEVEMENTS AND SOCIAL RECOGNITION

During 25 years of development, SHB always maintains a stable and sustainable growth rate, deserves the beliefs and expectations of customers, shareholders and investors.

The success and reputation of SHB is recognized by many noble awards of the Party and the State, and various prestigious awards from popular domestic and international organizations.

ACHIEVEMENTS AND SOCIAL RECOGNITION



Merit awards granted by the Party and the State:

- Second-class Labour Medal for the second time, and third-class Labor Medal awarded to SHB by the President of Vietnam;
- Second-class Labour Medal of the President of Vietnam awarded to Chairman of SHB;
- Second-class Labour Medal of the President of Vietnam awarded to SHB CEO;
- Third-class Labour Medal of the President of Vietnam awarded to SHB CEO;
- The title of "Excellent Capital Citizen" awarded by Hanoi People's Committee to Chairman of the Board;
- Thang Long Cup honored by Hanoi People's Committee to SHB
- Certificate of Merit to SHB - a collective with outstanding achievements in administrative reform in 2017 awarded by the Governor of the SBV.
- Certificate of merit and emulation flag of the Government, the State Bank, People's Committees of provinces and cities where SHB branch offices are located;



ACHIEVEMENTS AND SOCIAL RECOGNITION



Prominent awards and recognitions selected and granted by domestic organizations:

- Top 10 most prestigious banks in Vietnam for 3 consecutive years awarded by Vietnam Report
- Top 100 Vietnam Golden Star Awards
- Top 10 high quality products of 2018 selected by Vietnam Consumer Protection Association in association with the Institute of Economics and Culture
- Top 50 outstanding Vietnamese prosperous enterprises selected by Vietnam Report
- Top 30 "Company with best corporate governance practice" selected by Hanoi Stock Exchange (HNX)
- Top 10 "Vietnamese favorite consumer goods" selected by Department of Industry and Trade – Association of Small and Medium Enterprises;
- Strong Trademark and Famous Brand in Vietnam Awards for many consecutive years;
- Top 500 fastest growing enterprises in Vietnam with continuously increased ratings over the years;
- Top 50 best annual reports selected by Ho Chi Minh City Stock Exchange(HOSE), Hanoi Stock Exchange (HNX), Investment Newspaper and Dragon Capital Company
- Top 30 most transparent enterprises in HNX for many consecutive years;
- Top 10 most trusted enterprises in Vietnam and the economic system certified by Vietnam Union of Science and Technology Associations.
- Top enterprises paying the largest corporate income tax in Vietnam for many years;



Remarkable international awards selected/ granted by prestigious nations/ groups/ organizations/ maganizes:



Top 500 Asian Bank selected by The Asian Banker



Honoured by world leading finance magazine – Global Finance for “Best Bank in Vietnam” Award.



“Best Bank with High-Tech Support for Clean Agriculture” Award honoured by International Data Group (IDG)



“Best Project Financing Bank in 2018” Award and “Best Bank with Financial Inclusion Initiative in 2018” Award granted by Asian leading magazine – Asian Banking and Finance (ABF).



Best Retail Bank and Best Trade Financing Bank in Vietnam awards granted by Alpha Southeast Asia (AlphaSea).



Bank with High-tech Support for Clean Agriculture Award granted by Vietnam Banks Association (VNBA) and International Data Group (IDG).

BEST RETAIL BANK VIETNAM



Bank with Best Corporate Social Responsibility Award honoured by Asiamoney Magazine.



Business Excellence Award honoured by World Confederation of Businesses (WorldCob).

Remarkable international awards selected/ granted by prestigious nations/ groups/ organizations/ maganizes:



“Best Trade financing bank in Vietnam”; “Best Auto loan product”; “Best Mortgage and home loan product”; “Best Credit card initiative product” awards granted by The Asian Banking and Finance (ABF) Magazine.



“Best SME bank of Vietnam” and “Best Home loan product in Vietnam” selected by Global Banking & Finance Review.



Typical foreign bank in Cambodia for many consecutive years with 2 categories of awards “Typical SME Bank” and “Typical Creative Products and Services Bank of the Year” awarded by International Data Group IDG and the National Bank of Cambodia.



“Best Deposit product in Vietnam” and “Best Brand initiative” awards granted by The Asian Banker.



“Best Deposit service” and “Best internet banking service” in Vietnam selected by Global Banking and Finance Review.



“Vietnam’s Best IT Security Bank” honoured by IDG for many consecutive years.



Bank with excellent international payment service award honoured by Bank of New York (BNY) Mellon for 8 consecutive years.

Among many others...

VIII. SUSTAINABLE DEVELOPMENT

With firmly invested foundation,
SHB combined essential factors
for realizing strategic targets,
bringing long-lasting returns to
customers, shareholders, staff and
community.

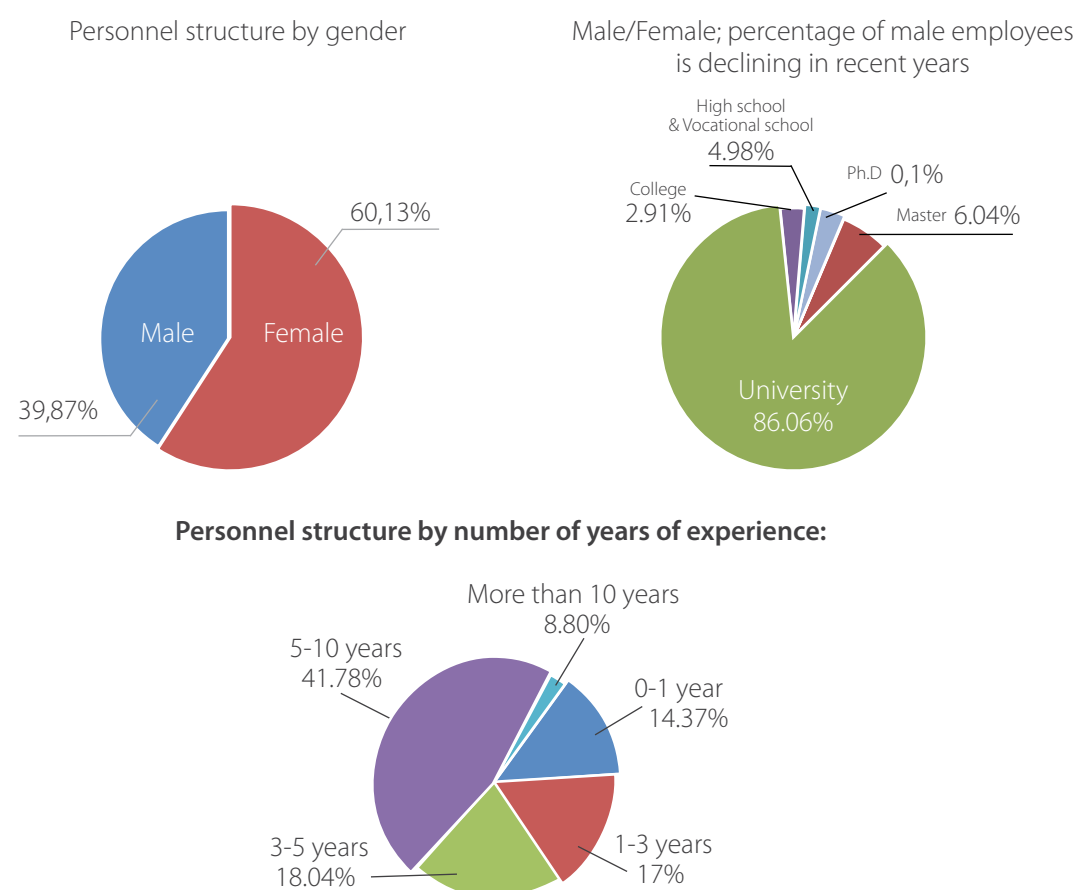
1. EMPLOYEE POLICY

SHB had a young and dynamic workforce with the average age ranging from 29 – 31 years old with graduate and post-graduate qualifications accounting for 92% of the total workforce.

1.1. Number of employees, average salary of employees

Total number employees of the bank and its subsidiaries as of December 31, 2018 amounted to 7,546 people, increased 22.0% compared to that in 2017. In 2018, SHB has implemented the re-arrangement of salary, the average monthly income of employees reached VND 18 million/person in 2018.

Human resources structure in 2018



1.2. Labor policy to ensure health, safety and benefits of employees

With the goal of building an experienced, qualified and committed workforce that meets the requirements of a modern and developing bank, SHB continues to pursue many policies to attract and retain talents.

Salaries and bonuses

“Living on salary, becoming rich on bonuses” is the motto in which SHB always attempts to retain employees.

In 2018, SHB rearranged all titles and salaries according based on titles of employees. At the same time, the Bank consistently applied the criteria for evaluating work efficiency – Key Performance Indexes (KPIs) across the system as basis for fair and appropriate compensation to employees in accordance with their work performance, ensuring the interests of the Bank and employees and compliance with applicable laws. Salary

1. EMPLOYEE POLICY

policy is associated with the results of the periodical evaluation of work performance, motivating work achievements, promoting employees to complete the set objectives. The annual salary increment is implemented in a manner that ensured publicity, fairness, transparency, and in line with SHB's development policy.

Bonus policy is implemented fully on all staff on national holidays and anniversary of the institute. In particular, the reward policy is recognized by SHB in a timely manner with the Certificate of Merit / Certificate of Merit given by the President, the General Director and overseas travel (Europe, Asia, ...) to motivate and encourage collective / individual employees to have new initiatives, exceeding the targets of the plan, achieving excellent performance ...

Insurance, healthcare, and allowance

The difference between SHB and other banks is that currently, SHB pays for social insurance, health insurance, unemployment insurance, personal income tax, and trade union fees on behalf of employees. This policy is one of SHB's highlights which not only helps SHB to ensure and improve incomes of employees but also acts as one of the policies to attract personnel to work for the Bank.

SHB puts emphasis on employee health care programs with a high budget. SHB has affiliated with leading hospitals to carry out regular health checks for employees every year, with an average package amount of 1 million VND/ person. At the same time, employees are entitled to comprehensive health care insurance under the SHB Care program associated with BSH insurance (for management titles, insurance value is nearly 1 billion VND/ person. For other titles, the average insurance level is 200 million VND/ person). In 2018, SHB granted to all employees 1 year of insurance premiums of Daiichi Life insurance with the fee of 14.5 million VND/ person.

Besides, the Bank always ensures special allowances for toxicity and make-up for cashiers, dual-position, talent-acquisition; all SHB staffs also receive gasoline allowance and monthly parking fee. High-level managers at the head office as well as at branches are arranged with private cars to go

to work and to go on business trips, which helps to control travel costs.

In addition to implementation of employee policies in compliance with requirements of the laws, SHB also applies many other employee benefit programs every year, such as: free uniform, modern well-equipped working tools and instruments depending on job titles, annual vacations for the entire staff, preferential policy for employees with demand for mortgage loans, auto loans and consumer loans at low interest rates,...

Team building, football and art events are regularly held throughout the system in order to promote unity, solidarity, and cohesion between the Bank and employees, creating a joyful and warm atmosphere to motivate staff.

Programs towards the community and society, as well as charity, and environmental protection programs,... are always focused by SHB, through which aiming to build a sense of responsibility for the community of employees.

1.3. Employee training and development Policy

SHB always considers human resources as the most valuable asset, considering people as the greatest motivation for SHB development

SHB creates favourable conditions for professional development for each individual worker, focusing on training of human resources with high-quality training plans built on basis of the business strategy of the bank, following analysed development trends of the financial market, based on an annual survey of training needs of the staff. With the policy that all workers have the opportunity to be trained and developed, all costs for training courses organized by SHB as well as outside training courses attended by SHB staff are sponsored by the bank.

In 2018, SHB held 79 special subjects/ training topics for staff throughout the system with over 26,627 participating times of staff. The average total study hours of one employee are 36 hours with the average score on training quality is 4.1/5 (compared to the minimum requirement of 3.75/5).

1. EMPLOYEE POLICY

Training programs are built for each employee group

SHB executed training programs based on competency framework of each title and level of ability required for each position. The training programs at SHB are diverse, constantly improved and updated in terms contents and methodology, suitable for various groups of employees.

For newly recruited staff, SHB offers orientation training programs with coaching from experienced staff to provide employees with an overview of SHB and background knowledge, to quickly integrate and become familiar with SHB corporate culture. (Number of new staff participating in orientation and onboarding training in 2018 amounted to 3,859).

For experienced and capable staff, SHB focuses on advanced and in-depth professional training, for the purpose of creating a succession pool, and creating career advancement opportunities. (Number of participants in specialized trainings in 2018 amounted to 21,261).

For employees at management level, SHB implements training programs to enhance management and administration capabilities, strategic planning and building skills, change management ... Annually SHB sends managers to overseas training courses and seminars. (Number of participants in management skills training courses and specialized seminars amounted in 2018 amounted to 1,777).

Post-training effectiveness assessment is periodically conducted by examinations and professional evaluation throughout the Bank to encourage employee's self-training and self-improvement of lacked and weak professional knowledge and skills.

The application of technology in training has always been focused through the implementation of e-learning and e-examining systems, e-libraries (including learning materials, slides, tutorial and Q&A videos, ...), individual learning and training software, discussion forums, online surveys ... Modern training system has made the employee's learning easier and more efficient.

Recruitment policy

Public and transparent recruitment policy with criteria to assess expertise and skills of candidates based on occupational standards has been used for recruitment.

Internal rotation and recruitment are focused by the Bank's management, internal human resources in recruitment are encouraged and prioritized in order to promote employee engagement and development. For external candidates, SHB prioritizes experienced candidates, candidates with good and excellent distinctions graduating from universities at home and abroad and they are offered with negotiated and expected salary depending on their experience, ability, and qualifications.

In domestic and foreign provinces and cities having the presence of SHB, local workers are preferentially recruited due to their knowledge of local market and time dedication.

In addition, SHB also signs co-operation agreements with big talent acquisition organizations, such as Vietnamworks, Careerbuilder, First Alliance, Navigos to enhance recruitment information spread and communication effectiveness to improve the sources of high quality candidates; strengthens co-operation with popular colleges via sponsorship and scholarship programs for excellent students, exchange of information and career seminars to widen recruitment sources.



2. SOCIAL RESPONSIBILITY TO THE COMMUNITY

Responsibility to the community - society has Always been an element closely linked and run in parallel with SHB's business activities on the way of 25 years of establishment and development. This is also one of the important objectives SHB has always headed for with enthusiasm, deep community sharing and understanding. As a Top 5 largest private-owned joint stock commercial banks in Vietnam, SHB has continued and will continue its efforts to bring the best values to the community - society, contributing to economic development and social security of the country.

In 2018, SHB continuously made practical contributions to the community and society with total amount contributed to social security in the past 5 years reaching hundreds of billion Vietnamese dong.

Hunger Elimination and poverty reduction

Towards the community, helping difficult circumstances, SHB has spent nearly 5 billion VND to implement the program "SHB - Sharing love", visiting and giving nearly 6,000 gifts for poor children, households with especially difficult circumstances, Agent Orange victims, lonely elderly people and disabled children in many areas across the country.



In supporting and caring for the lives of disabled people and orphans, SHB has contributed to the Vietnam Association for the Protection of Disabled People and Orphans for many years with the amount of up to billions of VND.

Sharing difficulties in life with the poor, SHB has enthusiastically participated in welfare activities in many localities, supported the Fund for the poor, disadvantaged families in Vinh Long and Binh Thuan, Nam Dinh, Son La, Hai Duong, supported to build inter-commune roads in Lao Cai province, ... SHB also continuously donated billions of VND

to the Fund for the Poor by Central Committee of the Fatherland Front and the Fund for the Poor by the Association of Enterprises, giving many gifts such as cattle and buffaloes to disadvantaged farmers, bicycles for children,...

In supporting the national islands, SHB has visited and funded the purchase of the supply ships; supported the advocacy program "For Beloved Truong Sa"; supported District Ngai fishermen in the program "Relaying fishermen to go offshore at sea".

Accompanying with the poor, supporting the development of rural and remote economic areas, SHB has cooperated with other banks to implement projects in the Central Highlands provinces with the amount of roughly VND 15,000 billion to support investments in hydro-power, electricity, transportation, agricultural production, animal husbandry, helping the Central Highlands to grow day by day.

SHB has also accompanied the development of Small and Medium Enterprises of Hanoi in the "Enterprises Night" program in Hanoi; participated and contributed to the success of "2018 Banking Forum", "Aspiration to start a business - Light up the villages" Program to contribute to spreading the entrepreneurial spirit to the community in the development of the economy and poverty reduction.

Gratitude to families with meritorious services to the revolution

Promoting the tradition of "drinking water, remember the source", SHB has concretized gratitude for national heroes, martyrs, people with meritorious services and social responsibility by many activities, such as contributing VND 1.5 billion to the ceremony of "Great memorial and gratitude for national heroes and the martyrs" and building 20 charity houses for the veteran soldiers of District Tri Ancient Citadel with special difficulties in 18 provinces and cities across the country;



2. SOCIAL RESPONSIBILITY TO THE COMMUNITY

Building 30 gratitude houses for people with meritorious services to the revolution in Can Tho, supporting more than 4 billion VND to build the Temple at Dong Loc junction in Ha Tinh province ... and many other meaningful tribute activities.

Investing in education and young generation

In order to encourage and support the students to prepare for the new school year, SHB has given thousands of meaningful gifts and scholarships to poor students who overcome difficulties and those who are unfortunately fighting against serious diseases across the country with a total value of up to billions of VND.



Coordinated with Manchester City Football Club to organize a training course for "Young Leaders" for children from SOS Children's Villages. The main purpose of the course is to use football to address social problems affecting adolescents like drug abuse, unemployment, the inclusion of people with disabilities; and thus create core values, nourish young leadership potentials to spread the good values to the whole community.

Realizing the commitment of companion, encouraging and promoting creativity and enthusiasm of the young generation, SHB has implemented many activities such as signing cooperation agreement with Business Forum Newspaper to implement activities of the National Startup program; sponsored the "The aspiration to start a business - Light up the village" program...

With the desire to spread humanity values to the community and contribute to maintaining and developing Vietnam's theater, SHB has sponsored the "Wings of belief" project with Youth Theater and organized hundreds of free theater shows dedicated to national audiences.

Promoting the cultural tradition of caring, sharing and spreading love, SHB has organized many meaningful activities and giving gifts for employees' children as well as helping the less fortunate and disadvantaged children, contributed to bringing

them joy and love in the Mid-Autumn Festival and New Year Festival.

Accompanying national sport industry, as a sponsor of SHB Da Nang club, SHB strongly supported to develop football in Da Nang, and in the mean time the Bank also contributed to the overall success of Vietnamese football.

Always standing beside national sport, SHB has sponsored many sports programs and leagues, such as the national and international U19 football league by Thanh Nien newspaper, the National Chess championship and Young chess championship in order to foster and select the best athletes to join the national team and compete in international tournaments.

Inspiring the love for football to Vietnamese players and fans all over the country, SHB has brought the Premier League Trophy, the British League Trophy and brought the famous player Joleon Lescott to Hanoi to meet fans and children of SOS Children's Villages.

Disaster relief

To share damages caused by natural disasters, SHB held a visit to offer gifts for families suffering severely from the floods in Lai Chau and Ha Giang provinces with support amount of more than VND 500 million.



Other activities

With the spirit of sharing and taking social responsibilities towards the community, SHB organized the Blood Donation Day at many branches across the country with the strong support from not only SHB employees but also from their relatives, customers and partners.

Not only taking part in constructing home country, SHB actively contributed to international community development, strengthened the relationship among Vietnam - Laos - Cambodia.

- SHB regularly encouraged and supported funds for the poor and poor children of Laos in order to

2. SOCIAL RESPONSIBILITY TO THE COMMUNITY

help create jobs for indigenous workers, and contribute to stabilizing Lao social security.



- SHB Cambodia Golden Heart Program was held regularly for poor children in the area: Giving gifts to Lasalle Pothum Orphanage, Pothum village, Areyksat commune, Lavea Em district, Kandal province; Poor children from Phuoc Thien pagoda, Neak Loeung hamlet, Peam Ror district, Prey Veng province; Poor children from Prey Thom Primary School, Prey Thom village, Reaksmeay Samaki commune, Aoral district, Kampong Speu province.
- Supported Cambodian Women's Fund for Peace and Development, the National Liberation Front Fund, Sponsored Preah Khan Reach football team, Supported for building Pi Tho Nu temple in Svay Rieng province, building Kampong Thom provincial school, building Phuoc Thien pagoda at Neak Loeung hamlet, Peam Ror district, Prey Veng province.

CORPORATE SOCIAL RESPONSIBILITIES ACTIVITIES IN 2018

No.	Content	Amount (VND)
I.	Funding for poor, sick people	3.771.960.000
1	Supporting a part of monthly living expenses and medicines to Mr. Thanh and his wife in Son Tra, Da Nang, Districtg Nam, Thai Nguyen, Districtg Tri, Thanh Hoa, Hai Duong, ...	954.000.000
17	Supporting unhappy circumstances in the provinces	415.000.000
18	Supporting on hospital fees and making savings books for Mr. Dinh Mai Thang's (SHB employee) wife and children	902.960.000
19	Donating to the Fund for the poors in provinces of Nam Dinh, Son La, Hai Duong, Binh Thuan	400.000.000
22	Supporting the Tet for the Poors 2019 Program	1.000.000.000
23	Supporting the Tet for the Poors Program organized by National Police Newspaper	100.000.000
II	Funding to build charity houses for poor families, who have contributed to the Vietnam Revolution	1.995.000.000
1	Giving 3 houses to disadvantaged families in Vinh Long	120.000.000
2	Sponsor to build 30 charity houses for people who have contributed to the Vietnam Revolution in Can Tho	1.700.000.000
3	Supporting monthly living expenses for poor students in Hung Ha, Thai Binh for 2 years	55.000.000
4	Offering bicycles and supporting monthly living expenses for poor students in Dak Mil, Dak Nong province	120.000.000

2. SOCIAL RESPONSIBILITY TO THE COMMUNITY

No.	Content	Amount (VND)
III	Sponsoring for education and young students	3.448.000.000
1	Supporting for tuition fees for 2 poor students in Bac Tra My, Districtg Nam and Thai Binh	58.000.000
2	Supporting monthly living expenses for poor students in Phu Ninh and Districtg Nam for 2 years	24.000.000
3	Supporting monthly living expenses for poor students in Hung Ha, Thai Binh for 2 years	15.000.000
4	Offering bicycles and supporting monthly living expenses for poor students in Dak Mil, Dak Nong province	40.000.000
5	Offering bicycles and supporting monthly living expenses for poor students in Yen Thanh, Nghe An	26.000.000
6	Supporting Vietnam Chess Federation	300.000.000
7	Giving mid-autumn gifts to the children in Vinh Son, Lang Son and Huong La Bac Ninh charity houses and 300 disadvantaged children in Vinh Bao and Hai Phong	80.000.000
8	Giving gifts to poor students following the program Sharing love – lighting the future of SHB at provinces	875.000.000
9	Supporting communication equipment in Thanh Hoa and Districtg Ninh provinces	1.260.000.000
10	Sponsoring poor students at Bac Ha Primary school, Lao Cai province	10.000.000
11	Sponsoring poor students at Khuong Thuong Secondary School, and Phan Dinh Phung High School, Hanoi	20.000.000
12	Supporting Education Promotion Fund	5.000.000
13	Giving gifts to poor students with high performance in Cai Kinh commune primary school	10.000.000
14	Supporting the construction of Culture House in Tham Me commune, Van Lang District	10.000.000
15	Donating 500 moon cakes for poor students in provinces	35.000.000
16	Offering scholarships for Tourism Faculty, and Faculty of Law, Hue University	20.000.000
17	Sponsoring the program of aspiration to start a business, brightening the village	330.000.000
18	Sponsoring the program "Glory Vietnam, Century works"	330.000.000
IV	Sponsoring for disaster relief	1.009.900.000
1	SHB joining hands to support people affected by flash floods in the northern mountainous areas in Lai Chau and Ha Giang	509.900.000
2	Supporting the natural disaster relief fund of Vietnam	500.000.000
V	Other activities	5.852.000.000
1	Supporting for the Ceremony of praying for the spirits in Districtg Tri Ancient Citadel	1.500.000.000
2	Supporting to build the temple at Dong Loc junction	4.000.000.000
3	Giving presents on the anniversary of War Invalids and Martyrs tribute to SHB's relatives on July 27	128.000.000
4	Giving presents on the anniversary of War Invalids and Martyrs tribute to families in Thai Binh, Lai Chau, and Ha Giang on July 27	223.000.000
5	Supporting the Fund for national security	1.000.000
Total I + II + III + IV + V		16.076.860.000

And many other meaningful supporting activities...

3. RESPONSIBILITY FOR THE ENVIRONMENT

Being one of the largest banks in Vietnam pioneering the implementation of the Party's and the State's policies, SHB identifies that sustainable development strategy is not only making a safe and sufficient financial growth but also doing well in social progress and justice; Reasonable exploitation and economical use of natural resources, protecting and improving environment quality.

3.1. Materials management

SHB is a service provider in finance and banking sector, so main materials for business operation are papers, ink and stationery. Many measures were adopted in order to save materials and tools and reduce pollution such as:

- Enhancing development of products and services applying modern technology, while minimizing document-related procedures to bring convenience to customers, save transaction processing time and stationary expense. Deposit-taking, lending, payment, card, etc. products are and eventually will be online so the use of stationery, paper, and other physical materials is significantly decreased over the years.
- The electronic information exchange system has been upgraded and expanded from head office to branch offices, which is used for meetings, video conferences, online job applications and recruitment examinations, electronic newsletters, and magazines.
- Reusing single-sided printing papers; Registering usage norm for each department; Stationery is provided on the one-off, monthly or ad hoc basis; Tracking and comparing periodic usage.
- In addition, the bank always generalizes awareness among staff about how to reduce the amount of waste paper, increase the exchange of information, documents, and reports via internal emails and reuse old stationery.

3.2. Energy consumption

The energy used for business operations at SHB is mainly electricity for lighting, maintaining computer operation, operating air conditioners, petrol for transporting employees.

SHB has ultimately saved electricity consumption, which is also a way to reduce the cost of operating business by equipping and constantly maintaining energy saving bulbs and air conditioners that meet greenhouse gas emission standards. In addition, energy saving is seriously performed by leaders and staff, for example: switching off the circuit breaker when leaving, closing the door when air conditioners are working, and organizing seats properly to reduce lighting electricity consumption.

Gasoline cost norms are quoted and itineraries of business car users are frequently checked. Business car use out of the approved itinerary will have to be booked in advance to ensure car service availability, gasoline expense saving and car depreciation saving.

3.3. Water consumption

SHB uses water primarily for activities of all staff and buildings, for instance: drinking water, sanitation water, floor cleaning, etc.; which are included in office rental expense. Domestic sewage is centralized and disposed according to the building's regulations.

The cost of drinking water for staff and guests is paid by SHB with the highest saving attitude, such as taking just a sufficient amount of water for drinking, using water dispensers at internal meetings. With meetings outside the bank, the bank provides small water bottles to avoid waste.

3. RESPONSIBILITY FOR THE ENVIRONMENT

3.4. Compliance with the law on environment protection

SHB's main source of waste that is potentially harmful to the environment is solid waste generated from office operations, such as unused printed papers, carton paper, outdated stationery, etc.; and source of gaseous waste comes mainly from the means of transport going in and out of the building. Therefore, SHB assigned staff to take charge of environment issues and implementing environmental protection measures.

Sanitation activities outside the workplace are performed by outsourced environment company (included in office rental expense) with the following main activities:

- Cleaning toilets, lounges, stairs, corridors, walls, basements, etc. once every hour to ensure that these areas are always clean.
- Providing hand sanitizer in the toilet to ensure sterilization for employees.
- Ensuring that water for toilet and toilet hand wash is sufficient
- At the end of the day, janitors of the building gather all garbage in dustbins to garbage collection point in front of the building.

Sanitation activities inside offices are performed by Administrative Department with the following main activities:

- Cleaning waste baskets containing unused printed paper, documents, carton, broken pens, bottles, fruit peels... in offices and meeting rooms. Cleaning frequency is three times a day or more, depending on the quantity of garbage.
- Taking care of plants in offices of the building to mitigate dust disperses into the air.
- In the basement and in front of the building, SHB arranges security guards to remind people to shut down vehicles before entering the building to reduce emissions and noise. The ventilation system in the basement is installed in accordance with standards to ensure air ventilation.

Modern information technologies such as video conferencing, telephones and video calls are maximally utilized for internal meetings and recruitment interviews throughout the country to minimize travel time and vehicle using frequency contributing to reducing CO2 emissions in the environment.

In addition, each employee always upholds the spirit of self-preservation, cleaning his own desk and the surrounding area; increasing exchange of documents via internal email system to reduce the amount of paper; reusing old stationery.

With the awareness of abiding to the law of environment protection, SHB has never been subject to any sanctions related to environmental issues.

4. GREEN FINANCING

Recognizing the role of the banking system as an intermediary that has impacts on the environment through customers' activities, SHB has directed investment flows and financial resources to green sectors, such as enterprises applying high technology, enterprises in renewable energy, supporting industries, rural and agriculture, small and medium-sized hydropower projects, biomass, waste and waste water treatment... in order to gradually increase the proportion of green credit in credit portfolio, encouraging borrowers to towards eco-friendly projects.

- In 2018, SHB continued to join hand with the country to develop green-smart urban areas, contributed to realizing the fundamental goal of a smart city, which is the effective and sustainable use of energy, reduce pollution, enhance public security and improve service quality for the citizens where public policy cannot meet investment needs. Some projects financed by SHB in the fields of infrastructure, waste and waste water control and treatment, development of smart residential areas can be listed as: Rivera Park Saigon Project, Phu Cuong – Kien Giang New Residential Area, CocoBay Tourism and Entertainment Projects Complex, Evergreen Project at District 7, HCMC...
- During the year, SHB concurrently received two loans from huge financial institutions in Russia, namely IIB with a loan of USD 20 million with the term of 5 years, and IBEC with the frame credit contract of EUR 20 million, supplementing to the medium and long term capital resources of SHB to fund for infrastructure development projects in Vietnam, SME projects, and green energy projects...
- In 2018, SHB was honoured in the award category of "Bank with High-Tech Support for Clean Agriculture in 2018" by Vietnam Banking Association (VNBA) and International Data Group (IDG). This is a recognition and encouragement to SHB's contributions to high-tech agricultural projects. Accordingly, the Bank has made long-term investments for nearly 30 high-tech agricultural projects of farmer households, cooperative groups, enterprises, start-up groups... with a total investment of up to thousands of billion dong. In particular, SHB is highly appreciated for our initiatives, and actively working with People's Committees and Provincial Agricultural Departments to access and finance for local projects with the lending interest from 0.5 to 1.5% lower than the preferential interest rate for loans in the agricultural and rural sector as regulated. At the same time, the Bank has continuously improved the lending process, simplified procedures, strengthened coordination with local authorities in solving difficulties and obstacles faced by farmers and enterprises.
- Accompanying the Renewable Energy Development Strategy of Vietnam until 2030 with the target of achieving the rate of electricity generated from renewable energy sources (excluding large and medium hydroelectricity sources and hydroelectricity power plants) of about 7% in 2020 and over 10% in 2030, SHB has also been enthusiastically pouring capital into clean energy/ renewable energy projects. Accordingly, SHB was awarded the "Best project finance bank in 2018" prize by ABF Magazine with the re-lending of two projects: "Smart grid - Power transmission efficiency" project (phase 1) worth 65 million EUR and "Efficient grid in small and medium cities" project (stage 1 and 2) valued at EUR 350 million funded by the German Government through the German Reconstruction Bank.

SHB always controls safety and sustainability when sponsoring projects. Projects must meet strict conditions according to international and domestic standards for environmental protection, saving energy and resources. Therefore, when assessing projects, SHB relies on a set of social environmental risk assessment tools issued by SBV and IFC. Accordingly, in credit decision making process, SHB shall often supplement in loan contracts: customer responsibilities and commitments in improving social and environmental risk management, an action plan and timetable to minimize risks before or after loan disbursement, SHB's actions to determine responsibilities related to social environment caused by transactions. In addition, SHB

proactively supports project owners by providing technical safety advice according to donor regulations, supporting the provision of carbon financing programs, training programs, loan guarantees ... these are some tools that can help improve the feasibility of funding for green areas and sustainable development.

When banks increase environmental risk management in lending activities, they will motivate businesses to improve production efficiency in a cleaner way and thus help raise customer awareness about finance and banking services, environmental protection issues, ensure social security and sustainable development. This will encourage businesses and rural households expand their business activities, promote the development of agriculture, renewable energy and efficient energy sectors in Vietnam. At the same time, this shall also connect enterprises according to the value chain since production, processing until consumption and export; creating more jobs for workers;



IX.OVERVIEW OF VIETNAM BANKING INDUSTRY IN 2018

IX.OVERVIEW OF VIETNAM BANKING INDUSTRY IN 2018

1. Domestic and international economic circumstances

World economic growth slowed down in the context of increasing strategic competition between the US and China. Global trade grew more slowly than expected when the US changed its strategy to bilateral negotiations, the US-China trade war progressed complicatedly and likely to continue. Global inflation was higher than in 2017 due to the increase in energy commodity prices, especially the increase in average oil prices. According to OPEC, IMF and WB, the average oil price in 2018 was estimated at 69 USD/ barrel, increased 30% compared to that in 2017. Monetary policy was tightened in the US, Europe and the UK due to high inflation expectations. Therefore, in many emerging and developing countries, central banks are forced to raise interest rates, and intervene in the money market to cope with (i) high inflation (ii) strong depreciation of domestic currency and (iii) reversal of capital flows risks when interest rates in developed countries increase.

The world economy in 2019 is forecasted to slow down or at most only maintain the same growth rate as 2018. IMF expects a 3.7% growth rate while OECD forecasts a growth rate of 3.5%. Major risks for the global economy in 2019 is the strategic competition between the US and China; and capital withdrawal risk and exchange rate mechanism crisis in emerging countries. The trend of monetary policy tightening continues in developed countries but in a more cautious and conservative manner. In the US, the Fed may only increase interest rates by 1 time instead of 3 times as forecasted. Therefore, the dollar is forecasted to not increase so much or even decrease.

In the country, given the complex fluctuations of the world situation, especially the trade war, and the risks in the international financial and monetary markets, SHB has closely monitored market progresses and proactively adopted appropriate policies, helped increase the adaptability of the economy to create a stable macro environment for socio-economic development. In 2018, GDP growth reached 7.08%, which is the highest growth rate in the past 10 years mainly thanks to the manufacturing and processing industry and service sector; agriculture, forestry and fisheries have grown well. The Consumer price index (CPI) is controlled at 3.54%. The main factors affecting the inflation in 2018 are food and petroleum: food prices increased by 6.67% compared to the beginning of the year (contributing 1.51%); transportation group increased by 7.3% compared to the beginning of the year (contributing 0.68 percentage points). Balance of trade showed a surplus of USD 7.2 billion, 2018 is the year with the largest trade surplus ever, much higher than the trade surplus of USD 2.1 billion witnessed in 2017.

GDP growth in 2019 is forecasted to reach 7%. In addition, Vietnam's economy might be supported by international factors, namely: (i) benefiting from the trend of shifting production due to the impact of trade war and (ii) prospects from new agreements such as CPTPP and other FTAs. Inflation in 2019 may be affected by the increase in food prices and production costs. However, the pressure causing CPI to increase is not much because the world commodity price is expected to increase only slightly. Average CPI in 2019 is about 4-5%. Exports volume in 2019 are expected to reach approximated USD 256 billion, an increase of around 7-8% compared to 2018; Imports of goods are expected to reach about USD 261 billion, an increase of around 10%; trade deficit of around 5 billion USD, accounting for less than 3% of total export turnover.

2. Banking activities in 2018

The State Bank continued to adopt a proactive, flexible monetary policy and effective banking operations, close connection with fiscal policies and other policies, ensuring macroeconomic stability and promoting sustainable economic growth. By the end of 2018, total assets of credit institutions increased by 10.62% compared to the end of 2017. The total means of payment increased by 12.5% compared to the end of 2017. Capital mobilized from financial institutions and from the public grew steadily, estimated to increase by 15% compared to 2017 (increased 14.6% in 2017). Credit growth reached 14%; credit growth rate decreased gradually (18.25% in 2016 and 18.24% in 2017) while GDP growth rate was steadily improved, 6.21%; 6.8% 7.08% in 2016, 2017 and 2018 respectively; This showed that credit sources have been used effectively and appropriately allocated; credit granting was focused on production and trading, risk areas are strictly controlled. Credit balance in real estate sector accounted for about 16.6% of the total credit of the whole system. Outstanding loans for life services accounted for 18.8% of the total credit balance of the credit system. The average ratio of short-term capital used for medium and long-term loans decreased to

28.7% (2017: 30.4%). Commercial banks actively restructured the deposit and lending terms to meet the ratio of short-term capital for medium and long-term loans under 40% from January 1, 2019. Particularly, the group of 4 largest commercial banks with state capital accounted for 44% of the market share in terms of assets, 48% of the market share in terms of deposits, and 46% of the market share of loans in the whole banking system.

Interest rates were stable in the context of increasing international market interest rates. Accordingly, SBV administered interest rates in accordance with macroeconomic and monetary developments, concentrated on regulating and liquidity to meet the liquidity demand for credit institutions, adjusted OMO interest rates from 5%/ year to 4, 75%/ year, contributing to reducing capital costs for credit institutions. Lending rate was about 6-9%/ year for short term, 9-11%/ year for medium and long term.

The restructuring of the system of credit institutions associated with the handling of non-performing loans was strongly implemented and achieved positive results, in accordance with the roadmap, plans, ensuring stability, safety and healthy operation of the Credit institutions. It is estimated that by the end of December 2018, the whole system of credit institutions handled 149.22 trillion VND of NPL. Of which, the use of credit risk reserve accounted for 59.8%; debt collection from customers accounted for 33.2%; sale of assets accounted for 3%, the rest was handled in other forms. Some commercial banks have settled all NPL sold to VAMC or actively repurchased debts sold to VAMC for self-treatment. NPL ratio decreased slightly compared to the end of 2017 at 2.4% (2017: 2.5%). Provision for credit losses increased by about 30.1% compared to the end of 2017. The ratio of provision for credit losses against NPL was improved to 78.2% (2017: 65.4%). The exchange rate and foreign currency market were stable and smooth, SBV continued to buy foreign currencies to supplement foreign exchange reserves.

In 2018, business results of credit institutions grew positively. Profit after tax is estimated to increase about 40% compared to 2017 (in 2017, it increased by 52.3%). Profitability ratios continued to improve, ROA is estimated at 0.9% (2017: 0.73%), ROE is estimated at 13.6% (2017: 11.22%).

The average minimum capital adequacy ratio (CAR) of credit institutions was also improved. CAR of the whole system reached 12.14%, as equity increased by 12.2%, while total risk weighted assets increased at lower pace (about 10.8%). Tier 1 capital/ total risk weighted assets was 8.8% (7.8% in 2017).

In 2019, it is expected that the total means of payment will increase about 16% compared to 2018, Credit loans will increase around 14%; In 2019, SBV shall continue to operate under the motto of expanding credit loans in parallel with safety and efficiency. The SBV shall ensure the goal of concentrating capital on the areas of business production and priority areas, strict credit control in risky areas.

In the context of slow growing world economy, high risks, Vietnam's economy in 2018 had positive improvements in both production and macroeconomic stability. However, the economy still contained many challenges when economic stability was not ensured. The effectiveness of free trade agreements opened up opportunities, yet was also a great pressure for the state and enterprises to restructure economic institutions and improve competitiveness.

The revised 2010 Law on Credit Institutions, effective from January 25, 2018, has greatly affected high-level banking personnel. Step-by-step requirements to meet risk standards in accordance with Basel II and III international standards and SBV's regulations concerning compliance with safety ratios, liquidity and credit policies prescribed Circular 36, Circular 41, ... also impacted on the whole administration and management works in the banking industry, requiring banks to have thorough and comprehensive preparation to meet the requirements, and a suitable internal management system of compliance is also required (Source: NFSC, GSO, SBV).

X. TRANSACTION NETWORK



As at December 31, 2018, SHB has 525 transaction points. In which:



LIST OF SHB BRANCH OFFICES

(As at December 31, 2018)

No.	Branch Name	Address	Tel.	Fax
	Business Center (Head Office)	77 Tran Hung Dao - Hoan Kiem District - Hanoi	(024) 3942 3388	(024) 3941 0944
1	Hanoi Branch	49 Ngo Quyen, Hang Bai Ward, Hoan Kiem District - Hanoi	(024) 6256 3666	(024) 6256 3616
2	Thang Long Branch	91 Nguyen Chi Thanh, Lang Ha Ward, Dong Da district, Ha Noi	(024) 6 276 9189	(024) 6 279 6167
3	Ba Dinh Branch	So 21 Lang Ha, Thanh Cong ward, Ba Dinh district, TP. Ha Noi	(024) 3 8460 135	(024) 3 7263 595
4	Hang Trong Branch	So 71B Hang Trong, Hang Trong ward, Hoan Kiem District - Hanoi	(024) 3 9289 175	(024) 3 9289 262
5	Ham Long Branch	So 67C Ham Long, Hang Bai ward, Hoan Kiem District - Hanoi	(024) 3 9432 958	(024) 3 9432 436
6	Hoan Kiem Branch	So 40 pho Hang Giay, Dong Xuan ward, Hoan Kiem District - Hanoi	(024) 3825 8926 / (024) 3928 3054	(024) 3825 8745
7	West Hanoi Branch	Serviced apartment 101, Lo C, Khu D5, Nguyen Phong Sac, Dich Vong Hau ward, Cau Giay District, Ha Noi	(024) 6 2690 530	(024) 6 2690 531
8	South West Hanoi Branch	So 98 Hoang Quoc Viet, Nghia Do Ward, Cau Giay District, Ha Noi	(024) 3 7552 510	(024) 3 7563 120
9	Van Phuc Branch	So 34 - 36 pho Lieu Giai, Cong Vi ward, Ba Dinh district, Ha Noi city.	(024) 3 7262 025	(024) 3 7262 236
10	Han Thuyen Branch	So 11 Han Thuyen, Pham Dinh Ho ward, Hai Ba Trung district, Ha Noi	(024) 3 6248 028	(024) 3 6248 029
11	Trung Hoa Nhan Chinh Branch	1st floor, 17T1 building, Trung Hoa - Nhan Chinh Residential area, Trung Hoa ward, Cau Giay district, Ha Noi	(024) 6 2815 158	(024) 6 2815 159
12	HaDong Branch	So 16-18, Nguyen Khuyen, Phuong Van District, HaDong District, Ha Noi City.	(024) 3 3516688	(024) 3 3546 513
13	Lao Cai Branch	Ly Cong Uan, Kim Tan ward, Lao Cai City, Lao Cai province	(021) 4389 9696	(021) 4389 9695
14	Lang Son Branch	So 133 Le Loi, Vinh Trai ward, Lang Son city, Lang Son province	(0205) 389 8222	(0205) 389 8212
15	Vinh Phuc Branch	So 361 Me Linh, Lien Bao ward, Vinh Yen city, Vinh Phuc province	(0211) 3 710 145	(0211) 3 710 146
16	Bac Ninh Branch	Nga 6, Dai Phuc ward, Bac Ninh city, Bac Ninh province	(0222) 3874636	(0222) 3874959
17	Kinh Bac Branch	Ly Thai To, Dong Ngan ward, Tu Son Town, Bac Ninh province	(0222) 3 743 036	(0222) 3 742 444
18	Hung Yen Branch	196, Ban Yen Nhan Town, My Hao district, Hung Yen province	(0221) 3742 688	(0221) 3742 886
19	Quang Ninh Branch	So 488 Tran Phu, Cam Thuy ward, Cam Pha city, Quang Ninh province.	(0203) 3723 855	(0203) 3723 866

No.	Branch Name	Address	Tel.	Fax
20	Hai Phong Branch	DG Tower, 15 Tran Phu, Luong Khanh Thien ward, Ngo Quyen District, Hai Phong City	(0225) 3652 668	(0225)3652 669
21	Thanh Hoa Branch	Thanh Hoa Business Center, 27 – 29 Le Loi, Lam Son Ward, Thanh Hoa City, Thanh Hoa Province	(0237) 3855111	(0237) 3752555
22	Nghe An Branch	Tecco Tower 215 Le Loi, Le Loi Ward, Vinh City, Nghe An Province	(0238) 3560388	(0238)356 0399
23	Hue Branch	So 28 Ly Thuong Kiet, Vinh Ninh ward, Hue City, Thua Thien Hue province	(0234) 3966688	(0234) 3944666
24	Da Nang Branch	205-207 Nguyen Van Linh, Nam Duong ward, Hai Chau district, Da Nang City	(0236) 3584 599	(0236) 3655 399
25	Quang Nam Branch	215 Phan Boi Chau, Tan Thanh ward, Tam Ky city, Quang Nam province	(0235) 3815888	(0235) 3815777
26	Khanh Hoa Branch	11 Ly Thanh Ton, Van Thanh Ward, Nha Trang city, Khanh Hoa Province, Viet Nam	(0258) 3828777	(058) 3828766
27	Lam Dong Branch	135-145 Phan Dinh Phung, ward 2, Da Lat, Lam Dong province.	(0263) 3512251	(0263) 3512000
28	Gia Lai Branch	So 87 Hoang Van Thu, Dien Hong ward, Pleiku city, Gia Lai Province	(0269) 3828333	(0269)3828499
29	HCMC Branch	So 41-43-45 Pasteur, Nguyen Thai Binh Ward, District 1, HCMC	(028) 3821 1112	(028) 3823 0204
30	Sai Gon Branch	Lot H3, Hoang Dieu, ward 6, district 4, HCMC	(028) 3 9434 224	(028) 3 9434 299
31	Phu Nhuan Branch	So 127 Tran Huy Lieu, ward 12, Phu Nhuan district, HCMC	(028). 3997 1122	(028) 3997 1133
32	Binh Duong Branch	481, plot 01, Phu Cuong ward, Thu Dau Mot city, Binh Duong Province	(0274) 3834 101	(0274) 3834 100
33	Dong Nai Branch	So 10-11, Nguyen Ai Quoc, KP 8, Tan Phong ward, Bien Hoa city, Dong Nai province	(0251) 8871 666	(0251) 8871 670
34	Vung Tau Branch	12G3 Business center, Nguyen Thai Hoc, ward 7, Vung Tau city, Ba Ria Vung Tau Province	(0254) 3577676	(0254) 3577686
35	Binh Phuoc Branch	147 Hung Vuong, Tan Binh ward, Dong Xoai town, Binh Phuoc province	(0271) 3 838 123	(0271) 3 838 126
36	Long An Branch	135 – 137, Hung Vuong, Ward 2, Tan An city, Long An province	(0272) 3 567 567	(0272) 3 567 667
37	Can Tho Branch	138 3/2, Hung Loi ward, Ninh Kieu district, Can Tho city	(0292) 3838 389	(0292) 3839 987
38	Kien Giang Branch	Lot C10 – 50 + 51 3/2, Vinh Lac ward, Rach Gia city, Kien Giang province	(0297) 3.947303	(0297)3947313

No.	Branch Name	Address	Tel	Fax
39	An Giang Branch	6-8 Nguyen Hue A, My Long ward, Long Xuyen city, An Giang province	(0296) 3940 309	(0296) 3941 969
40	SHB Cambodia	707, Monivong Avenue, Boeung Keng Kang 3 ward, Chamkarmon district, Phnom Penh, Cambodia	+855 23 221 900	+855 23 224 151
41	Toul Kouk Level II Branch	59A, 289, Boeung Kak 2 ward, Toul Kouk district, Phnom Penh, Cambodia	+ 855 23 880 091	+ 855 23 880 096
42	Por Senchey Level II	So 250-252, Russie, Cacap ward, Por Senchey district, Phnom Penh, Cambodia	+855 23 890 353	+855 23 890 363
43	Kampong Thom Level II Branch	Lang Stoeung Sen, Kampong Krobao, Stoeung Sen city, Kampong Thom province, Cambodia	+855 62 210 479	+855 62 210 478
44	Nehru Level II Branch	161CD, Nehru, Phsar Depo I ward, Toul Kouk district, Phnom Penh, Cambodia	+855 23 882 358	+855 23 882 368
45	SHB Laos	Group 01 Lanexang, Hatsady, Chanthabuly District Vientian, Laos	+856 21 96 8888	+856 21 96 88 99
46	SHB Laos, Champasak Branch	336, 337, 338 Pakse new market, Phonekung, Pakse district, Champask province, Laos	+856-31 257 167	+856 31 257 137
47	SHB Laos, Savanakheth Branch	Sisavangvong, group 25, Lattanalangsy Neua, Kaysone Phomvihan City, Savannaket, Laos		
48	Thai Binh Branch	431 Tran Hung Dao, Tran Hung Dao ward, Thai Binh city, Thai Binh province	(0227) 6278555	(0227) 6252626
49	Soc Trang Branch	2 Tran Hung Dao, ward 2, Soc Trang city, Soc Trang province	(0299) 3819 888	(0299) 3819 666
50	Ninh Binh Branch	55 Tran Hung Dao, Dong Thanh ward, Ninh Binh city, Ninh Binh province	(0229) 3888 542	(0229) 3888 543
51	Tuyen Quang Branch	138 Nguyen Trai, group 14, Tan Quang ward, Tuyen Quang city, Tuyen Quang province	(0207) 3827 579	(0207) 3827 588
52	Thai Nguyen Branch	Cho Minh Cau Business center, No. 2, Minh Cau, Phan Dinh Phung Ward, Thai Nguyen City, Thai Nguyen Province	(0208) 3655 588	(0208) 3756 866
53	Tien Giang Branch	No. 210, Nam Ky Khoi Nghia, ward 7, My Tho city, Tien Giang province.	(0273) 3877 789	(0273) 3877 669
54	Dong Thap Branch	No. 193-195 Hung Vuong, ward 2, Cao Lanh city, Dong Thap province	(0277) 353 4488	(0277) 353 8788
55	Ca Mau Branch	132A, Nguyen Tat Thanh, ward 8, Ca Mau city, Ca Mau province	(0290) 3582592	(0290) 3582593
56	Quang Ngai Branch	So 252-254-256 Hung Vuong, Tran Phu ward, Quang Ngai city, Quang Ngai province	(0255) 3739777	(0255) 3739775

No.	Branch Name	Address	Tel	Fax
57	Ha Nam Branch	PG1 – 05, PG1 – 06 Vincom Shophouse Phu Ly, Bien Hoa, Minh Khai Ward, Phu Ly City, Ha Nam Province	(0226) 2460909	(0226) 2460011
58	Ha Tinh Branch	52 Phan Dinh Phung, Nam Ha Ward, Ha Tinh city, Ha Tinh Province	(0239) 373766	(0239) 3668877
59	Binh Dinh Branch	85 Mai Xuan Thuong, Quy Nhon city, Binh Dinh Province	(0256) 3636688	
60	Dak Lak Branch	18A Nguyen Tat Thanh, Tu An Ward, BMT city, Dak Lak province	(0262) 369 7979	(0262) 357 6879
61	Tay Ninh Branch	409 30 thang 04, street 1, ward 1, Tay Ninh City, Tay Ninh province.	(0276) 3898 999	(0276) 3898 988
62	Son La Branch	375, Chu Van Thinh, Chieng Le Ward, Son La city, Son La province	(0212) 3 856 666	(0212) 3 830 888
63	Nam Dinh Branch	CL14- 24,25,26 Tran Phu, Nam Dinh city, Nam Dinh province	(0228) 3898999	(0228) 3898998
64	Hai Duong Branch	1 Thong Nhat, Le Thanh Nghi Ward, Hai Duong city, Hai Duong province	(0220) 3830688	(0220) 3860979
65	Binh Thuan Branch	187 – 189 Ton Duc Thang, street 7, Phu Thuy Ward, Phan Thiet city, Binh Thuan Province	(84-252) 3523 888	(84-252) 3523 999
66	Vinh Long Branch	PG 01-05, PG 01-06 Shophouse Vincom Vinh Long, Pham Thai Buong, ward 4, Vinh Long city, Vinh Long province		

XI. Financial reports

With the principle of “Solid partner, flexible solutions” and innovative business strategy, SHB commits to providing high benefits to customers and shareholders – investors.

Saigon - Hanoi Joint Stock Commercial Bank

Consolidated Financial Statements for the year ended

31 December 2018

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CORPORATE INFORMATION

Banking Licence No.	0041/NH-GP	13 November 1993
	<i>The Banking Licence was granted by the State Bank of Vietnam and is valid for 50 years from the granting date.</i>	

Business Registration Certificate No.	1800278630	17 June 2013
	The Bank's Business Registration Certificate has been amended several times, the most recent of which is the Business Registration Certificate dated 16 May 2018.	

Board of Directors	Mr. Do Quang Hien	Chairman
	Mr. Vo Duc Tien	Vice Chairman
	Mr. Nguyen Van Le	Member
	Mr. Thai Quoc Minh	Member
	Mr. Do Quang Huy	Member
	Mr. Pham Cong Doan	Member
	Mr. Trinh Thanh Hai	Independent Member

Board of Supervisors	Mr. Pham Hoa Binh	Head of Board of Supervisors
	Ms. Nguyen Thi Hoat	Deputy Head of Board of Supervisors
	Mr. Nguyen Huu Duc	Member
	Ms. Pham Thi Bich Hong	Member
	Ms. Le Thanh Cam	Member

Board of Management and Chief Accountant	Mr. Nguyen Van Le	Chief Executive Officer
	Mr. Le Dang Khoa	Deputy Executive Officer
	Mr. Nguyen Huy Tai	Deputy Executive Officer
	Ms. Ngo Thu Ha	Deputy Executive Officer
	Ms. Ninh Thi Lan Phuong	Deputy Executive Officer
	Ms. Dang To Loan	Deputy Executive Officer
	Mr. Tran Nhat Nam	Deputy Executive Officer (until 31/1/2019)
	Ms. Hoang Thi Mai Thao	Deputy Executive Officer (from 15/1/2019)
	Ms. Ngo Thi Van	Chief Accountant

Legal representative	Mr. Nguyen Van Le	Chief Executive Officer
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Registered office	No. 77 Tran Hung Dao Street, Hoan Kiem District Hanoi, Vietnam	
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Auditor	KPMG Limited Vietnam	
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STATEMENT OF THE BOARD OF MANAGEMENT

The Board of Management of Saigon - Hanoi Joint Stock Commercial Bank (“the Bank”) presents this statement and the accompanying consolidated financial statements of the Bank and its subsidiaries (collectively referred to as “SHB”) for the year ended 31 December 2018.

The Board of Management of the Bank is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with Vietnamese Accounting Standard, the Vietnamese Accounting System for credit institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting. In the opinion of the Board of Management:

- (a) The consolidated financial statements set out on pages 5 to 82 give a true and fair view of the consolidated financial position of SHB as at 31 December 2018, and of its consolidated results of operations and the consolidated cash flows of SHB for the year then ended in accordance with Vietnamese Accounting Standard, the Vietnamese Accounting System for credit institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting; and
- (b) At the date of this statement, there are no reasons for the Board of Management to believe that SHB will not be able to pay its debts as and when they fall due.

The Board of Management has, on the date of this statement, authorised the accompanying consolidated financial statements for issue.

On behalf of the Board of Management



Nguyen Van Le
Chief Executive Officer

Hanoi, 20 March 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders

Saigon - Hanoi Joint Stock Commercial Bank

We have audited the accompanying consolidated financial statements of Saigon - Hanoi Joint Stock Commercial Bank ("the Bank") and its subsidiaries (collectively referred to as "SHB"), which comprise the consolidated balance sheet as at 31 December 2018, the related consolidated statements of income and cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Bank's Board of Management on 20 March 2019, as set out on pages 118 to 215.

Management's Responsibility

The Bank's Board of Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standard, the Vietnamese Accounting System for credit institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting, and for such internal control as the Board of Management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Bank's Board of Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Saigon - Hanoi Joint Stock Commercial Bank and its subsidiaries as of 31 December 2018 and of their consolidated results of operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit Institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note 4(c) to the consolidated financial statements which describes specific accounting policies regarding allowance for credit risks relating to outstanding financial debts in accordance with the Scheme for "Merging Hanoi Building Commercial Joint Stock Bank into Saigon - Hanoi Joint Stock Commercial Bank for the period from 2016 to 2020" ("the Scheme"). For the outstanding financial debts, mainly from Hanoi Building Commercial Joint Stock Bank ("HBB"), the Bank has been approved by the State Bank of Vietnam ("SBV") to adopt specific accounting policies based on the solutions for financial treatments proposed in the amended Scheme approved by the State Bank of Vietnam on 8 November 2016. For these outstanding financial debts, the Bank is allowed to allocate allowance for credit risks in accordance with the roadmap as determined in the Scheme.

Other matter

The consolidated financial statements of SHB for the year ended 31 December 2017 were audited by another firm of auditors whose audit report dated 6 April 2018 expressed an unqualified audit opinion on those statements with emphasis of matters on the adoption of the specific accounting policies for outstanding financial debts.



Dam Xuan Lam

Practicing Auditor Registration
Certificate No.: 0861-2018-007-1
Deputy General Director

Hanoi, 20 March 2019

Tran Dinh Vinh

Practicing Auditor Registration
Certificate No.: 0339-2018-007-1

CONSOLIDATED BALANCE SHEET

as at 31 December 2018

	Note	31/12/2018 VND million	31/12/2017 VND million
A ASSETS			
I Cash and gold on hand	5	1,884,822	1,446,548
II Balances with the State Banks	6	4,328,739	3,742,659
III Balances with and loans to other credit institutions	7	29,300,327	33,513,516
1 Balances with other credit institutions		29,300,327	27,859,510
2 Loans to other credit institutions		-	5,654,006
IV Securities held for trading	8	655	1,050
1 Securities held for trading		3,889	3,889
2 Allowance for securities held for trading		(3,234)	(2,839)
V Derivatives and other financial assets	9	58,228	136,265
VI Loans to customers		213,986,652	195,441,551
1 Loans to customers	10	216,988,881	198,290,566
2 Allowance for loans to customers	11	(3,002,229)	(2,849,015)
VIII Investment securities		48,026,925	21,207,964
1 Available-for-sale securities	12	25,193,006	12,268,348
2 Held-to-maturity securities	12	24,761,139	10,682,862
3 Allowance for investment securities	13	(1,927,220)	(1,743,246)
IX Long-term investments	14	195,767	215,465
4 Other long-term investments		201,750	227,250
5 Allowance for diminution in the value of long-term investments		(5,983)	(11,785)

	Note	31/12/2018 VND million	31/12/2017 VND million
X Fixed assets		4,792,434	3,952,317
1 Tangible fixed assets	15	485,674	425,424
a Cost		1,140,635	1,011,431
b Accumulated depreciation		(654,961)	(586,007)
3 Intangible fixed assets	16	4,306,760	3,526,893
a Cost		4,544,660	3,738,489
b Accumulated amortisation		(237,900)	(211,596)
XII Other assets	17	20,701,459	26,352,746
1 Receivables		7,980,896	13,411,455
2 Accrued interest and fee receivables		9,117,746	7,955,903
4 Other assets		4,256,033	5,395,762
5 Allowance for other assets		(653,216)	(410,374)
TOTAL ASSETS		323,276,008	286,010,081

		Note	31/12/2018 VND million	31/12/2017 VND million
B	LIABILITIES AND OWNERS' EQUITY			
	LIABILITIES			
I	Amounts due to the Government and the State Banks	18	12,211,237	2,758,343
II	Deposits and borrowings from other credit institutions	19	44,933,789	53,000,419
1	Deposits from other credit institutions		31,352,183	33,297,858
2	Borrowings from other credit institutions		13,581,606	19,702,561
III	Deposits from customers	20	225,224,141	194,889,770
V	Other borrowed and entrusted funds	21	1,473,711	1,064,161
VI	Valuable papers issued	22	16,721,736	14,967,269
VII	Other liabilities	23	6,378,862	4,638,899
1	Accrued interest and fee payables		5,294,909	4,103,201
3	Other liabilities		1,083,953	535,698
TOTAL LIABILITIES			306,943,476	271,318,861

	Note	31/12/2018 VND million	31/12/2017 VND million	
OWNERS' EQUITY				
VIII	Owners' capital and reserves	24	16,332,532	14,691,220
1	Capital		12,132,617	11,293,347
a	Share capital		12,036,161	11,196,891
c	Share premium		101,716	101,716
d	Treasury shares		(5,260)	(5,260)
2	Reserves		1,467,001	1,220,358
3	Foreign exchange differences		(5,891)	-
5	Retained earnings		2,738,805	2,177,515
TOTAL OWNERS' EQUITY			16.332.532	14.691.220
TOTAL LIABILITIES AND OWNERS' EQUITY			323,276,008	286,010,081

	Note	31/12/2018 VND million	31/12/2017 VND million
OFF-BALANCE SHEET ITEMS			
I CONTINGENT LIABILITIES			
1	Loan guarantees	16,208	179,955
2	Foreign exchange commitments	32,202,971	51,133,948
	Forward foreign currency purchase commitments	849,418	1,339,602
	Forward foreign currency sale commitments	185,521	1,739,760
	Swap commitments	31,168,032	48,054,586
4	Letters of credit commitments	14,117,545	14,695,470
5	Other guarantees	49,465,228	23,117,644

20 March 2019

Prepared by:

Reviewed by

Approved by:



Nguyen Thi Lien
Head of Accounting and
General Affairs Department



Ngo Thi Van
Chief Accountant



Ngo Thu Ha
Deputy Executive Officer



Nguyen Van Le
Chief Executive Officer

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR

ended 31 December 2018

	Note	2018 VND million	2017 VND million (Reclassified)
1	Interest and similar income	22,641,366	18,220,214
2	Interest and similar expenses	(17,085,464)	(13,423,554)
I	Net interest income	26	4,796,660
3	Fee and commission income	822,989	1,526,170
4	Fee and commission expenses	(109,047)	(69,305)
II	Net fee and commission income	27	1,456,865
III	Net gain from trading of foreign currencies	28	61,747
IV	Net loss from trading securities	-	(5,188)
V	Net gain from investment securities	29	1,050
5	Other income	251,134	359,978
6	Other expenses	(121,073)	(222,486)
VI	Net other income	30	130,061
VII	Income from capital contribution, share purchases	2,202	2,816
VIII	Operating expenses	31	(3,222,791)
IX	Net operating profit before allowance and provision expenses	3,518,944	3,814,084
X	Allowance and provision expenses	(1,425,091)	(1,888,773)

	Note	2018 VND million	2017 VND million (Reclassified)
XI Profit before tax (brought forward from previous page)		2,093,853	1,925,311
7 Income tax expense - current	32	(421,534)	(386,183)
XII Income tax expense	32	(421,534)	(386,183)
XIII Net profit after tax		1,672,319	1,539,128
Attributable to: Net profit after tax of the Bank		1,672,319	1,539,128
XV Basic earnings per share (VND/share) (restated)	33	1,390	1,279

20 March 2019

Prepared by:

Reviewed by

Approved by:



Nguyen Thi Lien
Head of Accounting and
General Affairs Department



Ngo Thi Van
Chief Accountant



Ngo Thu Ha
Deputy Executive Officer



Nguyen Van Le
Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR

ended 31 December 2018 (direct method)

		2018 VND million	2017 VND million
CASH FLOWS FROM OPERATING ACTIVITIES			
1	Interest and similar income received	21,461,219	18,142,807
2	Interest and similar expenses paid	(15,883,738)	(12,551,520)
3	Net fee and commission income received	703,875	1,465,529
4	Net receipts from foreign currencies and securities trading activities	338,600	412,890
5	Other income	68,722	155,853
6	Proceeds from loans previously written off	61,339	16,912
7	Operating and salary expenses payments	(3,122,638)	(2,771,257)
8	Corporate income tax paid	(377,831)	(268,304)
NET CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		3,249,548	4,602,910
Changes in operating assets			
9	Decrease in balances with and loans to other credit institutions	5,106,549	2,155,857
10	Increase in securities held for trading	(27,002,935)	(3,009,463)
11	Decrease/(increase) in derivatives and other financial assets	78,037	(91,687)

		2018 VND million	2017 VND million
12	Increase in loans to customers	(18,698,315)	(35,914,379)
13	Decrease in allowance for impairment	(731,038)	(236,877)
14	Decrease/(increase) in other assets	5,672,935	(10,156,232)
Changes in operating liabilities			
15	Increase in amounts due to the Government and the State Banks	9,452,894	185,923
16	(Decrease)/increase in deposits and borrowings from other credit institutions	(8,066,630)	19,690,987
17	Increase in deposits from customers	30,334,371	28,313,552
18	Increase in valuable papers issued	1,754,467	1,199,594
19	Increase in other borrowed and entrusted funds	409,550	255,274
21	Increase/(decrease) in operating liabilities	514,213	(363,487)
I	NET CASH FLOWS FROM OPERATING ACTIVITIES	2,073,646	6,631,972
CASH FLOWS FROM INVESTING ACTIVITIES			
1	Payments for purchases of fixed assets	(172,681)	(117,245)
2	Proceeds from disposals of fixed assets	1,762	187,214
7	Payments for investments in other entities	-	(12,857)
8	Collections on investments in other entities	13,363	15,000
9	Dividends and profit received from long-term investments	2,202	2,816

		2018 VND million	2017 VND million
II	NET CASH FLOWS FROM INVESTING ACTIVITIES	(155,354)	74,928
CASH FLOWS FROM FINANCING ACTIVITIES			
4	Dividends paid to shareholders, profits distributed	(578)	(330)
III	NET CASH FLOWS FROM FINANCING ACTIVITIES	(578)	(330)
IV	NET CASH FLOWS DURING THE YEAR	1,917,714	6,706,570
V	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	33,048,717	26,342,147
VII	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 34)	34,966,431	33,048,717

20 March 2019

Prepared by:

Reviewed by

Approved by:



Nguyen Thi Lien
Head of Accounting and
General Affairs Department



Ngo Thi Van
Chief Accountant



Ngo Thu Ha
Deputy Executive Officer



Nguyen Van Le
Chief Executive Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

ended 31 December 2018

These notes form an integral part of and should be read in conjunction with, the accompanying consolidated financial statements.

1. REPORTING ENTITY

a) Incorporation and operation

Saigon - Hanoi Joint Stock Commercial Bank ("the Bank") is a commercial joint stock bank incorporated and registered in Vietnam.

The Bank was established pursuant to the Banking License No. 0041/NH-GP issued by the State Bank of Vietnam ("SBV") on 13 November 1993 initially known as Nhon Ai Rural Commercial Joint Stock Bank. The Bank was renamed as Saigon - Hanoi Joint Stock Commercial Bank under Decision No. 1764/QD-NHNN dated 11 September 2009 granted by the Governor of SBV. The Bank successfully merged Hanoi Building Commercial Joint Stock Bank ("HBB") and Vinaconex – Viettel Finance Joint Stock Company ("VVF") into its operation in 2012 and 2017, respectively, which is in line with the Restructuring plan of the banking system of Vietnam.

The Bank currently operates under Business Registration Certificate No. 1800278630 by the Hanoi Department of Planning and Investment and was amended for the 26th time on 16 May 2018.

The principal activities of the Bank are mobilising and receiving short, medium and long-term deposit funds from organisations and individuals; lending on a short, medium and long-term basis up to the nature and ability of the Bank's capital resources; conducting settlement and cash services and other banking services as approved by SBV; making capital contributions, purchasing shares, investing in bonds and trading foreign currencies in accordance with the provisions of law.

(b) Location and operation network

The Bank's Head Office is located at No.77 Tran Hung Dao, Hoan Kiem District, Hanoi. As at 31 December 2018, the Bank had one (1) Head Office, fifty eight (58) branches and one hundred and ninety six (196) transaction offices (31/12/2017: 1 Head Office, 53 branches and 179 transaction offices).

(c) Subsidiaries

As at 31 December 2018, the Bank had four (4) subsidiaries as follows (31/12/2017: four (4) subsidiaries):

Company name	Nature of Business	% owned by the Bank
SHB Debt and Asset Management One Member Company Limited ("SHB AMC")	Debt and asset management	100%
SHB One Member Limited Finance Company ("SHB FC")	Banking/Finance	100%
Sai Gon - Hanoi Bank Laos Limited ("SHB Laos")	Banking/Finance	100%
Sai Gon - Hanoi Bank Cambodia Limited ("SHB Cambodia")	Banking/Finance	100%

d) Number of employees

As at 31 December 2018, SHB had 7,546 employees (31/12/2017: 6,186 employees).

2. BASIS OF PREPARATION OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standard, the Vietnamese Accounting System for credit institutions stipulated by the SBV and the relevant statutory requirements applicable to financial reporting. These standards and statutory requirements may differ, in some material respects, from International Financial Reporting Standards as well as generally accepted accounting principles and standards of other countries. Accordingly, the accompanying consolidated financial statements are not intended to present SHB's financial position, results of operations and cash flows in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than Vietnam. Furthermore, their utilisation is not designed for those who are not informed about Vietnam's accounting principles, procedures and practices applicable to credit institutions.

(b) Basis of measurement

The consolidated financial statements, except for the consolidated statement of cash flows, are prepared on the accrual basis using the historical cost concept. The consolidated statement of cash flows is prepared using the direct method.

(c) Accounting period

The annual accounting period of SHB is from 1 January to 31 December.

(d) Accounting currency

The accounting currency of SHB is Vietnam Dong ("VND"). These consolidated financial statements are prepared and presented in VND, rounded to the nearest million ("VND million").

3. ADOPTION OF NEW ACCOUNTING GUIDANCE

Circular No. 22/2017/TT-NHNN

On 29 December 2017, the State Bank of Vietnam issued Circular No. 22/2017/TT-NHNN ("Circular 22") amending and supplementing a number of articles in the Accounting system of credit institutions as stipulated in Decision No. 479/2004/QD-NHNN dated 29 April 2004, and a number of articles in the regime on financial statements applicable to credit institutions as stipulated in Decision No. 16/2007/QD-NHNN dated 18 April 2007 of the Governor of the State Bank of Vietnam. Circular 22 is effective from 1 April 2018 onwards.

Significant changes in the accounting policies of the Bank in relation to the adoption of Circular 22 have been described in Note 4(b). Besides, the Bank's presentation of the consolidated financial statements includes some changes with new forms provided by Circular 22.

Circular No. 16/2018/TT-BTC

On 7 February 2018, the Ministry of Finance issued Circular No. 16/2018/TT-BTC on guidelines for financial regulations applied to credit institutions and branches of foreign banks ("Circular 16"). Circular 16 is effective from 26 March 2018 and supersedes Circular No. 05/2013/TT-BTC dated 9 January 2013 of the Ministry of Finance.

Significant changes in the Bank's accounting policies related to the adoption of Circular 16 and effects to the consolidated financial statements have been described in Note 4(v).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted by SHB in the preparation of these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by SHB. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The accounting policies of subsidiaries have been also revised when necessary to ensure consistency with the accounting policies applied by SHB.

(b) Foreign currency

Foreign currency transactions

Prior to 1 April 2018

All transactions are recorded in their original currencies. Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the rates of exchange ruling at the balance sheet date, non-monetary foreign currency assets and liabilities are translated into VND using the exchange rates effective at the dates of the transactions.

Income/expense related transactions incurred in foreign currencies are translated into VND using the exchange rates ruling on the dates of the transactions.

From 1 April 2018

All transactions are recorded in their original currencies. Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the average of the account transfer buying rates and selling rates at the end of the last working day of the accounting period, non-monetary foreign currency assets and liabilities are translated into VND using the exchange rates effective at the dates of the transactions.

Income/expense related transactions incurred in foreign currencies are translated into VND using the average of the account transfer buying rates and selling rates on the dates of the transactions.

The above changes in accounting policies are applied prospectively and have no significant effect on the consolidated financial statements of SHB.

(c) Specific accounting policies regarding allowance for credit risks relating to outstanding financial debts in accordance with the Scheme for Merging HBB into SHB for the period from 2016 to 2020

For the outstanding financial debts, mainly from HBB, the Bank has been approved by SBV to adopt specific accounting policies based on the solutions for financial treatments proposed in the amended Scheme for merging HBB into SHB for the period from 2016 to 2020 ("the Scheme"). The outstanding financial debts comprise:

- *outstanding loans of HBB (Notes 4(i) and 11); and*
- *bonds of Vietnam Asset Management Company ("VAMC") (Notes 4(g)(iv) and 13(ii));*

- *non-performing capital contribution, share purchases of HBB (Note 4(h), 14(ii));*

- *doubtful debts from entrusted investments of HBB (Note 4(n) and 17(ii)).*

For these outstanding financial debts, for each of the years from 2016 to 2024, SHB would record an allowance for credit risks with an amount at least equalling the amount determined in Official Letter No. 856/NHNN-TTGSNHNN.m dated 8 November 2016 ("Official Letter No. 856") on approving the Scheme.

In addition, for the outstanding balances of debts granted to Vietnam Shipbuilding Industry Group ("Vinashin") (renamed as Vietnam Shipbuilding Industry Corporation - ("SBIC")), some member entities belonging to SBIC and entities previously belonging to SBIC and transferred to Vietnam National Oil and Gas Group ("PVN"), and Vietnam National Shipping Lines ("Vinalines"), including those which have been swapped (Note 4(j) and Note 11(ii)) and those have not (Note 4(n) and 17(ii)), in accordance with Official Letter No. 856, allowance made for these debts are amortised in 10 years, from 2014 to 2024, as approved in Official Letter No. 559/NHNN-TTGSNHNN dated 17 October 2014.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, gold on hand, balances with the State Banks, balances with other credit institutions that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Gold is revaluated at the balance sheet date and the differences arising on revaluation are recorded in the consolidated statement of income.

(e) Balances with and loans to other credit institutions

Balances with other credit institutions, except for current deposits, are deposits at other credit institutions with original terms of not exceeding three months.

Balances with and loans to other credit institutions are stated at the amount of the outstanding principal less any allowance for credit risks.

Credit risk classification of deposits with and loans to credit institutions and allowance thereof is made in accordance with Circular No. 02/2013/TT-NHNN dated 21 January 2013 of the SBV on classification of assets, level and method of allowance making, and use of allowance against credit risks in activities of credit institutions and foreign banks' branches ("Circular 02") and Circular No. 09/2014/TT-NHNN dated 18 March 2014 of the SBV on amending and supplementing a number of articles of Circular 02 ("Circular 09") which takes effects from 1 June 2014. Accordingly, the SHB has provided specific allowance for balances with and loans to other credit institutions in accordance with the method described in Note 4(j).

According to Circular 02, SHB is not required to provide general allowance for balances with and loans to other credit institutions.

(f) Securities held for trading

(i) Classification and recognition

Securities held for trading are unlisted debt securities, which are acquired principally for the purpose of selling it in the near term or there is evidence of a recent pattern of short-term profit-taking.

SHB recognises securities held for trading at the date that it becomes a party under contracts with respect to these securities (trade date accounting).

(ii) Measurement

Debt securities held for trading are stated at cost less allowance for credit risks made in accordance with Circular 02 and Circular 09 as described in Note 4(j).

An allowance for diminution in the value of securities is made if market price of the securities falls below its carrying amount.

Interest income from debt securities held for trading after the acquisition date is recognised in the consolidated statement of income upon receipt. The accumulated interest income from debt securities held for trading before acquisition date will be reduced upon receipt.

(iii) De-recognition

SHB derecognises trading securities when the contractual rights to the cash flows from these securities expire or when the significant risks and rewards of ownership of these securities have been transferred.

(g) Investment securities

(i) Classification

At the purchase date, investment securities are classified into two categories: held-to-maturity investment securities and available-for-sale investment securities. In accordance with Official Letter No. 2601/NHNN-TCKT issued by the SBV on 14 April 2009, SHB is allowed to reclassify investment securities once after the purchase date.

Held-to-maturity investment securities

Held-to-maturity investment securities are debt securities with fixed maturities and fixed or determinable payments, where SHB has the positive intention and ability to hold until maturity.

Available-for-sale investment securities

Available-for-sale investment securities are debt securities, equity securities or other securities, which are held for an indefinite period and may be sold at any time.

(ii) Recognition

SHB recognises investment securities at the date that it assumes substantially all the risks and rewards of ownership of the securities. Investment securities are initially recognised at cost.

(iii) Measurement

Equity securities

Available-for-sale equity securities are stated at cost; and are subsequently recognised at the lower of the cost and market value with the difference recognised in the consolidated statement of income.

Market value of listed available-for-sale equity securities is determined by reference to closing prices of securities from the Ho Chi Minh City Stock Exchange and Hanoi Stock Exchange at the end of the accounting period.

Market value of unlisted available-for-sale equity securities which are actively traded on market for Unlisted Public Companies ("UpCom") is determined by the closing price at the end of the accounting period.

Market value of unlisted available-for-sale equity securities which are actively traded on over-the-counter market ("OTC") is stated at cost less allowance for securities by reference to the average price of the transaction price quotes from three securities companies having charter capital above VND300 billion.

In cases where market value of securities cannot be determined reliably, such securities are stated at cost.

Debt securities

Debt securities are initially stated at cost including transaction costs and other directly attributable costs. They are subsequently recognised at amortised cost (affected by premium/discount amortisation) less allowance for securities risks, including allowance for credit risks and allowance for devaluation of trading securities. Premium and discounts arising from purchases of debt securities are amortised to the consolidated statement of income on a straight-line basis over the period from acquisition date to maturity date.

Listed available-for-sale debt securities are measured at cost less allowance for securities determined by reference to closing prices on Hanoi Stock Exchange at the end of the annual accounting period.

Held-to-maturity debt securities and available-for-sale investment securities of unlisted enterprises are recognised at cost less allowance for securities. Debt classification and allowance for these bonds are made in accordance with the policies applicable to loans and advances to customers as described in Note 4(j). No general allowance is made for purchases of valuable papers issued by other credit institutions and foreign bank branches in Vietnam.

Post-acquisition interest income of available-for-sale debt securities and held-to maturity investment securities is recognised in the consolidated statement of income on an accrual basis. The accumulated interest income before the acquisition date is recognised as a decrease in cost when the income is received.

(iv) De-recognition

SHB derecognises investment securities when the contractual rights to the cash flows from these securities expire or when the significant risks and rewards of ownership of these securities have been transferred.

(v) Special bonds issued by Vietnam Asset Management Company ("VAMC")

Special bonds issued by VAMC are term valuable papers issued by VAMC for purchasing bad debts of SHB. For each bad debt sold to VAMC, SHB receives one special bond issued by VAMC. Par value of special bonds equals to carrying amount of loan principal balance of the bad debt less specific allowance made but not yet utilized for such bad debt.

Upon completing the procedures of selling bad debts, the Bank writes down the book value of the bad debts, uses the specific allowance made but not yet utilised and derecognise interest receivables recorded in off-balance sheet account. At the same time, the Bank recognises special bonds issued by VAMC held to maturity securities issued by local economic entities.

For special bonds issued by VAMC, the Bank makes allowance in accordance with Circular No. 19/2013/TT-NHNN dated 6 September 2013 issued by the SBV, on the purchase, sale and settlement of bad debts of VAMC ("Circular 19") and Circular No. 14/2015/TT-NHNN dated 28 August 2014 issued by the SBV, regarding the amendments of and supplements to a number of articles of Circular 19 ("Circular 14"). Accordingly, specific allowance for special bonds issued by VAMC is calculated and provided on the principle of equal annual allocation until maturity date of the special bonds. Specific allowance is made on an annual basis within 5 working days prior to the maturity date of each special bond in accordance with the following formula:

$$X_{(m)} = Y/n \times m - (Z_m + X_{(m-1)})$$

In which:

$X_{(m)}$ is the minimum specific allowance for special bonds in the year m;

$X_{(m-1)}$ is the accumulated specific allowance made for special bonds until the end of the year m-1;

Y is the face value of special bonds;

n is the duration of special bonds (years);

m is the number of years from issuance of special bonds to the provisioning date;

Z_m is the accumulated bad debt repayment up to the provisioning date (year).

If $(Z_m + X_{(m-1)}) \geq Y/n \times m$ the specific provision $X_{(m)}$ will be zero (0).

Specific allowance for special bonds is recorded in the consolidated statement of income in "Allowance and provision expenses".

According to Circular 19 and Circular 14, the Bank is not required to provide general allowance for special bonds issued by VAMC.

At the date of bond redemption, the arising interests collected by the credit institution from debts is recorded in "Other income".

Adoption of specific accounting policies regarding allowance for credit risks relating to outstanding financial debts in accordance with the Scheme

Upon adoption of specific accounting policies described in Note 4(c), for special bonds issued by VAMC, for each of the years from 2016 to 2024, the Bank would record allowance with an amount at least equalling the amount determined in Official Letter No. 856 on approving the Scheme.

(h) Capital contribution, long-term investments

(i) Other long-term investments

Other long-term investments are investments in the equity of other companies without having control or significant influence. These investments are initially stated at cost, and subsequently stated at cost less allowance for diminution in the value of investments. giảm giá khoản đầu tư.

(ii) Allowance for diminution in value of other long-term investments

Allowance for diminution in value of other long-term investments is made when the investee companies suffer losses, except when the loss was anticipated in the initial business plan before the date of investment. Allowance for diminution in value is determined as the total actual contributed capital of parties to the investee less (-) the actual owner's equity multiplied (x) by the SHB's ownership percentage in the investee. The allowance is reversed if the recoverable amounts are subsequently increased after the allowance was recognised. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that has been determined if no allowance had been recognised.

Adoption of specific accounting policies regarding allowance for credit risks relating to outstanding financial debts in accordance with the Scheme

Upon adoption of specific accounting policies described in Note 4(c), for non-performing capital contribution, share purchases of HBB, for each of the years from 2016 to 2024, the Bank would record allowance with an amount at least equalling the amount determined in Official Letter No. 856 on approving the Scheme.

(i) Loans and advances to customers

Loans and advances to customers are stated at the amount of the principal outstanding less allowance for loans and advances to customers.

Short-term loans are those with a repayment date within 1 year from the loan disbursement date. Medium-term loans are those with a repayment date between 1 to 5 years from the loan disbursement date. Long-term loans are those with a repayment date of more than 5 years from the loan disbursement date.

SHB derecognises loans when the contractual rights to the cash flows from these loans expire or when substantially all the risks and rewards of ownership of these loans have been transferred.

For the loans sold to Vietnam Asset Management Company ("VAMC"), SHB shall remove them from the balance sheet in accordance with the guidance in Official Letter No. 8499/NHNN-TCKT dated 14 November 2013 and Official Letter No. 925/NHNN-TCKT dated 19 February 2014 issued by the SBV.

Debt classification and allowance for credit risks are made in accordance with Circular 02 and Circular 09 as described in Note 4(j).

(j) Allowance for loans and advances to customers

(i) Debt classification

Classification of deposits with and loans to other credit institutions (excluding current deposits), purchases and entrustment to purchase of unlisted corporate bonds, loans and advances to customers, and entrusted extension of credit (collectively referred to as "loans"), loans already sold but payments not yet collected, is implemented using the method based on the quantitative elements as stipulated in Article 10 of Circular 02.

(ii) Specific allowance for credit risks

Except for the loans to SBIC, some subsidiaries within SBIC and former member entities of SBIC, which were transferred to PVN, and Vinalines and outstanding loans of HBB, specific allowance for credit risks as at 31 December under Circular 02 and Circular 09 is determined based on the allowance rates corresponding to loan principals at the last working day of March less discounted collateral value. The rates of specific allowance for individual loan groups are as follows:

Loan group	Overdue status	Rate of allowance
1 Current	(a) Current loans that being assessed as fully and timely recoverable, both principals and interests; or (b) Loans which are overdue for a period of less than 10 days and being assessed as fully recoverable, both overdue principals and interests, and fully and timely recoverable, both remaining principals and interests.	0%
2 Special mentioned	(a) Loans which are overdue for a period of between 10 days and 90 days; or (b) Loans repayment terms of which are restructured for the first time.	5%
3 Sub-standard	(a) Loans which are overdue for a period of between 91 days and 180 days; or (b) Loans repayment terms of which are extended for the first time; or (c) Loans which are exempted or reduced interests because customers are not sufficiently capable of paying all interests under credit contracts; or (d) Loans in one of the following circumstances which remain unrecovered during a period of less than 30 days after the date of the recovery decision: <ul style="list-style-type: none"> Loans in breach of clauses 1, 3, 4, 5, 6 of Article 126 of the Law on Credit Institutions; or Loans in breach of clauses 1, 2, 3, 4 of Article 127 of the Law on Credit Institutions; or Loans in breach of clauses 1, 2, 5 of Article 128 of the Law on Credit Institutions. (e) Loans which are recovered under inspection conclusions.	20%
4 Doubtful	(a) Loans which are overdue for a period of between 181 days and 360 days; or (b) Loans repayment terms of which are restructured for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or (c) Loans repayment terms of which are restructured for the second time; or (d) Loans which are specified in point (c) of Sub - standard loan have not been recoverable for a period of between 30 days and 60 days after decisions on recovery have been issued; or (e) Loans which must be recovered under inspection conclusions but fail to be repaid although recovery term was overdue up to 60 days.	50%

Loan group	Overdue status	Rate of allowance
5 Loss	(a) Loans which are overdue for a period of more than 360 days; or (b) Loans repayment terms of which are restructured for the first time but still overdue for a period of 90 days or more than under that first restructured repayment term; or (c) Loans repayment terms of which are restructured for the second time but still overdue under that second restructured repayment term; or (d) Loans repayment terms of which are restructured for the third time or later, whether loans are overdue or not; or (e) Loans which are specified in point (d) of Sub-standard loan have not been recoverable for a period of more than 60 days after decisions on recovery have been issued; or (f) Loans which must be recovered under inspection conclusions but fail to be repaid although recovery term was overdue for more than 60 days; or (g) Loans of customers being credit institutions which are announced by SBV to place in special control status, or foreign banks' branches of which capital and assets are blockaded.	100%

From 20 March 2014 to before 1 April 2015, according to Article 10, Clause 3a of Circular 02, loans are restructured and maintained in the same loan group as before rescheduling when they meet the following conditions:

- Loans and credit granting are not in breach of the law;
- Loan rescheduling serves the purpose of borrowings in credit contracts;
- Customers use the loans for the right purpose;
- Customers have the new contracted loan repayment scheme which is feasible and aligned with their business plans; and
- SHB meets the regulations of the SBV on limits, safety ratios in operations, including a maximum ratio of short-term fund used for medium or long-term loans in cases of rescheduling short-term loans to medium or long-term loans.

Only when the above conditions are met, may SHB reschedule the repayment period of the loans to customers based on internal credit ratings and maintain such loans to customers in the same loan group as being currently classified. Article 10, Clause 3a of Circular 02 is effective from 20 March 2014 and expires on 1 April 2015.

The discounted value of collateral assets is determined in accordance with regulations in Circular 02, specifically as follows:

- Collateral assets with the value of VND50 billion or more for debts of customers who are related parties of SHB and others as prescribed in Article 127 of the Law on Credit Institutions and collateral assets with the value of VND200 billion or more shall be evaluated by a licensed asset valuation organisation.

• Other than the above, collateral assets are evaluated in accordance with SHB's internal policy and process.

The maximum discount rates for collateral assets are determined as follows:

Types of collateral assets	Maximum discount rates
Deposits from customers in VND	100%
Gold bars, except for those without listed prices, deposits from customers in foreign currencies	95%
Government bonds, negotiable instruments, valuable papers issued by SHB; saving cards, deposit certificates, treasury notes, treasury bills issued by other credit institutions, foreign banks' branches:	
• With the remaining term of less than 1 year	95%
• With the remaining term of between 1 year and 5 years	85%
• With the remaining term of more than 5 years	80%
Securities issued by other credit institutions and listed on the Stock Exchange	70%
Securities issued by other enterprises and listed on the Stock Exchange	65%
Unlisted securities valuable papers issued by enterprises which have registered for listing on the Stock Exchange	30%
Unlisted securities valuable papers issued by enterprises which have not registered for listing on the Stock Exchange	10%
Real estate	50%
Gold bars without listed prices and other gold and other collateral assets	30%

Collateral assets that fail to fully meet conditions specified in Article 12, Clause 3 of Circular 02 are deemed to have zero allowed value.

SHB makes and maintains general allowance calculated at 0.75% of outstanding loans and advances that are classified into Group 1 to 4 on the last working day of November.

Allowance is recognised as expenses in the consolidated statement of income and used to write off bad debts. SHB established a Risk Settlement Committee to write off bad debts when loans and advances have been classified to Group 5 or when borrowers have declared bankruptcy or dissolved (for borrowers being organisations or enterprises) or borrowers have been dead or missing (for borrowers being individuals).

Adoption of specific accounting policies regarding allowance for credit risks relating to outstanding financial debts in accordance with the Scheme

Upon adoption of specific accounting policies described in Note 4(c), for the loans granted to SBIC, some member entities belonging to SBIC and entities previously belonging to SBIC, and transferred to PVN, and Vinalines, the Bank would amortise allowance made for these loans in 10 years, from 2014 to 2024. For outstanding loans of HBB, for each of the years from 2016 to 2024, the Bank would record an allowance for credit risks with an amount at least equalling the amount determined in Official Letter No. 856 on approving the Scheme.

(iii) Bad debts written off

According to Circular 02 and Circular 09, loans and advances to customers are written off against the allowance when loans and advances to customers have been classified to Group 5 or when borrowers have been declared bankruptcy or dissolved (for borrowers being organisations) or borrowers are dead or missing (for borrowers being individuals).

(iv) Provision for off-balance sheet commitments

According to Circular 02 and Circular 09, the classification of off-balance sheet items are made only for purpose of managing and supervising quality of credit provision. No provision is made for off-balance sheet commitments unless SHB is required to fulfil its payment obligation under guarantee contracts, in which case, classification and allowance for such payment are made in accordance with the accounting policies described in Note 4(j).

(k) Derivative financial instruments

Foreign exchange contracts

SHB is involved in currency forward contracts and currency swap contracts to facilitate customers to transfer, adjust or reduce foreign exchange risks and other market risks and also for the business purposes of SHB.

Currency forward contracts are commitments to buy or sell a specific currency at a specific date in the future with a pre-determined rate, calculated based on nominal amount of principal and will be paid in cash. The forwards contracts are recorded at nominal value at the transaction date and are revalued at effective exchange rate at the reporting date and are stated at net value in the consolidated balance sheet. Gains or losses from currency forward contracts are recognised in the consolidated statement of income.

The currency swap contracts are commitments to settle in cash at a future date based on the difference between the pre-determined rates, calculated on notional principal amount. Premiums/discounts arising from the difference of the spot exchange rate at the effective date of the contracts and the forward exchange rate will be recognised immediately on the effective date of the contracts as an asset if they are positive or as a liability if they are negative in the consolidated balance sheet. This difference is amortised to the consolidated statement of income on a straight-line basis over the term of the swap contracts.

Interest rate swap contracts

The contract value in basic interest rate swaps of the same currency is not recognised in the consolidated balance sheet.

For cross currency interest rate swaps to exchange principals denominated in two different currencies which are exchanged at the effective date, the contract value is recognised on the consolidated balance sheet. Income earned and expenses incurred are recognised on an accrual basis.

For cross currency interest rate swaps to exchange principals denominated in two different currencies which are not exchanged at the effective date, the contract value is recognised on the consolidated balance sheet for in the same manner with the contract value of currency forward contracts. These contracts are accounted for in the same manner with currency forward contracts. Income earned and expenses incurred due to interest rate effects are recognised on an accrual basis.

(l) Tangible fixed assets

(i) Cost

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the tangible fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the consolidated statement of income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of tangible fixed assets beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of items of tangible fixed assets. The estimated useful lives are as follows:

Buildings and structures	25 years
Machines and equipment	3 - 5 years
Means of transportation	6 - 10 years
Office equipment	3 - 7 years
Other tangible fixed assets	4 - 7 years

(m) Intangible fixed assets

(i) Software

The cost of acquiring new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software costs are amortised on a straight-line basis over 3 - 8 years.

(ii) Land use rights

Definite land use rights

Definite land use rights are stated at cost less accumulated amortisation. The initial cost of definite land use rights comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use rights. Definite land use rights are amortised on a straight-line basis over 30 - 46 years.

Indefinite land use rights

Indefinite land use rights are stated at cost and are not amortised. The initial cost of indefinite land use rights comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use rights.

(iii) Other intangible fixed assets

Copyrights, patents and other intangible fixed assets are amortised over a period from 4 years to 10 years on a straight-line basis.

(n) Other assets

Other assets, except for receivables from credit activities, are stated at cost less allowance.

Except for doubtful debts from entrusted investments of HBB and accounts receivable from conversion of SBIC's debts, SHB considers making allowance for impairment of assets based on overdue periods of receivables or estimated loss arising from undue debts of which the indebted economic organisations fall bankrupt or are undergoing dissolution procedures; debtors are missing, have fled, are prosecuted, detained or tried by law enforcement bodies, are serving sentences or have deceased. Provision expense is recorded in "Allowance and provision expenses" during the year.

For the overdue receivables, the provision rates are determined in accordance with Circular 228 and Circular 89 as follows:

Overdue period	Allowance rate
From more than six (06) months up to less than one (01) year	30%
From one (01) year up to less than two (02) years	50%
From two (02) years up to less than three (03) years	70%
Three (03) years or more	100%

Adoption of specific accounting policies regarding allowance for credit risks relating to outstanding financial debts in accordance with the Scheme

Upon adoption of specific accounting policies described in Note 4(c), for accounts receivable swaps from SBIC's debts, SHB would amortise allowance for these receivables in 10 years. For doubtful debts from entrusted investments of HBB, for each of the years from 2016 to 2024, SHB would record an allowance for credit risks with an amount at least equalling the amount determined in Official Letter No. 856 on approving the Scheme.

(o) Provisions

Provisions are recognised if, as a result of a past event, SHB has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(p) Deposits from customers

Deposits from customers are stated at their cost.

(q) Valuable papers issued

Valuable papers issued are recorded at cost less extra allocations and discounts. Costs of valuable papers issued include amounts received from issuance less direct expenses of issuance.

(r) Other payables

Other payables are stated at their cost.

(s) Share capital**(i) Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

(ii) Share premium

On receipt of capital from shareholders, the difference between the issue price and the par value of the shares is credited to share premium account in equity.

(iii) Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of tax effects, is recognised as a reduction from equity. Repurchased shares are classified as treasury shares under equity and presented as a reduction in total equity.

(t) Reserves and funds**(i) Reserves and funds of the Bank and SHB FC**

According to Decree No. 93/2012/ND-CP dated 7 August 2017 issued by the Government of Vietnam on financial system for credit institutions ("Decree 93"), the Bank and SHB FC is required to make the following reserves before distribution of profits:

	Annual allocation	Maximum balance
Reserve to supplement charter capital	5% of profit after tax	100% of share capital
Financial reserve	10% of profit after tax	Not regulated

The financial reserve is used to cover losses incurred during the normal course of business. Financial reserve and reserve to supplement charter capital are non-distributable and classified as equity.

Other equity funds are allocated from profit after tax. The allocation from profit after tax to other equity funds and utilisation of other equity funds must be approved by the shareholders in the General Shareholders Meeting. Other equity funds are not required by law and are fully distributable.

(ii) SHBAMC

According to Circular No. 27/2002/TT-BTC issued by the Ministry of Finance on 22 March 2002, the allocations to reserves before distribution of retained profits are made by SHB AMC the same as that of the Bank. Reserves and other equity funds are made from profit after tax at year-end.

(iii) SHB Laos

Under the Amended Enterprises Law No. 46/NA dated 26 December 2013, SHB Laos is required to make allocations to compulsory reserves at the rate as follows:

	Annual allocation	Maximum balance
Regulatory reserves	10% of profit after tax	50% of registered capital
Business expansion and other funds	As per decision of the Board of Management	Unlimited

(iv) SHB Cambodia

There is no requirement on making allocation to compulsory reserves.

(u) Bonus and welfare fund

Bonus and welfare fund is appropriated from profit after tax in accordance with the resolution of the annual General Meeting of Shareholders and are used primarily to make payments to SHB's employees.

(v) Revenue**(i) Interest income***Prior to 26 March 2018*

Interest income is recognised in the consolidated statement of income on an accrual basis, except for interest on loans classified in Group 2 to Group 5 in accordance with the policy as described in Note 3(j) which is recognised upon receipt. When loans are classified in Group 2 to Group 5 as defined in Note 3(j), interest receivable will be removed and recorded as off-balance sheet items. Interest on these loans are recognised in the consolidated statement of income upon receipt.

From 26 March 2018

SHB adopted Circular 16 prospectively. Interest income is recognised in the consolidated statement of income on an accrual basis, except for interest on loans classified in Group 2 to Group 5 in accordance with the policy as described in Note 4(j) and loans classified in current loan group to comply with the State's policies, which are recognised upon receipt. When loans are classified in Group 2 to Group 5 as defined in Note 4(j) or classified in current loan group to comply with the State's policies, interest receivable will be derecognised and recorded as off-balance sheet items. Interest on these loans are recognised in the consolidated statement of income upon receipt.

The above changes in accounting policies are applied prospectively and have no significant effect on the consolidated financial statements of SHB.

(ii) Fee and commission income

Fees and commissions are recognised in the consolidated statement of income upon completion of the services rendered.

(iii) Income from investment

Differences between selling price and weighted average cost of securities are recognised as income from securities trading.

Dividend income in cash is recognised in the consolidated statement of income when SHB's right to receive payment is established.

Dividends received in the form of shares, bonus shares and rights to purchase shares given to existing shareholders, shares distributed from retained earnings are not recognised as an increase in investment and such dividend income is not recognised in the consolidated statement of income. When share dividends are received, SHB only recognises an increase in the number of shares in the notes to the consolidated financial statements.

Dividends received in connection with the period before the investment is made are recognised as a decrease in carrying amount of the investment.

(w) Interest expenses

Interest expenses are recognised in the consolidated statement of income on an accrual basis.

(x) Fee and commission expenses

Fee and commission expenses are recognised in the consolidated statement of income when these expenses are incurred.

(y) Operating lease payments

Payments made under operating leases are recognised in the consolidated statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated statement of income as an integral part of the total lease expense.

(z) Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the annual accounting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the end of the annual accounting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(aa) Related parties

Parties are considered to be related to SHB if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where SHB and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

(bb) Commitments and contingent liabilities

At any point of time, SHB has outstanding credit commitments. These commitments are in the form of loans and approved overdraft. SHB also provides guarantees and letters of credit to guarantee the performance of customers to third parties. Many of the outstanding commitments and contingent liabilities will expire without incurring any part or all of an advance. Therefore, commitments and contingent liabilities do not necessarily reflect the cash-flows expected in the future.

(cc) Basic earnings per share

SHB presents basic earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of SHB by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares.

(dd) Segment reporting

A segment is a distinguishable component of SHB that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. SHB's primary format for segment reporting is based on geographical segments.

(ee) Related parties

Parties are considered to be related to SHB if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where SHB and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Related companies refer to the investors and their subsidiaries and associates.

(ff) Commitments and contingent liabilities

At any point of time, SHB has outstanding credit commitments. These commitments are in the form of loans and approved overdraft. SHB also provides guarantees and letters of credit to guarantee the performance of customers to third parties. Many of the outstanding commitments and contingent liabilities will expire without incurring any part or all of an advance. Therefore, commitments and contingent liabilities do not necessarily reflect the cash-flows expected in the future.

5. CASH AND GOLD ON HAND

	31/12/2018 VND million	31/12/2017 VND million
Cash on hand in VND	950,382	886,482
Cash on hand in foreign currencies	934,021	557,448
Gold	419	2,618
	1,884,822	1,446,548

6. BALANCES WITH THE STATE BANKS

	31/12/2018 VND million	31/12/2017 VND million
Current account at the State Bank of Vietnam (i)	3,187,202	2,970,959
Balances with the Bank of Lao P.D.R (ii)	248,236	48,354
Balances with the National Bank of Cambodia (iii)	893,301	723,346
	4,328,739	3,742,659

(i) Deposits at the State Bank of Vietnam ("SBV") consist of a compulsory reserve for liquidity and a current account.

Under the SBV's regulations relating to the compulsory reserve, banks are permitted to maintain a floating balance for the compulsory reserve requirement ("CRR"). The monthly average balance of the reserves must not be less than CRR rates multiplied by the preceding month's average balances of deposits in scope.

Year-end CRR rates were as follows:

Deposits in scope	CRR rates	
	31/12/2018	31/12/2017
Preceding month's average balances of:		
Deposits in foreign currencies other than VND with term of less than 12 months	8.00%	8.00%
Deposits in foreign currencies other than VND with term of and more than 12 months	6.00%	6.00%
Deposits in VND with term of less than 12 months	3.00%	3.00%
Deposits in VND with term of and more than 12 months	1.00%	1.00%

(ii) Balances with the Bank of Lao P.D.R (the "BOL") include the margin deposit of the Bank in Lao Kip ("LAK") and other foreign currencies to establish its subsidiary in Lao People's Democratic Republic and compulsory deposits maintained in accordance with the BOL's requirement. The compulsory reserve deposits are calculated based on the daily average deposit balance multiplied by the corresponding CRR rate.

Year-end annual CRR rates were as follows:

Deposits in scope	CRR rates	
	31/12/2018	31/12/2017
Deposits in foreign currencies other than LAK with term of less than 12 months	10.00%	10.00%
Deposits in foreign currencies other than LAK with term of and more than 12 months	0.00%	0.00%
Deposits in LAK with term of less than 12 months	5.00%	5.00%
Deposits in LAK with term of and more than 12 months	0.00%	0.00%

The margin deposits at the BOL are interest free.

(iii) Balances with National Bank of Cambodia include the margin deposit of the Bank in Cambodia Riels ("KHR") and other foreign currencies to establish SHB's subsidiaries in the Kingdom of Cambodia and compulsory deposits maintained in accordance with National Bank of Cambodia's requirement. The compulsory reserve deposits are calculated based on the daily average deposit balance multiplied by the corresponding CRR rate.

Year-end annual CRR rates were as follows:

Deposits in scope	CRR rates	
	31/12/2018	31/12/2017
Deposits in foreign currencies rather than KHR	12.50%	12.50%
Deposits in KHR	8.00%	8.00%

The reserve of 8.00% in KHR is interest free, while for the 12.50% of reserve in foreign currency, the reserve of 8.00% of which is interest free and the 4.50% remaining of reserve is subject to interest rate according to the rates ruled by National Bank of Cambodia regarding the interest for term deposits.

7. BALANCES WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

	31/12/2018 VND million	31/12/2017 VND million
Current accounts		
Current accounts in VND	24,091,166	19,799,397
Current accounts in foreign currencies	617,158	1,012,680
Term deposits		
Term deposits in VND	3,348,000	3,130,000
Term deposits in foreign currencies	1,244,003	3,917,433
	29,300,327	33,513,516
Loans to other credit institutions		
Loans in VND	-	5,654,006
	29,300,327	33,513,516

As at 31 December 2018 and 31 December 2017, all term deposits and loans to other credit institutions were Group 1 – Current loans.

8. SECURITIES HELD FOR TRADING

	31/12/2018 VND million	31/12/2017 VND million
Debt securities issued by local economic entities	3,889	3,889
Allowance for securities held for trading (i)	(3,234)	(2,839)
	655	1.050

(i) Movements of allowance for securities held for trading during the year were as follows:

	31/12/2018 VND million	31/12/2017 VND million
Opening balance	2,839	24,483
Allowance made/(reversed) during the year	395	(21,644)
Closing balance	3,234	2,839

9. DERIVATIVES AND OTHER FINANCIAL ASSETS/(LIABILITIES)

Chi tiết giá trị các công cụ tài chính phái sinh tại ngày cuối năm như sau:

	Total contract value (at exchange rate of the effective date of the contract) VND million	Total book value (at exchange rate of reporting date)		
		Assets VND million	Liabilities VND million	Net VND million
As at 31 December 2018				
Forward transactions	1,034,938	49,554	(33,929)	15,625
Swap transactions	15,656,269	235,958	(193,355)	42,603
	16,691,207	285,512	(227,284)	58,228
As at 31 December 2017				
Forward transactions	3,079,362	31,290	(28,974)	2,316
Swap transactions	24,267,643	604,182	(470,233)	133,949
	27,347,005	635,472	(499,207)	136,265

10. LOANS TO CUSTOMERS

	31/12/2018 VND million	31/12/2017 VND million
Loans to economic entities and individuals	214,800,971	196,082,946
Loans granted from borrowed and entrusted funds	2,135,359	2,164,713
Payments on behalf of customers	51,221	35,359
Discounted bills	1,330	7,548
	216,988,881	198,290,566

Loan portfolio by loan groups was as follows:

	31/12/2018 VND million	31/12/2017 VND million
Group 1 – Current	207,091,422	190,368,695
Group 2 – Special mentioned	4,698,654	3,298,174
Group 3 – Sub-standard	339,729	669,686
Group 4 – Doubtful	920,954	1,088,771
Group 5 – Loss	3,938,122	2,865,240
	216,988,881	198,290,566

Loan portfolio by terms was as follows:

	31/12/2018 VND million	31/12/2017 VND million
Short-term loan	88,719,288	83,106,717
Medium-term loan	58,634,979	53,433,957
Long-term loan	69,634,614	61,749,892
	216,988,881	198,290,566

Portfolio of loans to customers by ownerships and customer types was as follows:

	31/12/2018 VND million	%	31/12/2017 VND million	%
Loans to economic entities				
State-owned enterprises	18,624,232	8.58	21,144,378	10.66
Other limited companies	36,912,609	17.01	35,056,234	17.68
Joint stock companies in which the State's holding percentage is more than 50% (dominating percentage)	13,093,719	6.03	16,986,532	8.57
Other joint stock companies	88,514,778	40.79	80,842,480	40.77
Partnerships	99,079	0.05	8,321	0.00
Private companies	3,614,431	1.67	2,527,685	1.27
Foreign invested enterprises	462,659	0.21	499,434	0.25
Cooperatives, cooperative unions	49,403	0.02	66,194	0.03
Loans to individuals				
Household business, individuals	53,724,350	24.77	38,821,106	19.58
Other loans				
Other economic sectors	1,893,621	0.87	2,338,202	1.19
	216,988,881	100.00	198,290,566	100.00

Loan portfolio by industry sectors was as follows:

	31/12/2018 VND million	%	31/12/2017 VND million	%
Agriculture, forestry and aquaculture	38,463,768	17.73	43,249,519	21.81
Mining	4,493,748	2.07	7,659,777	3.86
Manufacturing and processing	29,957,113	13.81	27,452,713	13.84
Electricity, gas, hot water, steam and air-conditioning	15,373,337	7.08	10,757,675	5.43
Water supplying and garbage and sewage treatment and management	158,586	0.07	118,922	0.06
Construction	28,795,080	13.27	27,913,697	14.08
Wholesale and retail trade; repair of motor vehicles, motor cycles	36,247,298	16.7	32,346,233	16.31
Transport, warehouse	2,416,317	1.11	3,158,672	1.59
Hospitality services	1,189,297	0.55	1,331,461	0.67
Information and communications	959,840	0.44	111,063	0.06
Finance and insurance	2,517,173	1.16	2,263,714	1.14
Real estates trading	16,756,345	7.72	15,700,331	7.92
Science and technology	98,736	0.05	599,078	0.30
Administrative activities and supporting service	951,543	0.44	1,127,811	0.57
Party, unions, state management, security and national defence, social guarantee	28,546	0.01	42,649	0.02
Education and training	723,744	0.33	420,811	0.21
Health care and social work	72,367	0.03	121,718	0.06
Art, playing and recreation	282,306	0.13	257,293	0.13
Other service activities	32,474,365	14.98	20,154,350	10.17
Households services	5,029,372	2.32	3,503,079	1.77
	216,988,881	100.00	198,290,566	100.00

Year-end annual interest rates were as follows:

	31/12/2018	31/12/2017
Loans and advances in VND	7.5% - 12.18%	7.50% - 12.00%
Loans and advances in USD	2.2% - 5.5%	1.90% - 5.01%
Loans and advances in other foreign currencies	2.2% - 5.5%	1.90% - 5.01%

11. ALLOWANCE FOR LOANS TO CUSTOMERS

Allowance for loans to customers consists of:

	31/12/2018 VND million	31/12/2017 VND million
General allowance (i)	1,492,247	1,459,886
Specific allowance (ii)	1,509,982	1,389,129
	3,002,229	2,849,015

(i) Movements in general allowance for loans to customers were as follows:

	2018 VND million	2017 VND million
Opening balance	1,459,886	1,066,332
Allowance made in the year	30,086	394,053
Foreign exchange differences	2,275	(499)
	1,492,247	1,459,886

(ii) Movements in specific allowance for loans to customers were as follows:

	2018 VND million	2017 VND million
Opening balance	1,389,129	731,053
Allowance made in the year	847,794	887,806
Allowance utilised in the year	(731,038)	(231,740)
Foreign exchange differences	4,097	2,010
	1,509,982	1,389,129

Included in specific allowance for loans and advances to customers were allowance made for loans to SBIC, some member entities belonging to SBIC and entities previously belonging to SBIC, and transferred to PVN, Vinalines, and specific allowance for outstanding loans of HBB. SHB applied specific accounting policies described in Note 4(c) to record allowance for these loans.

12. INVESTMENT SECURITIES

	31/12/2018 VND million	31/12/2017 VND million
Available-for-sale securities (i)	25,193,006	12,268,348
Held-to-maturity securities (ii)	24,761,139	10,682,862
	49,954,145	22,951,210

(i) Available-for-sale securities

	31/12/2018 VND million	31/12/2017 VND million
Debt securities		
Government bonds	8,993,787	7,996,543
Securities issued by other local credit institutions	2,182,711	2,799,851
Securities issued by local economic entities	13,982,909	1,438,356
Equity securities		
Securities issued by other local credit institutions	796	796
Securities issued by local economic entities	32,803	32,802
	25,193,006	12,268,348

The term and annual interest of debt securities at the year-end were as follows:

	31/12/2018		31/12/2017	
	Term	Interest rate per annum	Term	Interest rate per annum
Available-for-sale securities				
Government bonds	3 - 10 years	4.60% - 11.2%	3 - 10 years	4.6% - 12.2%
Bonds issued by local credit institutions	2 - 10 years	7.90% - 9.33%	1 - 10 years	6.7% - 9%
Bonds issued by local economic entities	1 - 15 years	8.98%	1 - 15 years	8.98%

(ii) Held-to-maturity securities

	31/12/2018 VND million	31/12/2017 VND million
Government bonds	8,039,210	149,719
Bonds issued by local credit institutions	8,694,237	1,799,797
Bonds issued by local economic entities	526,536	614,536
Special bonds issued by VAMC	7,501,156	8,118,810
	24,761,139	10,682,862

The term and annual interest of debt securities at the year-end were as follows:

	31/12/2018		31/12/2017	
	Term	Interest rate per annum	Term	Interest rate per annum
Held-to-maturity securities				
Government bonds	3 - 20 years	5.20% - 8.90%	20 years	7.4%
Bonds issued by local credit institutions	6 - 10 years	7.00% - 9.00%	6 - 10 years	7% - 8.2%
Bonds issued by local economic entities	9 - 10 years	8.9% - 11.25%	9 - 10 years	8.9% - 15.25%

Portfolio of unlisted debt securities (excluding government bonds, government-guaranteed bonds and special bonds) classified as assets exposed to credit risk by loan groups was as follows:

	31/12/2018 VND million	31/12/2017 VND million
Current	23,388,706	5,914,895
Loss (*)	150,000	150,000
	23,538,706	6,064,895

(*) This represent the investment in bonds of Vinaconex – Viettel Finance Joint Stock Company ("VVF"). After VVF was merged into SHB, allowance for this investment and other VVF's outstanding loans are made in accordance with the specific accounting policies as described in Note 4(c).

13. ALLOWANCE FOR INVESTMENT SECURITIES

	31/12/2018 VND million	31/12/2017 VND million
Available-for-sale securities (i)	191,073	125,904
Held-to-maturity securities (ii)	1,736,147	1,617,342
	1,927,220	1,743,246

(i) Movements in allowance for available-for-sale securities in the year were as follows:

Year ended 31 December 2018

	Allowance for diminution in the value of equity securities VND million	General allowance for available-for-sale debt securities VND million	Specific allowance for available-for-sale debt securities VND million	Total VND million
Opening balance	32,901	18,003	75,000	125,904
Allowance made during the year	135	65,034	-	65,169
	33,036	83,037	75,000	191,073

Year ended 31 December 2017

	Allowance for diminution in the value of equity securities VND million	General allowance for available-for-sale debt securities VND million	Specific allowance for available-for-sale debt securities VND million	Total VND million
Opening balance	33,050	17,740	75,000	125,790
Allowance (reversed)/made during the year	(149)	263	-	114
	32,901	18,003	75,000	125,904

(ii) Movements of allowance for held-to-maturity securities in the year were as follows:

Year ended 31 December 2018

	Allowance for bonds issued by VAMC (*) phiếu VAMC VND million	Allowance for other held-to-maturity bonds VND million	Total VND million
Opening balance	1,602,984	14,358	1,617,342
Allowance made during the year	477,168	51,091	528,259
Allowance reversed during the year due to settlement of bonds	(409,454)	-	(409,454)
	1,670,698	65,449	1,736,147

Included in allowance for bonds issued by VAMC were bonds within the scope of the Scheme. The Bank adopts the specific counting policies as described at Note 4(c) to record allowance for these bonds.

Year ended 31 December 2017

	Allowance for bonds issued by VAMC VND million	Allowance for other held-to-maturity bonds VND million	Total VND million
Opening balance	1,254,887	1,050	1,255,937
Allowance made during the year	348,097	13,308	361,405
	1,602,984	14,358	1,617,342

14. LONG-TERM INVESTMENTS

Portfolio by types of investments was as follows:

	31/12/2018 VND million	31/12/2017 VND million
Other long-term investments - cost (i)	201,750	227,250
Allowance for diminution in the value of long-term investments (ii)	(5,983)	(11,785)
	195,767	215,465

(i) Details of other long-term investments at the year-end were as follows:

	31/12/2018 VND million	31/12/2017 VND million
Investments in economic entities	157,736	183,236
Investments in financial institutions	44,014	44,014
	201,750	227,250

(ii) Movements in allowance for diminution in the value of long-term investments in the year were as follows:

	31/12/2018 VND million	31/12/2017 VND million
Opening balance	11,785	6,444
Allowance (reversed)/made in the year	(5,802)	5,341
Closing balance	5,983	11,785

Included in allowance for diminution in the value of long-term investments were allowance for capital contribution, share purchases of HBB. The Bank adopts the specific counting policies as described at Note 4(c) to record allowance for these investments.

15. TANGIBLE FIXED ASSETS

Year ended 31 December 2018

	Buildings and structures VND million	Machines and equipment VND million	Means of transportation VND million	Office equipment VND million	Other tangible fixed assets VND million	Total VND million
Cost						
Opening balance	363,131	320,296	208,414	92,705	26,885	1,011,431
Additions	34,390	64,153	30,876	3,773	12,662	145,854
Disposals	(2,265)	(972)	(7,092)	(5,901)	(1,848)	(18,078)
Foreign exchange difference	898	206	114	210	-	1,428
Closing balance	396,154	383,683	232,312	90,787	37,699	1,140,635
Accumulated depreciation						
Opening balance	90,347	250,441	136,584	84,611	24,024	586,007
Charge for the year	21,546	36,705	18,754	3,662	4,478	85,145
Disposals	(1,906)	(971)	(6,908)	(5,364)	(1,833)	(16,982)
Foreign exchange difference	423	139	84	145	-	791
Closing balance	110,410	286,314	148,514	83,054	26,669	654,961
Net book value						
Opening balance	272,784	69,855	71,830	8,094	2,861	425,424
Closing balance	285,744	97,369	83,798	7,733	11,030	485,674

Year ended 31 December 2017

	Buildings and structures VND million	Machines and equipment VND million	Means of transportation VND million	Office equipment VND million	Other tangible fixed assets VND million	Total VND million
Cost						
Opening balance	325,290	314,867	202,081	93,743	26,723	962,704
Additions	52,749	20,356	9,950	4,961	3,088	91,104
Disposals	(15,356)	(14,962)	(3,625)	(3,528)	(2,926)	(40,397)
Foreign exchange difference	448	35	8	(2,471)	-	(1,980)
Closing balance	363,131	320,296	208,414	92,705	26,885	1,011,431
Accumulated depreciation						
Opening balance	83,639	227,524	121,024	82,601	23,870	538,658
Charge for the year	18,151	37,784	19,140	5,131	3,012	83,218
Disposals	(11,640)	(14,888)	(3,590)	(3,171)	(2,858)	(36,147)
Foreign exchange difference	197	21	10	50	-	278
Closing balance	90,347	250,441	136,584	84,611	24,024	586,007
Net book value						
Opening balance	241,651	87,343	81,057	11,142	2,853	424,046
Closing balance	272,784	69,855	71,830	8,094	2,861	425,424

16. INTANGIBLE FIXED ASSETS

Year ended 31 December 2018

	Land use rights VND million	Software VND million	Other intangible fixed assets VND million	Total VND million
Cost				
Opening balance	3,486,801	211,811	39,877	3,738,489
Additions	795,166	10,226	4,368	809,760
Disposals	(918)	(2,756)	-	(3,674)
Foreign exchange difference	-	38	47	85
Closing balance	4,281,049	219,319	44,292	4,544,660
Accumulated amortisation				
Opening balance	5,805	178,174	27,617	211,596
Charge for the year	158	23,139	4,631	27,928
Disposals	-	(1,709)	-	(1,709)
Foreign exchange difference	-	38	47	85
Closing balance	5,963	199,642	32,295	237,900
Net book value				
Opening balance	3,480,996	33,637	12,260	3,526,893
Closing balance	4,275,086	19,677	11,997	4,306,760

Year ended 31 December 2017

	Land use rights VND million	Software VND million	Other intangible fixed assets VND million	Total VND million
Cost				
Opening balance	3,478,880	207,848	40,188	3,726,916
Additions	12,215	13,770	155	26,140
Disposals	(4,294)	-	-	(4,294)
Divestment of SHBS	-	(9,787)	(440)	(10,227)
Foreign exchange difference	-	(20)	(26)	(46)
Closing balance	3,486,801	211,811	39,877	3,738,489
Accumulated amortisation				
Opening balance	5,647	160,748	22,515	188,910
Charge for the year	158	27,122	5,557	32,837
Divestment of SHBS	-	(9,677)	(439)	(10,116)
Foreign exchange difference	-	(19)	(16)	(35)
Closing balance	5,805	178,174	27,617	211,596
Net book value				
Opening balance	3,473,233	47,100	17,673	3,538,006
Closing balance	3,480,996	33,637	12,260	3,526,893

17. OTHER ASSETS

	31/12/2018 VND million	31/12/2017 VND million
Receivables	7,868,333	13,326,319
<i>In which:</i>		
Receivables from deferred letters of credit (*)	6,089,972	8,095,834
Receivables from land rental	648,642	625,557
Receivables from debts purchase contracts	321,289	-
Receivables from sale of securities	-	3,495,389
Receivables from provision of advisory services	-	416,070
Other receivables	773,082	579,694
Purchase of fixed assets and construction in progress	112,563	85,136
Accrued interest and fee receivables	9,117,746	7,955,903
Other assets (i)	4,256,033	5,395,762
Allowance for other assets (ii)	(653,216)	(410,374)
	20,701,459	26,352,746

(*) These represent receivables from customers relating to deferred letters of credit, which may be received immediately. These receivables are equivalent to a borrowing from correspondent banks (Note 19) which made advance payments to beneficiaries of those letters of credit.

(i) Other assets

	31/12/2018 VND million	31/12/2017 VND million
Trusted investments	1,826,309	1,926,309
Foreclosed assets awaiting resolution	629,332	1,428,242
Prepaid expenses	438,400	345,267
Loss on swap of SBIC loans awaiting resolution (*)	708,584	828,584
Real estates for sale	21,199	97,191
Other assests	632,209	770,169
	4,256,033	5,395,762

(*) On 12 September 2013, SHB swapped the loans to SBIC with Vietnam Debt and Asset Trading Corporation ("DATC") bonds. The difference between carrying value of the loans are translated and the amount of DATC bonds are recognised as other assets. SHB applies the specific accounting policies as described in Note 4(c) and amortises these loans in 10 years, from 2014 to 2024.

(ii) Allowance for other assets

Allowance for other on-balance sheet assets for sale includes:

	31/12/2018 VND million	31/12/2017 VND million
Allowance for trusted investments (*)	616,400	386,400
Allowance for other assets	36,816	23,974
	653,216	410,374

(*) The Bank applies the specific accounting policies as described in Note 4(c) to record the trusted investments of HBB.

Movements in allowance for other on-balance sheet assets were as follows:
Year ended 31 December 2018

	Allowance for doubtful debts from trusted investments VND million	Allowance for other assets VND million	Total VND million
Opening balance	386,400	23,974	410,374
Allowance made during the year	350,000	12,842	362,842
Allowance utilised during the year	(120,000)	-	(120,000)
Closing balance	616,400	36,816	653,216

Year ended 31 December 2017

	Allowance for outstanding receivables of HBB VND million	Allowance for other assets VND million	Total VND million
Opening balance	129,700	13,635	143,335
Allowance made during the year	256,700	10,339	267,039
Closing balance	386,400	23,974	410,374

18. AMOUNTS DUE TO THE GOVERNMENT AND THE STATE BANKS

	31/12/2018 VND million	31/12/2017 VND million
Deposits from the State Banks		
Deposits in VND from the State Treasury of Vietnam (i)	2,000,000	-
Deposits from the Bank of Lao P.D.R (ii)	114,379	-
Borrowings from the State Banks		
Borrowings based on credit facilities (iii)	835,544	1,224,351
Borrowings on discounted and rediscounted valuable papers (iv)	9,261,314	1,533,992
	12,211,237	2,758,343

(i) The deposits in VND from the State Treasury of Vietnam has a term of 2 months, interest rate of 4% per annum (31/12/2017: Nil).

(ii) The deposits in LAK from the Bank of Lao P.D.R has a term of 3 months, interest rate of 3% per annum (31/12/2017: Nil).

(iii) The borrowings based on credit facilities of the Bank at the State Bank of Vietnam has a term of 1 year, interest rate of 3.5% per annum (31/12/2017: term ranging from 6 months to 1 year, interest rate from 3.5% to 4.25% per annum).

(iv) The borrowings on discounted and rediscounted valuable papers at the State Bank of Vietnam has a term ranging from 7 days to 14 days and bare interest rate of 4.75% per annum (2017:from 3.5% to 4,25% per annum).

19. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

	31/12/2018 VND million	31/12/2017 VND million
Demand deposits		
Demand deposits in VND	21,683,622	19,036,291
Demand deposits in foreign currencies	8,321	959,233
Term deposits		
Term deposits in VND	7,208,000	11,250,300
Term deposits in foreign currencies	2,452,240	2,052,034
	31,352,183	33,297,858
Borrowings from other credit institutions		
Borrowings in VND	6,630,754	10,261,036
Borrowings in foreign currencies	209,069	905,643
Borrowings under financial projects (*)	651,811	440,048
Payables for deferred letters of credit	6,089,972	8,095,834
	13,581,606	19,702,561
	44,933,789	53,000,419

(*) These are borrowings from International Development Association - World Bank under Rural Finance Project II and III to provide loans to households for the rural development and poverty reduction in Vietnam. Loans to households bear interest rates as declared by SHB from period to period.

Year-end annual interest rates were as follows:

	31/12/2018	31/12/2017
Term deposits in VND	1.00% - 6.10%	1.20% - 5.00%
Term deposits in foreign currencies	1.65% - 3.50%	1.60% - 3.00%
Borrowings in VND	1.20% - 5.85%	1.10% - 5.95%
Borrowings in foreign currencies	0.75% - 3.75%	0.75% - 2.79%

20. DEPOSITS FROM CUSTOMERS

	31/12/2018 VND million	31/12/2017 VND million
Demand deposits		
Demand deposits in VND	17,704,538	16,214,179
Demand deposits in foreign currencies	1,261,577	1,538,702
Term deposits		
Term deposits in VND	195,239,126	164,002,428
Term deposits in foreign currencies	9,938,773	12,150,138
Deposits for specific purposes		
Deposits for specific purposes in VND	1,004,478	89,809
Deposits for specific purposes in foreign currencies	52,445	22
Margin deposits		
Margin deposits in VND	5,224	872,353
Margin deposits in foreign currencies	17,980	22,139
	225,224,141	194,889,770

Deposits from customers by type of customers/enterprises were as follows:

	31/12/2018 VND million	31/12/2017 VND million
Economic entities	69,427,788	58,819,060
Individuals	147,319,885	125,990,775
Others	8,476,468	10,079,935
	225,224,141	194,889,770

Year-end annual interest rates were as follows:

	31/12/2018	31/12/2017
Term deposits in VND	1.00% - 7.80%	1.00% - 7.60%
Term deposits in foreign currencies	0.00% - 2.00%	0.00% - 2.00%

In case customers withdraw term saving deposits prior to the maturity date, interest shall be applied in accordance with SHB's policy from time to time in conformity with the SBV's regulations.

21. OTHER BORROWED AND ENTRUSTED FUNDS

	31/12/2018 VND million	31/12/2017 VND million
Medium-term, long-term borrowings from Small and Medium Enterprise Development Fund – Phase II and Phase III (i)	440.784	418.205
Long-term borrowings from Renewable Energy Development Project (ii)	889.800	470.391
Medium and long-term borrowings from the Smart Power Grid Funding Project (iii)	143.127	2.166
Medium and long-term borrowings from the Sustainable Rural Transformation Project	-	173.399
	1.473.711	1.064.161

(i) Borrowings from Small and Medium Enterprises Development Fund - Phase II and Phase III are borrowings from Japan International Cooperation Agency (JICA) through Project Management Unit of ODA International Credit to provide loans to eligible small and medium enterprises. For loans to small and medium enterprises, applied interest rates are declared by SHB from time to time.

(ii) Long-term borrowings from Renewable Energy Development Project are borrowings from International Development Association to provide loans to renewable energy projects. Interest rate of these loans is a weighted average of interest rates of customer deposits in VND with terms ranging from 0 to 12 months published quarterly by the SBV, adjusted by interest margin and the deduction rate as regulated by the Ministry of Finance.

(iii) Long-term borrowings from Kreditanstalt für Wiederaufbau (KfW) to finance the investments in high-voltage power grid in Vietnam. The implementing unit of the project is National Power Transmission Corporation – Vietnam Electricity (EVN NPT). The borrowing had a fixed interest rate is 7.2% per annum.

22. VALUABLE PAPERS ISSUED

Valuable papers issued represent promisory notes classified by term as follows:

Term	31/12/2018 VND million	31/12/2017 VND million
Promisory notes - below 12 months	7,647,099	11,744,634
Bonds - from 12 months to 5 years	1,000,000	-
Bonds - more than 5 years	8,074,637	3,222,635
	16,721,736	14,967,269

23. OTHER LIABILITIES

	31/12/2018 VND million	31/12/2017 VND million
Accrued interest and fee payables	5,294,909	4,103,201
Other payables and liabilities		
Internal payables		
<i>Payables to employees</i>	11,204	4,086
<i>Bonus and welfare fund</i>	27,746	34,384
<i>Other internal payables</i>	-	9,507
External payables		
<i>Taxes and others payable to State Budget (i)</i>	275,997	229,513
<i>Payables on payment intermediary services</i>	721,535	256,349
<i>Unearned revenue</i>	31,316	-
<i>Other payables</i>	16,155	1,859
	1,083,953	535,698
	6,378,862	4,638,899

(i) *Taxes and others payable to State Budget*

	31/12/2018 VND million	31/12/2017 VND million
Corporate income tax	221,929	178,226
Value added tax	35,912	43,051
Other taxes	18,156	8,236
	275,997	229,513

24. CAPITAL AND RESERVES

Changes in capital and reserves of SHB for the year ended 31 December 2018 and 31 December 2017 were as follows:

	Share capital VND million	Share premium VND million	Treasury shares VND million	Investment and development fund VND million	Financial reserve VND million	Supplemental capital reserve VND million	Other reserves VND million	Foreign exchange difference VND million	Noncontrolling interest VND million	Retained profits VND million	Total VND million
As at 1 January 2017	11,196,891	101,716	(5,260)	25,013	682,932	329,292	1,022	-	2,306	897,661	13,231,573
Net profit for the year	-	-	-	-	-	-	-	-	-	1,539,128	1,539,128
Appropriation to equity funds	-	-	-	-	135,689	76,426	-	-	(230)	(211,885)	-
Appropriation to bonus and welfare funds	-	-	-	-	-	-	-	-	-	(20,000)	(20,000)
Tax retained from transfer of profit from subsidiary	-	-	-	-	-	-	-	-	-	(5,566)	(5,566)
Other movements	-	-	-	-	-	-	-	-	-	(3,391)	(3,391)
Disposals of SHBS	-	-	-	-	(15,000)	(15,000)	-	-	(2,076)	(19,391)	(51,467)
Foreign exchange difference	-	-	-	-	-	(16)	-	-	-	959	943
As at 31 December 2017	11,196,891	101,716	(5,260)	25,013	803,621	390,702	1,022	-	-	2,177,515	14,691,220
Issuance of share dividends	839,270	-	-	-	-	-	-	-	-	(839,270)	-
Net profit for the year	-	-	-	-	-	-	-	-	-	1,672,319	1,672,319
Appropriation to equity funds	-	-	-	3,538	155,095	87,956	-	-	-	(246,589)	-
Foreign exchange difference	-	-	-	-	-	54	-	(5,891)	-	(25,170)	(31,007)
As at 31 December 2018	12,036,161	101,716	(5,260)	28,551	958,716	478,712	1,022	(5,891)	-	2,738,805	16,332,532

Share capital

	31/12/2018		31/12/2017	
	Number of shares	Par value VND million	Number of shares	Par value VND million
Shares registered for issuance	1,203,616,110	12,036,161	1,119,689,100	11,196,891
Issued share capital				
Ordinary shares	1,203,616,110	12,036,161	1,119,689,100	11,196,891
Number of shares repurchased				
Ordinary shares	496,186	4,962	496,186	4,962
Shares in circulation				
Ordinary shares	1,203,119,924	12,031,199	1,119,192,914	11,191,929

All ordinary shares of the Bank have a par value of VND10,000. Each share is entitled to one vote at meetings of the shareholders. Shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to the Bank's residual assets.

Movements in share capital during the year were as follows:

	31/12/2018		31/12/2017	
	Number of shares	Par value VND million	Number of shares	Par value VND million
Opening balance	1,119,689,100	11,196,891	1,119,689,100	11,196,891
Payment of dividends in the form of shares	83,927,010	839,270	-	-
Closing balance	1,203,616,110	12,036,161	1,119,689,100	11,196,891

25. DIVIDENDS

The Resolution No. 01/NQ-DHDCD dated 27 April 2017 of the Annual General Meeting of Shareholders in 2017 passed the plan to list additional shares for payment of dividends to shareholders at the rate of 7.5% (for every 1,000 shares, a shareholder is entitled to 75 additionally issued shares). According to the Report No. 286/TGD dated 24 January 2018 on results of issuing shares for dividend payment, which has been sent to the State Securities Commission, the Bank completed the issuance of 83,927,010 shares to existing shareholders.

26. NET INTEREST INCOME

	2018 VND million	2017 VND million
Interest and similar income from		
Balances with other credit institutions	418,617	393,956
Loans to customers and other credit institutions	19,560,989	16,414,175
Investments in debt securities	2,447,351	1,139,572
Fees from guarantee services	89,625	173,688
Other credit activities	124,784	98,823
	22,641,366	18,220,214
Interest and similar expenses for		
Deposits from customers and other credit institutions	14,753,429	11,493,165
Borrowed and entrusted funds	355,968	473,635
Valuable papers issued	1,150,310	1,124,006
Other credit activities	825,757	332,748
	17,085,464	13,423,554
Net interest income	5,555,902	4,796,660

27. NET FEE AND COMMISSION INCOME

	2018 VND million	2017 VND million
Fee and commission income from		
Settlement and cash services	265,512	191,422
Treasury services	21,489	16,011
Agency services	165,319	1,242,838
Consulting services	125,934	-
Other services	244,735	75,899
	822,989	1,526,170
Fee and commission expenses for		
Consulting services	14,993	-
Settlement and cash services	48,763	25,930
Telecommunication expenses	22,458	18,539
Treasury services	14,912	10,179
Other services	7,921	14,657
	109,047	69,305
Net fee and commission income	713,942	1,456,865

28. NET GAIN FROM TRADING OF FOREIGN CURRENCIES

	2018 VND million	2017 VND million
Revenues from trading of foreign currencies		
Spot foreign exchange trading	310,901	479,847
Financial derivatives	418,858	375,242
Income from trading of gold	1,659	176
	731,418	855,265
Expenses from trading of foreign currencies		
Spot foreign exchange trading	365,443	434,067
Financial derivatives	302,712	366,863
Expenses for trading of gold	1,516	88
	669,671	801,018
Net gain from trading of foreign currencies	61,747	54,247

29. NET GAIN/(LOSS) FROM TRADING OF INVESTMENT SECURITIES

	2018 VND million	2017 VND million
Gain/(loss) from trading of available-for-sale securities		
Gain from trading of available-for-sale securities	309,188	23,164
Loss from trading of available-for-sale securities	(31,307)	(23,225)
	277,881	(61)
Net loss from trading of held-to-maturity securities		
Loss from trading of held-to-maturity securities	-	1,111
	-	1,111
Net gain from trading of investment securities	277,881	1,050

30. NET INCOME FROM OTHER ACTIVITIES

	2018 VND million	2017 VND million
Income from other activities		
Collection of debts written off in prior years	61,339	16,912
Proceeds from disposals of fixed assets	84,387	339,399
Other income	105,408	3,667
Income from other activities	251,134	359,978
Expenses for other activities		
Payment for social activities	6,618	7,387
Expenses for disposals of assets	12,802	165,533
Other expenses	101,653	49,566
Expenses for other activities	121,073	222,486
	130,061	137,492

31. OPERATING EXPENSES

	2018 VND million	2017 VND million (Reclassified)
Tax, duties and fees	44,573	28,134
Expenses for employees	1,836,453	1,566,067
Expenses on assets	424,756	408,687
<i>In which:</i>		
<i>Depreciation of fixed assets</i>	<i>113,073</i>	<i>116,641</i>
Administration expenses	737,973	478,481
Insurance fee for customers' deposits	184,838	143,148
(Reversal)/addition of allowance for diminution in the value of other long-term equity investments	(5,802)	5,341
	3,222,791	2,629,858

32. INCOME TAX**(a) Recognised in the consolidated statement of income**

	2018 VND million	2017 VND million
Current tax expense		
Current year	421,534	386,183

(b) Reconciliation of effective tax rate

	2018 VND million	2017 VND million
Profit before tax	2,093,853	1,925,311
Tax at the Bank's tax rate	418,771	385,062
Effect of different tax rates in subsidiaries	3,000	941
Tax exempt income	(440)	(563)
Non-deductible expenses	203	743
	421,534	386,183

(c) Applicable tax rate

The usual income tax rate applicable to the Bank is 20% for the year 2018 (2017: 20%).

33. BASIC EARNINGS PER SHARE**(i) Net profit attributable to ordinary shareholders**

	2018 VND million	2017 VND million
Net profit attributable to ordinary shareholders for the year	1,672,319	1,539,128

(ii) Weighted average number of ordinary shares

	2018	2017 (as restated)	2017 (as previously reported)
Issued ordinary shares at the beginning of the year	1,119,192,914	1,119,192,914	1,119,192,914
Effect of shares issued to pay dividends in 2018	83,927,010	83,927,010	-
Weighted average number of ordinary shares for the year	1,203,119,924	1,203,119,924	1,119,192,914

(iii) Basic earnings per share

	2018 VND	2017 (as restated) VND	2017 (as previously reported) VND
Basic earnings per share	1,390	1,279	1,375

34. CASH AND CASH EQUIVALENTS

	31/12/2018 VND million	31/12/2017 VND million
Cash on hand and gold	1,884,822	1,446,548
Balances with the State Banks	4,328,739	3,742,659
Current accounts at other credit institutions ("CIs")	24,708,324	20,812,077
Deposits at other CIs with original term not exceeding 3 months	4,044,546	7,047,433
	34,966,431	33,048,717

35. EMPLOYEE BENEFITS

	2018 VND million	2017 VND million
Number of employees (person)	7,546	6,402
Employees' income	1,591,711	1,356,709
Average monthly income (VND million/person/month)	17.58	17.66

36. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

In the normal course of banking business, SHB carries out transactions with related parties. The terms of these transactions are in accordance with SHB's regulations.

Balances of significant transactions with related parties at year end were as follows:

	Balance as at	
	31/12/2018 VND million Assets/ (Liabilities and owner's equity)	31/12/2017 VND million Assets/ (Liabilities and owner's equity)
Major shareholders		
T&T Group Joint Stock Company		
<i>Capital contribution</i>	(1,199,768)	(1,199,768)
<i>Demand deposits</i>	(112,476)	(979,364)
<i>Loans granted</i>	(779)	(19,432)
Other long-term investments		
Sai Gon - Hanoi Insurance Corporation		
<i>Capital contribution</i>	42,857	42,857
<i>Demand deposits</i>	(184,931)	(151,100)
<i>Accrued interest payable for deposits</i>	(4,339)	(6,892)

37. OBLIGATIONS TO THE STATE BUDGET

Year ended 31 December 2018

	1/1/2018 Payable VND million	Incurred during the year		31/12/2018 Payable VND million
		Increase VND million	Decrease VND million	
Corporate income tax	178,226	421,534	(377,831)	221,929
Value added tax	43,051	91,569	(98,708)	35,912
Other taxes	8,236	120,177	(110,257)	18,156
	229,513	633,280	(586,796)	275,997

Year ended 31 December 2017

	1/1/2018 Payable VND million	Incurred during the year		31/12/2018 Payable VND million
		Increase VND million	Decrease VND million	
Corporate income tax	60,315	386,183	(268,272)	178,226
Value added tax	41,801	133,870	(132,620)	43,051
Other taxes	15,126	33,449	(40,339)	8,236
	117,242	553,502	(441,231)	229,513

38. SEGMENT REPORTING

Geographical segment reporting

Year ended 31 December 2018

	The North VND million	The Central VND million	The South VND million	Foreign countries VND million	Total VND million
Net interest income	3,458,058	1,334,514	467,737	295,593	5,555,902
Net fee and commission income	628,514	30,115	7,374	47,939	713,942
Net gain from trading of foreign currencies	48,790	11,285	1,973	(301)	61,747
Net gain from investment securities	277,881	-	-	-	277,881
Net gain from other activities	96,062	17,358	13,102	3,539	130,061
Income from capital contribution, share purchase	2,202	-	-	-	2,202
Operating expenses	(2,340,409)	(526,143)	(234,860)	(121,379)	(3,222,791)
Net operating profit before allowance and provision expenses	2,171,098	867,129	255,326	225,391	3,518,944
Allowance and provision expenses	(882,739)	(346,077)	(131,589)	(64,686)	(1,425,091)
Profit before tax	1,288,359	521,052	123,737	160,705	2,093,853

As at 31 December 2018

	The North VND million	The Central VND million	The South VND million	Foreign countries VND million	Total VND million
Cash and gold on hand	1,393,986	312,010	120,785	58,041	1,884,822
Balances with the State Banks	3,309,766	3,751	7,336	1,007,886	4,328,739
Balances with and loans to other credit institutions	27,720,267	2,118	1,295	1,576,647	29,300,327
("ClIs")	655	-	-	-	655
Trading securities	58,228	-	-	-	58,228
Derivatives and other financial assets	152,993,732	35,823,078	17,593,353	7,576,489	213,986,652
Loans to customers	48,026,925	-	-	-	48,026,925
Investment securities	195,767	-	-	-	195,767
Long-term investments	4,704,915	45,207	20,600	21,712	4,792,434
Fixed assets	13,277,218	6,178,594	1,124,881	120,766	20,701,459
Total assets	251,681,459	42,364,758	18,868,250	10,361,541	323,276,008
Amounts due to the Government and the State Banks	12,211,237	-	-	-	12,211,237
Deposits and borrowings from other Cls	38,642,439	56	1,495	6,289,799	44,933,789
Deposits from customers	170,541,669	39,841,455	13,670,266	1,170,751	225,224,141
Other borrowed and entrusted funds	1,473,711	-	-	-	1,473,711
Valuable papers issued	13,018,242	1,037,438	2,666,056	-	16,721,736
Other liabilities	3,612,312	764,759	356,696	1,645,095	6,378,862
Total liabilities	239,499,610	41,643,708	16,694,513	9,105,645	306,943,476

Year ended 31 December 2017

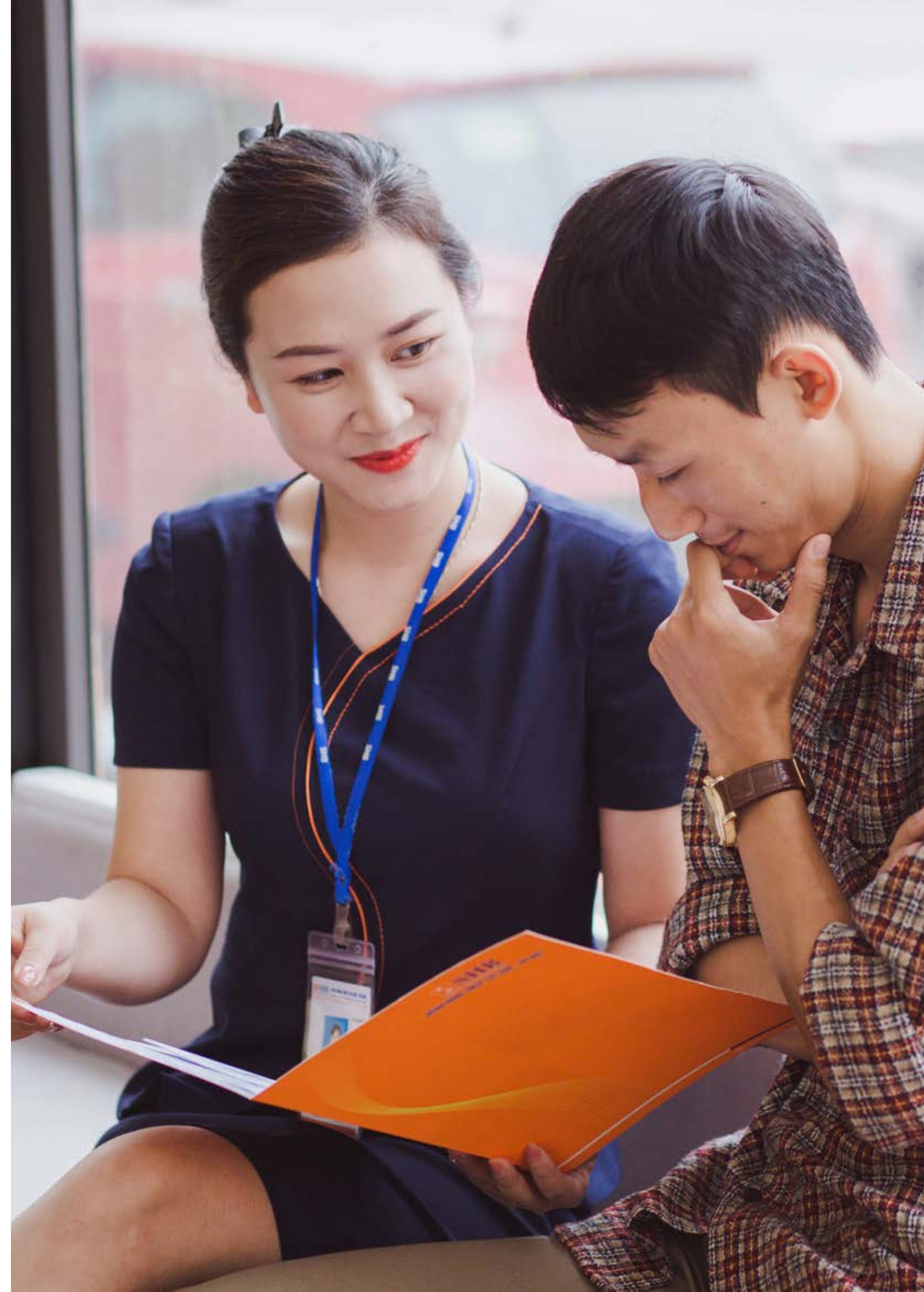
	The North VND million	The Central VND million	The South VND million	Foreign countries VND million	Total VND million
Net interest income	3,077,240	486,679	906,459	326,282	4,796,660
Net fee and commission income	1,409,160	2,701	17,918	27,086	1,456,865
Net gain from trading of foreign currencies	42,067	1,672	8,928	1,580	54,247
Net loss from trading securities	(5,188)	-	-	-	(5,188)
Net gain from investment securities	1,050	-	-	-	1,050
Net other income/ (expenses)	131,274	165	7,863	(1,810)	137,492
Income from capital contribution, share purchase	2,816	-	-	-	2,816
Operating expenses	(1,843,471)	(204,175)	(472,159)	(110,053)	(2,629,858)
Net operating profit before allowance and provision expenses	2,814,948	287,042	469,009	243,085	3,814,084
Allowance and provision expenses	(1,698,798)	(33,500)	(105,338)	(51,137)	(1,888,773)
Profit before tax	1,116,150	253,542	363,671	191,948	1,925,311

As at 31 December 2017

	The North VND million	The Central VND million	The South VND million	Foreign countries VND million	Total VND million
Cash and gold on hand	1,014,234	118,504	263,960	49,850	1,446,548
Balances with the State Banks	2,961,064	3,736	6,159	771,700	3,742,659
Balances with and loans to other CIs	32,482,469	1,441	613	1,028,993	33,513,516
Trading securities	1,050	-	-	-	1,050
Derivatives and other financial assets	136,265	-	-	-	136,265
Loans and advances to customers	139,157,737	17,376,168	33,246,647	5,660,999	195,441,551
Investment securities	21,206,594	-	-	1,370	21,207,964
Long-term investments	215,465	-	-	-	215,465
Fixed assets	3,887,117	15,405	28,600	21,195	3,952,317
Other assets	23,584,928	228,476	1,771,415	767,927	26,352,746
Total assets	224,646,923	17,743,730	35,317,394	8,302,034	286,010,081
Amounts due to the Government and the State Banks	2,758,343	-	-	-	2,758,343
Deposits and borrowings from other CIs	52,614,651	543	38	385,187	53,000,419
Deposits from customers	146,056,773	13,740,270	34,382,130	710,597	194,889,770
Other borrowed and entrusted funds	1,064,161	-	-	-	1,064,161
Valuable papers issued	12,291,520	2,654,299	21,450	-	14,967,269
Other liabilities	3,745,073	274,427	550,107	69,292	4,638,899
Total liabilities	218,530,521	16,669,539	34,953,725	1,165,076	271,318,861

Business segments

	Credit VND million	Investment VND million	Services VND million	Treasury VND million	Total VND million
Year ended 31 December 2018					
Revenue	19,775,398	2,789,181	495,869	996,871	24,057,319
As at 31 December 2018					
Segment assets	222,664,611	50,338,997	224,536	35,791,387	309,019,531
Allocated assets	6,876,514	60,715	2,820,233	4,499,015	14,256,477
Total assets	229,541,125	50,399,712	3,044,769	40,290,402	323,276,008
Segment liabilities	(408,430)	-	(94,370)	(305,667,212)	(306,170,012)
Allocated liabilities	(373,487)	(3,291)	(152,850)	(243,836)	(773,464)
Total liabilities	(781,917)	(3,291)	(247,220)	(305,911,048)	(306,943,476)
Year ended 31 December 2017					
Revenue	16,686,686	1,192,497	435,877	1,844,227	20,159,287
As at 31 December 2017					
Segment assets	208,722,772	23,430,203	165,767	33,943,598	266,262,340
Allocated assets	7,825,912	45,120	4,216,239	7,660,470	19,747,741
Total assets	216,548,684	23,475,323	4,382,006	41,604,068	286,010,081
Segment liabilities	(393,624)	-	(103,677)	(270,228,036)	(270,725,337)
Allocated liabilities	(235,210)	(1,356)	(126,721)	(230,237)	(593,524)
Total liabilities	(628,834)	(1,356)	(230,398)	(270,458,273)	(271,318,861)



39. FINANCIAL RISK MANAGEMENT

This section provides information of SHB's exposure to risk and describes the policies, the methods used by management to control risk. The most important types of financial risk to which SHB is exposed are credit risk, liquidity risk and market risk.

(a) Risk management policy for financial instruments

SHB's orientation is to become a diversified financial group. Therefore, the use of financial instruments, including funding from customers (in terms of deposit products and valuable papers issued) and investments in high quality financial assets have become key activities to help SHB gain necessary interest rate gaps. From the risk management perspective, SHB is required to maintain the structure of assets, liabilities and equity (including balance sheet items and off-balance sheet items) for the purpose of ensuring safety and mitigating risks in banking activities. In addition, SHB has invested in securities or granted credit facilities to other banks. The risks related to currency and interest rates have been managed through applying of position limits to restrict over-concentration and simultaneously participating in activities with balancing impact to minimise risks. By holding various assets being high quality financial instruments, the structure of SHB's consolidated balance sheet is able to protect SHB from significant risks during its business processes and ensure liquidity. In addition, SHB has been also involved in many hedging transactions related to financial instruments such as foreign currency swaps for the purpose of managing interest rate risk.

In the process of credit risk management, SHB has adopted the Credit Handbook which provides in details the lending policies and procedures as well as implementation guidance on standardization of SHB's credit activities. Liquidity risk is limited by holding appropriate amounts of cash and cash equivalents as Nostro accounts, term deposits at the SBV and other credit institutions and valuable papers. The safety ratios with risk factors taken into account are also used to manage liquidity risk. SHB has regularly assessed interest rate gaps, compared to the gaps of domestic markets and international markets to make timely adjustments. In addition, the application of internal risk management processes has become more efficient owing to the deployment of Centralised Capital Management System and Centralised Payment System in which all capital and payment transactions of SHB are executed by the Head Office. Such centralisation has also helped SHB to monitor capital movements more effectively and reduce any possible errors and unnecessarily complicated procedures.

(b) Credit risk

SHB is subject to credit risk through its lending, investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. The risk that counterparties might default on their obligations is monitored on an ongoing basis. SHB's primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is reflected by the carrying amounts of the assets on the consolidated balance sheet. In addition, SHB is exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued.

SHB has maintained a credit risk management policy to ensure the following basic principles are complied with:

- Establishing an appropriate environment for credit risk management;

- *Operating in accordance with a healthy credit granting process;*

- *Maintaining an appropriate credit management, measurement and monitoring process; and*

- *Ensuring proper controls over credit risk.*

SHB approves credit facilities through various levels to ensure that each credit is considered independently; concurrently, the approval of the loan is made on the basis of the credit limit assigned to each authorisation level. Besides, the credit approval model of SHB is maintained with the involvement of the Credit Committee to ensure centralised credit approval with the highest quality.

SHB is using the internal credit rating system which has been approved by the SBV as a management tool to control credit risk, according to which each customer is classified in a level of risk. The level of risk may be modified and updated frequently. Data and results of customer rating across the system are controlled and centrally managed at the Head Office. This is the basis for credit granting and provision of services to customers as well as making allowance for credit risk in accordance with regulations.

Financial assets that are overdue but not impaired

Financial assets that are overdue but not impaired mainly comprise loans and advances to customers classified by SHB in Group 2 to Group 5 and overdue receivables under Circular 02 and Circular 09 that have sufficient collateral, including real estate, valuable papers and other collateral.

The maximum exposure to credit risk on balance sheet of SHB, excluding collaterals or credit support was as follows:

As at 31 December 2018
(VND million)

	Neither overdue nor impaired	Past due but not impaired				Impaired	Total
		Overdue from 10 to 90 days	Overdue from 91 to 180 days	Overdue from 181 to 360 days	Overdue more than 360 days		
Balances with the State Banks	4,328,739	-	-	-	-	-	4,328,739
Balances with and loans to other CIs - net	29,300,327	-	-	-	-	-	29,300,327
Derivatives and other financial assets	58,228	-	-	-	-	-	58,228
Loans and advances to customers - net	205,315,165	3,733,699	50,339	444,088	1,362,465	3,080,896	213,986,652
Investment securities - net	47,951,362	-	-	-	-	75,000	48,026,362
Other financial assets - net	19,379,429	-	-	-	-	1,322,030	20,701,459
	306,333,250	3,733,699	50,339	444,088	1,362,465	4,477,926	316,401,767

As at 31 December 2017
(VND million)

	Neither overdue nor impaired	Past due but not impaired				Impaired	Total
		Overdue from 10 to 90 days	Overdue from 91 to 180 days	Overdue from 181 to 360 days	Overdue more than 360 days		
Balances with the State Banks	3,742,659	-	-	-	-	-	3,742,659
Balances with and loans to other CIs - net	33,513,516	-	-	-	-	-	33,513,516
Derivative financial instruments	136,265	-	-	-	-	-	136,265
Loans and advances to customers - net	187,749,764	2,891,516	496,370	142,811	551,608	3,609,482	195,441,551
Investment securities - net	21,059,723	-	-	-	-	147,544	21,207,267
Other financial assets - net	24,812,837	-	-	-	-	1,539,909	26,352,746
	271,014,764	2,891,516	496,370	142,811	551,608	5,296,935	280,394,004

Details of collateral held by SHB at the year-end were as follows:

	31/12/2018 VND million	31/12/2017 VND million
Real estates	237,861,232	180,743,105
Movable assets	17,927,216	44,428,824
Valuable papers	31,937,732	31,913,273
Other collaterals	293,913,685	228,243,002
	581,639,865	485,328,204

(c) Liquidity risk

Liquidity risk arises in the general funding of SHB's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

SHB adopts a risk measurement method that is appropriate to its operation scale and the availability of the information system, ensuring meeting the requirements for the risk mitigation. It includes indicators related to cash flows, ability of capital mobilisation, and ability of asset liquidity of SHB. SHB also establishes and applies a limit system and decision authority at each level based on results of risk measurement for each category.

The following table provides an analysis of the assets and liabilities of SHB in terms of relevant maturity groupings based on the remaining period from the balance sheet date to repayment date. In practice, the actual maturity of assets or liabilities may differ from contractual terms based on the addenda to the contracts which may exist.



As at 31 December 2018
(VND million)

	Overdue		Not overdue					Total
	Overdue less than 3 months	Overdue more than 3 months	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	
Assets								
Cash and gold on hand	-	-	1,884,822	-	-	-	-	1,884,822
Balances with the State Banks	-	-	4,328,739	-	-	-	-	4,328,739
Balances with and loans to other CIs - gross	-	-	26,651,516	2,304,920	343,891	-	-	29,300,327
Derivative financial instruments	-	-	(28,512)	25,230	61,510	-	-	58,228
Securities held for trading - gross	-	-	3,889	-	-	-	-	3,889
Loans and advances to customers - gross	2,820,131	7,077,328	21,823,759	23,323,406	62,087,275	61,779,487	38,077,495	216,988,881
Investment securities - gross	150,000	-	2,730,375	351,722	18,005,543	16,889,432	11,827,073	49,954,145
Long-term investments	-	-	-	-	-	-	201,750	201,750
Fixed assets	-	-	1,606,475	214	17,162	199,842	2,968,741	4,792,434
Other assets - gross	1,840,891	-	13,165,334	2,545,626	3,542,254	256,323	4,247	21,354,675
	4,811,022	7,077,328	72,166,397	28,551,118	84,057,635	79,125,084	53,079,306	328,867,890
Liabilities								
Amounts due to the Government and the State Banks	-	-	9,434,607	2,200,119	576,511	-	-	12,211,237
Deposits and borrowings from other CIs	-	-	32,106,273	8,210,803	4,153,755	376,565	86,393	44,933,789
Deposits from customers	-	-	65,971,458	47,612,876	94,957,386	16,679,022	3,399	225,224,141
Other borrowed and entrusted funds	-	-	10,159	25,199	131,595	641,165	665,593	1,473,711
Valuable papers issued	-	-	-	600,000	7,047,099	2,049,454	7,025,183	16,721,736
Other liabilities	-	-	6,378,862	-	-	-	-	6,378,862
	-	-	113,901,359	58,648,997	106,866,346	19,746,206	7,780,568	306,943,476
Net liquidity gap	4,811,022	7,077,328	(41,734,962)	(30,097,879)	(22,808,711)	59,378,878	45,298,738	21,924,414

As at 31 December 2017
(VND million)

	Overdue		Not overdue					
	Overdue less than 3 months	Overdue more than 3 months	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Assets								
Cash and gold on hand	-	-	1,446,548	-	-	-	-	1,446,548
Balances with the State Banks	-	-	3,742,659	-	-	-	-	3,742,659
Balances with and loans to other CIs - gross	-	-	24,430,584	5,056,692	4,026,240	-	-	33,513,516
Derivatives and other financial assets	-	-	136,265	-	-	-	-	136,265
Securities held for trading - gross	-	-	3,889	-	-	-	-	3,889
Loans and advances to customers -gross	4,623,697	3,298,174	17,663,184	17,537,801	61,711,683	59,586,956	33,869,071	198,290,566
Investment securities - gross	150,000	-	33,599	-	2,489,040	13,557,465	6,721,106	22,951,210
Long-term investments	-	-	-	-	-	-	227,250	227,250
Fixed assets	-	-	811,584	2,342	15,491	153,589	2,969,311	3,952,317
Other assets - gross	3,626,455	721	16,204,082	1,875,293	4,761,060	286,886	8,623	26,763,120
	8,400,152	3,298,895	64,472,394	24,472,128	73,003,514	73,584,896	43,795,361	291,027,340
Liabilities								
Amounts due to the Government	-	-	2,758,343	-	-	-	-	2,758,343
and the State Banks	-	-	35,053,842	11,407,248	6,257,516	261,492	20,321	53,000,419
Deposits and borrowings from other CIs	-	-	62,362,701	42,185,113	83,890,973	6,447,810	3,173	194,889,770
Deposits from customers	-	-	6,882	27,856	105,430	456,246	467,747	1,064,161
Other borrowed and entrusted funds	-	-	-	-	11,744,000	-	3,223,269	14,967,269
Valuable papers issued	-	-	4,638,899	-	-	-	-	4,638,899
Other liabilities	-	-	104,820,667	53,620,217	101,997,919	7,165,548	3,714,510	271,318,861
Net liquidity gap	8,400,152	3,298,895	(40,348,273)	(29,148,089)	(28,994,405)	66,419,348	40,080,851	19,708,479

(d) Market risks

(i) Interest rate risk

SHB's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature at different times or in differing amounts. Some assets have indefinite maturities or interest rate sensitivities and are not readily matched with specific liabilities.

SHB adopts a currency risk measurement method for all assets - liabilities items with respect to interest income. SHB also establishes and applies a limit system and decision authority at each level based on results of risk measurement for each category.

The following tables show SHB's assets and liabilities categorised by the contractual re-pricing or maturity date and the effective interest rates at the balance sheet date.

Time limit for repricing of effective interest rates is the remaining period from the end of the accounting period to the most recent repricing of effective interest rates of assets and equity items.



As at 31 December 2018
(VND million)

	Overdue	Free of interest	Up to 1 month		From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Assets										
Cash and gold on hand	-	1,884,822	-		-	-	-	-	-	1,884,822
Balances with the State Banks	-	-	4,328,739		-	-	-	-	-	4,328,739
Balances with and loans to other CIs - gross	-	-	26,651,516		2,304,920	142,987	200,904	-	-	29,300,327
Derivatives and other financial assets	-	58,228	-		-	-	-	-	-	58,228
Securities held for trading - gross	-	3,889	-		-	-	-	-	-	3,889
Loans and advances to customers - gross	9,897,459	-	69,052,932		114,678,896	10,900,594	7,415,620	3,929,488	1,113,892	216,988,881
Investment securities - gross	150,000	9,294,442	3,337,088		6,749,144	4,007,774	9,025,471	7,545,840	9,844,386	49,954,145
Long-term investments	-	201,750	-		-	-	-	-	-	201,750
Fixed assets	-	4,792,434	-		-	-	-	-	-	4,792,434
Other assets - gross	1,840,891	13,423,812	144,830		2,250,608	3,263,881	424,619	6,034	-	21,354,675
	11,888,350	29,659,377	103,515,105		125,983,568	18,315,236	17,066,614	11,481,362	10,958,278	328,867,890
Liabilities										
Amounts due to the Government and the State Banks	-	-	10,211,237		2,000,000	-	-	-	-	12,211,237
Deposits and borrowings from other CIs	-	-	32,102,335		8,826,390	3,405,701	587,759	8,154	3,450	44,933,789
Deposits from customers	-	-	65,971,459		47,612,876	52,498,826	43,718,971	15,418,610	3,399	225,224,141
Other borrowed and entrusted funds	-	-	-		1,330,584	-	-	143,127	-	1,473,711
Valuable papers issued	-	-	-		600,000	5,547,099	1,500,000	3,050,009	6,024,628	16,721,736
Other liabilities	-	6,378,862	-		-	-	-	-	-	6,378,862
	-	6,378,862	108,285,031	60,369,850	61,451,626	45,806,730	18,619,900	6,031,477	306,943,476	306,943,476
Interest sensitivity gap	11,888,350	23,280,515	(4,769,926)	65,613,718	(43,136,390)	(28,740,116)	(7,138,538)	4,926,801	21,924,414	21,924,414

As at 31 December 2017
(VND million)

	Overdue	Free of interest	Up to 1 month		From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Assets										
Cash and gold on hand	-	1,446,548	-		-	-	-	-	-	1,446,548
Balances with the State Banks	-	-	3,742,659		-	-	-	-	-	3,742,659
Balances with and loans to other CIs - gross	-	-	24,430,584		5,056,692	3,958,965	67,275	-	-	33,513,516
Derivatives and other financial assets	-	136,265	-		-	-	-	-	-	136,265
Securities held for trading - gross	-	3,889	-		-	-	-	-	-	3,889
Loans and advances to customers - gross	7,921,871	-	63,617,993		87,724,107	17,485,187	13,213,372	7,573,437	754,599	198,290,566
Investment securities - gross	150,000	8,152,409	-		357	1,099,861	3,789,029	7,083,406	2,676,148	22,951,210
Long-term investments	-	227,250	-		-	-	-	-	-	227,250
Fixed assets	-	3,952,317	-		-	-	-	-	-	3,952,317
Other assets - gross	3,627,176	23,135,944	-		-	-	-	-	-	26,763,120
	11,699,047	37,054,622	91,791,236		92,781,156	22,544,013	17,069,676	14,656,843	3,430,747	291,027,340
Liabilities										
Amounts due to the Government and the State Banks	-	-	2,758,343		-	-	-	-	-	2,758,343
Deposits and borrowings from other CIs	-	-	35,925,253		11,599,233	5,137,570	332,474	2,047	3,842	53,000,419
Deposits from customers	-	-	62,362,701		42,185,113	43,709,958	40,181,015	6,447,810	3,173	194,889,770
Other borrowed and entrusted funds	-	-	-		-	1,061,995	-	2,166	-	1,064,161
Valuable papers issued	-	-	-		-	5,185,000	6,559,000	1,000,634	2,222,635	14,967,269
Other liabilities	-	4,638,899	-		-	-	-	-	-	4,638,899
	-	4,638,899	101,046,297		53,784,346	53,784,346	55,094,523	47,072,489	7,452,657	271,318,861
Interest sensitivity gap	11,699,047	32,415,723	(9,255,061)		38,996,810	38,996,810	(32,550,510)	(30,002,813)	7,204,186	19,708,479

(ii) Currency risk

Currency risk is the risk that the value of a financial instrument fluctuates due to changes in foreign exchange rates. SHB was incorporated and operates in Vietnam, with Vietnamese Dong as its reporting currency. The major currency in which SHB transacts is Vietnamese Dong. SHB's loans and advances were mainly denominated in Vietnamese Dong and United States Dollar. However, some of SHB's other assets are in currencies other than Vietnamese Dong and United States Dollar. SHB's management has set limits on positions by currency based on the internal risk assessment system of SHB and regulations of the SBV. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

As at 31 December 2018
(VND million)

	VND	USD	EUR	Other currencies	Total
Assets					
Cash and gold on hand	950,382	820,964	53,451	60,025	1,884,822
Balances with the State Banks	2,750,809	1,374,839	-	203,091	4,328,739
Balances with and loans to other CIs - gross	27,458,147	1,114,908	204,369	522,903	29,300,327
Derivatives and other financial liabilities	2,354,997	(2,281,159)	-	(15,610)	58,228
Securities held for trading - gross	3,889	-	-	-	3,889
Loans and advances to customers - gross	202,642,123	13,198,420	143,127	1,005,211	216,988,881
Investment securities - gross	49,954,145	-	-	-	49,954,145
Long-term investments	201,750	-	-	-	201,750
Fixed assets	4,770,780	13,844	-	7,810	4,792,434
Other assets - gross	18,851,329	2,367,436	54,582	81,328	21,354,675
	309,938,351	16,609,252	455,529	1,864,758	328,867,890
Liabilities					
Amounts due to the Government and the State Banks	12,096,858	114,379	-	-	12,211,237
Deposits and borrowings from other CIs	36,242,521	8,374,572	-	316,696	44,933,789
Deposits from customers	213,952,015	10,879,492	247,221	145,413	225,224,141
Derivatives and other financial liabilities	-	-	-	-	-
Other borrowed and entrusted funds	1,330,584	-	143,127	-	1,473,711
Valuable papers issued	16,721,736	-	-	-	16,721,736
Other liabilities	5,316,621	985,675	-	76,566	6,378,862
	285,660,335	20,354,118	390,348	538,675	306,943,476
FX position on balance sheet	24,278,016	(3,744,866)	65,181	1,326,083	21,924,414

As at 31 December 2017
(VND million)

	VND	USD	EUR	Other currencies	Total
Assets					
Cash and gold on hand	886,481	507,125	34,847	18,095	1,446,548
Balances with the State Banks	2,347,912	1,394,747	-	-	3,742,659
Balances with and loans to other CIs - gross	28,574,001	4,059,295	106,368	773,852	33,513,516
Securities held for trading - gross	3,889	-	-	-	3,889
Derivatives and other financial assets	(5,757,288)	5,607,748	95,407	190,398	136,265
Loans and advances to customers - gross	183,260,221	14,318,366	18,850	693,129	198,290,566
Investment securities - gross	22,951,210	-	-	-	22,951,210
Long-term investments	227,250	-	-	-	227,250
Fixed assets	3,931,122	16,877	-	4,318	3,952,317
Other assets - gross	17,178,351	9,530,765	40	53,964	26,763,120
	253,603,149	35,434,923	255,512	1,733,756	291,027,340
Liabilities					
Amounts due to the Government and the State Banks	2,758,343	-	-	-	2,758,343
Deposits and borrowings from other CIs	40,989,096	12,011,323	-	-	53,000,419
Deposits from customers	181,177,390	13,374,249	251,617	86,514	194,889,770
Other borrowed and entrusted funds	1,061,995	-	2,166	-	1,064,161
Valuable papers issued	14,967,269	-	-	-	14,967,269
Other liabilities	4,547,074	72,740	351	18,734	4,638,899
	245,501,167	25,458,312	254,134	105,248	271,318,861
FX position on balance sheet	8,101,982	9,976,611	1,378	1,628,508	19,708,479

40. COMMITMENTS

Leases

At the reporting date, the minimum lease payments under non-cancellable operating leases were:

	31/12/2018 VND million	31/12/2017 VND million
Up to one year	80,287	71,770
From more than one year to five years	499,536	230,368
More than five years	167,466	82,053
	747,289	384,191

41. EXCHANGE RATES OF FOREIGN CURRENCIES AT THE REPORTING DATE

The followings were the exchange rates at the reporting date applied by the Bank:

	Exchange rate as at	
	31/12/2018 VND	31/12/2017 VND
USD	23,230	22,425
EUR	26,557	27,259
GBP	29,345	30,693
CHF	23,522	23,306
JPY	210	202
SGD	16,967	16,980
AUD	16,354	17,718
HKD	2,961	2,906
CAD	17,040	18,054
LAK	2,716	2,696
THB	714.4	694.6

42. CORRESPONDING FIGURES

Certain figures in the consolidated statement of income as at 31 December 2017 were reclassified and restated as follows:

	31/12/2017 VND million (as previously reported)	31/12/2017 VND million (after reclassification)
Net gain/(loss) from trading securities	16,456	(5,188)
Net (loss)/gain from investment securities	(12,372)	1,050
Operating expenses	(2,896,897)	(2,629,858)
Allowance and provision expenses	(1,629,956)	(1,888,773)

20 March 2019

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