

Hanoi, March 20, 2023

No.: 02/BC-BDH.SHB-ĐHĐCD

**REPORT OF THE BOARD OF MANAGEMENT  
ON BUSINESS PERFORMANCE IN 2022 AND BUSINESS PLAN IN 2023**

**To: GENERAL MEETING OF SHAREHOLDERS**

Saigon - Hanoi Commercial Joint Stock Bank (SHB) would like to submit to the General Meeting of Shareholders the report on business performance in 2022 and business plan in 2023 as follows:

**PART 1. BUSINESS PERFORMANCE IN 2022**

Our country's socio-economic conditions in 2022 were much affected by the world economies great and unpredictable challenges; high inflation rate, rising interest rate, tightening monetary policy. Strategic and geopolitical competition among great powers, military conflict between Russia and Ukraine; natural disasters, epidemics, etc. have increased risks to the finance and monetary market.

Domestically, strictly following the Resolutions of the Party, National Assembly and the Government, our economy recovered strongly, the macro-economy stable, inflation under control, and major balances ensured. GDP in 2022 was estimated to increase by 8,02% year-over-year, achieving the highest increase in the period 2011-2022; Consumer price index (CPI) increased by 3.15% compared to 2021; State budget exceeded 26.4% of the annual estimate; The total import and export turnover of goods was estimated at USD 732.5 billion, up 9.5%, the trade surplus reached nearly USD 11.2 billion.

The State Bank of Vietnam (SBV) has actively and flexibly controlled monetary policy, adjusting interest rates to adapt to the international context; The great pressures on the domestic currency and foreign exchange markets were resolved, thereby contributing to stabilizing the macro-economy and ensuring the safety of the credit institutions system. Capital mobilization of credit institutions increased by 5.99%; credit growth of the whole economy reached 12.87% over the previous year.

As year 2022 is the first year that SHB implemented the five-year strategic transformation period from 2022 to 2026. The Board of Directors, the Board of Supervisors and The Board of Management of SHB remained steadfast in the goal of "Aspiration to lead", developing SHB into

the TOP performing bank. By the end of 2022, SHB has achieved many critical successes, laying the foundation for future development.

## 1. Business performance in 2022

The business performance in 2022 according to the audited consolidated financial statements of SHB is as follows:

### Some business goals by December 31, 2022

Index	Unit	2022	Growth over 2022/2021
<b>1. Capital size</b>			
Total assets	Billion dong	550,904	8.7%
Charter capital	Billion dong	30,674	15.0%
Equity capital	Billion dong	62,577	17.8%
<b>2. Business results</b>			
Customer deposit	Billion dong	407.134	7.6%
Credit balance	Billion dong	398,819	10.1%
Profit before tax	Billion dong	9,689	54.8%
CIR	%	22.70%	
ROE	%	24.70%	
<b>3. Capital adequacy ratio (CAR) and Non-performing Loan (NPL) ratio</b>			
CAR	%	12.10%	Fulfill the requirement of SBV ( $\geq 8\%$ )
NPL	%	2.81%	Fulfill the requirement of SBV ( $\leq 3\%$ )

#### - Total assets :

Total consolidated assets of SHB reaching VND 550,904 billion rose by VND 44,300 billion, equivalent to 8.7% year-on-year growth, completing 97% of the 2022 plan.

SHB ranks in the top 6 banks in terms of total assets among the largest commercial joint stock ones in Vietnam.

#### - Charter capital , equital capital:

Equity capital reaching VND 62,577 billion increased by VND 9,463 billion, equivalent to 17.8% year-on-year growth.

Charter capital reaching 30,674 billion VND increased by 4,000 billion VND, equivalent to 15.0% year-on-year growth.

SHB ranks in the top 5 banks in terms of charter capital among the largest commercial joint stock ones with the largest charter capital in Vietnam.

#### - Customer deposit:

Customer deposits reaching VND 407,134 billion increased by 7.6% over the past year.

SHB ranks in the top 4 banks in terms of capital mobilization in largest commercial joint stock banks.

- **Credit :**

Credit balance reaching VND 398,819 billion, of which outstanding loans to customers were VND 385,633 billion, and corporate bonds were VND 13,186 billion.

SHB ranks in the top 6 banks in terms of credit balance among largest commercial joint stock ones.

- **Fixed assets:**

The accumulated fixed assets as of December 31, 2022 equalled to VND 4,954 billion, decreasing by VND 25 billion compared to 2021.

- **Investment activities, trading in financial instruments:**

+ The balance of valuable paper investments as of December 31, 2022 of SHB was 33.05 VND 7 billion rising by VND 7,903 billion, equivalent to a 31.4% increase.

+ Consolidated capital contribution and long-term investment as of December 31, 2022 of SHB equivalent to VND 158 billion fell by VND 6 billion compared to 2021

- **Results of debt classification, off-balance sheet items, allowance for risks, risk allowance usage and handling of losses as of December 31, 2022**

+ Results of debt classification as of December 31, 2022:

○ Total outstanding loans on the balance sheet: 385,633 billion VND

○ Total NPL: 10,853 billion VND

○ NPL/ Total outstanding loans on the balance sheet ratio: 2.81%

○ Total off-balance sheet items (including L/C commitments, guarantee): VND 35,206 billion

+ The result of making allowance for risks as at December 31, 2022: The total allowance for credit risks as of December 31, 2022 was VND 7,058 billion, of which:

○ General allowance: VND 2,843 billion

○ Specific allowance: VND 4,215 billion

+ Results of using allowances to handle risks from January 1, 2022 to December 31, 2022: The total specific allowance was VND 2,708 billion.

- **Income – cost – profit:**

+ Total net interest income reaching VND 19,341 billion increased by VND 1,188 billion compared to 2021.

+ Operating expenses was VND 4,392 billion, down 0.3 % compared to 2021.

+ The cost of risk allowance was VND 5,260 billion.

+ Consolidated profit before tax reaching VND 9,689 billion increased year-on-year by VND 3,429 billion, equivalent to 55% rise. 83% of year 2022 target was accomplished, ranked 7<sup>th</sup> in terms of profit before tax among commercial joint stock banks.

- **Dividend payout ratio in 2022:**

The dividend payout ratio in 2022 is expected to be 18%, fulfilling the target set by the 2022 Annual General Meeting of Shareholders.

2. **Assessment of SHB's business performance in 2022**

• **Steady business growth**

- Indices such as total assets, capital mobilization, and credit balance grew compared to last year.

- Profit before tax increased by 54.8% compared to 2021.

- Complete dividend payout to shareholders.

• **Expanding cooperation with many international financial institutions such as : ADB, IFC, WB...with** total agreements' value up to hundreds of millions of USD. Recently, SHB and IFC held a Loan Agreement Signing Ceremony with a loan package worth USD 120 million. Loans from these financial institutions help SHB diversify medium and long-term capital to better serve manufacturing and business activities and improve SHB's business performance in a sustainable way.

• **Moody's Rating Upgrade** : Moody's affirmed SHB's B1 long-term deposit and issuer ratings and upgraded the long-term counterparty risk assessment (CRA) and long-term counterparty risk rating (CRR) to Ba3. The outlook remains positive.

• **Breakthrough in digital transformation/Digital banking/Information technology projects:** On the journey of digitization and banking modernization, SHB has invested enormous resources and budget to implement many projects and applications of latest solutions advised by global leading consulting companies.

SHB has successfully implemented many digital products such as: Online account opening, online credit card issuance, overdraft loans, connection to the National Public Service Portal... and diversified financial solutions and services coupled with excellent preferential promotion package.

In terms of operation, SHB has taken full advantage of the fourth generation tools and connection. Daily activities from internal meetings, working with partners to interaction between the bank and customers have been promoted via online channels and the bank's smartphone applications. Thereby, saving time, personnel costs as well as improving employees productivity, led to delivering fast, safe and latest products, services and experiences to clients and partners.

• **Effectively operating subsidiaries and bank branches contributing to the business growth of the bank.**

*SHB One Member Bank Limited Laos (SHB Laos)*

As of December 31, 2022, SHB Laos' network includes 1 head office, 2 branches, and 81 employees. Total assets reached LAK 2,692 billion (equivalent to VND 3,661 billion), Customer deposit reached LAK 430 billion (equivalent to VND 585 billion), credit balance LAK 1,520 billion (equivalent to VND 2,067 billion). VN), profit before tax LAK 53.3 billion (equivalent to 72.5 billion VND).

*SHB One Member Bank Limited Cambodia (SHB Cambodia)*

As of December 31, 2022, SHB Cambodia has 5 transaction points including 1 head office, 4 branches and 59 employees. Total assets reached VND 12,882 billion, market, customer deposit VND 2,287 billion, credit balance VND 11,897 billion, profit before tax VND 200 billion.

*SHB Asset Management and One Member Company LLC (SHB AMC)*

SHBAMC's main activities are trading, management of assets, loan settlement and safeguarding activities to support SHB's business activities and providing such service to other credit institutions in assets management and NPL settlement as prescribed under the law. As of December 31, 2022, the company's profit before tax amounted to VND 8.3 billion.

*Saigon - Hanoi Commercial Joint Stock Bank Finance Company Limited (SHB FC)*

SHB FC aims to become one of the pioneering financial companies in applying technology, improving service quality and customer experience. As of December 31, 2022, the company's total assets reached VND 6,839 billion, customer deposit VND 4,622 billion, outstanding loans VND 6,021 billion.

- **Actively contribute to the community.**

+ With the philosophy of "attaching social responsibility to business", SHB always actively carried out a series of practical and meaningful social security programs such as: support people affected by the floods, natural disasters, pandemics, poverty alleviation, funding for development of education, community health, public infrastructure ... Specifically in 2022, SHB spent approximately VND 32 billion for social security activities, most of which went to medical support, Covid 19 disease prevention measures, education funding, the poor and the disadvantaged support program.

- **Accompanying customers**

SHB is one of the commercial joint stock banks that carried out the biggest interest rates cut to support Covid-inflicted customers and is also one of the pioneering joint stock commercial banks to participate in the 2% interest rate support program from the State budget worth up to 40,000 billion VND according to Decree 31/2022/NĐ-CP of the Government and Circular 03/2022/TT-NHNN of SBV. SHB, consulted by IFC, is designing

and offering supply chain finance products which deliver comprehensive financial solutions to customers to save costs and improve efficiency.

- **Recognition of national and international organizations.**

The success and reputation of SHB are recognized by many noble awards of the Communist Party of Vietnam, the Government and many prestigious awards honored by international organizations.

- + SHB is in the Top 5 largest commercial joint stock banks in Vietnam, Top 10 most prestigious commercial banks in Vietnam; one of 10 credit institutions with the biggest influence in Vietnam banking system; one of the 50 enterprises with the most valuable brands in Vietnam and Top 10 most valuable brands in the banking industry in Vietnam; ... Top 1,000 global banks, Top 500 strongest banks in Asia ; ...
- + Moody's has affirmed SHB's the long-term deposit rating and the issuer rating at B1, upgraded the long-term Counterparty Risk Assessment and the Counterparty Risk Rating to Ba3, positive outlook.
- + For many years in a row, it has been honored by international organizations in many fields such as: Best bank in Vietnam by the prestigious Global Finance magazine; Best socially responsible bank honored by Asia's leading magazine on Economics, Finance, Banking - Asiamoney; Best domestic trade finance bank in Vietnam; Best COVID pandemic management initiative bank in Vietnam; Best Digital Consumer Initiative Bank in Vietnam; Best product initiative for Generation Y in Vietnam" honored by Asian Banking & Finance Magazine; Best Trade Finance Bank" by Alpha Southeast Asia Magazine for 4 consecutive years; Best workplace in Asia" by HR Asia - the leading HR magazine - held annually, with a high spread throughout the Asia region.
- + For many consecutive years, won domestic awards such as: Top 10 most prestigious commercial joint banks in Vietnam honored by Vietnam Report Joint Stock Company (Vietnam Report); Top 50 best enterprises in Vietnam honored by Vietnam Report; Top 50 best growth enterprises in Vietnam honored by Vietnam Report; Top 50 most effectively listed companies in Vietnam evaluated and honored by Nhip Cau Investment Magazine and Thien Viet Securities Company; Top 21 leading financial brands in Vietnam honored by Forbes - The leading business magazine present in 40 countries around the world; Typical Vietnamese Bank honored by International Data Group (IDG) in collaboration with Vietnam Banks Association; Top 1 Vietnamese product voted by consumers for the SHB Mastercard Cashback card by Hanoi city Department of Industry and Trade.

## PART 2. BUSINESS PLAN IN 2023

Target GDP of Vietnam in 2023 is set around 6.5%, the average inflation approximately 4%... The State Bank of Vietnam continues to implement key solutions to perfect the legal institution of the banking sector; actively and flexibly manage monetary policy instruments, interest rates and exchange rates; administering credit solutions to control inflation and support the recovery of economic growth; continue to restructure credit institutions; promote digital transformation and cashless payments...

On that basis, SHB would like to propose the General Meeting of Shareholders to approve the business plan for 2023 as follows:

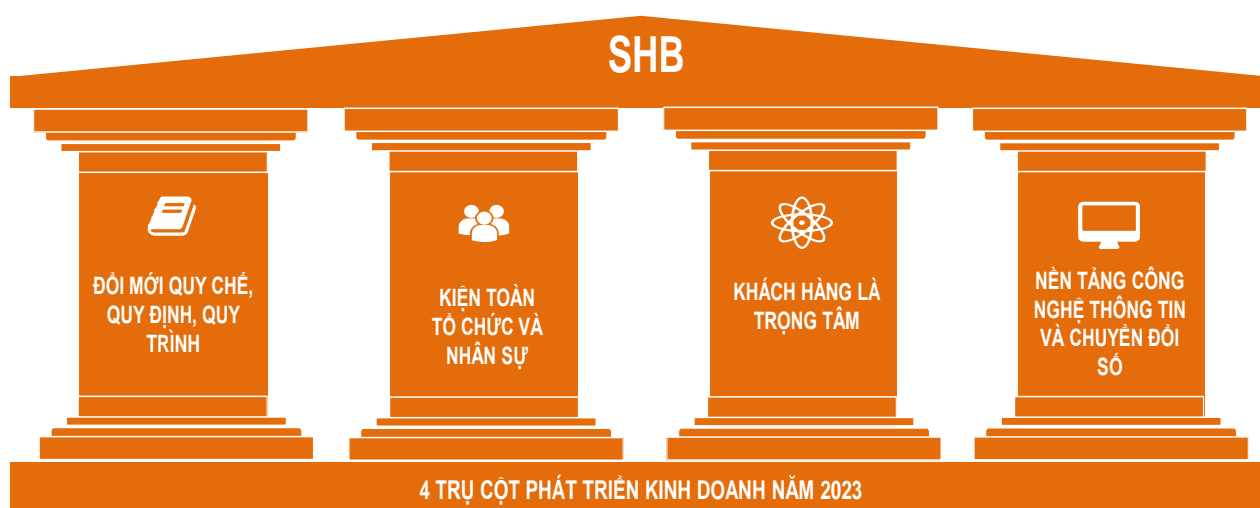
### 1. Major financial indices of business plan in 2023

Unit: Billion VND

STT	Index	<u>Scenario 1: Credit growth limit in 2023</u> 10%			<u>Scenario 2: Credit growth limit in 2023</u> 14%		
		Planned in 2023	YoY increase/decrease	YoY growth	Planned in 2023	YoY increase/decrease	YoY growth
1	Total assets	600.106	49.202	8,93%	606.500	55.596	10,09%
2	Charter capital	36,645	5,972	19.47%	36,645	5,972	19.47%
3	Customer deposit	456.180	49,046	12.05%	467,291	60.157	14.78%
4	Credit balance (*)	429.880	31.061	10.00%	445.126	46,307	14.00%
5	NPL ratio	< 2%			< 2%		
6	Profit before tax	10.285	627	6.50%	10,626	967	10.00%
7	Expected dividend	15%			15%		

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

### 2. Four pillars and key tasks for business growth in 2023



<b>Đổi mới quy chế, quy định, quy trình</b>	<b>REFORM OF POLICIES, REGULATIONS, AND PROCEDURES</b>
<b>Kiện toàn tổ chức và nhân sự</b>	<b>REINFORCING ORGANIZATION STRUCTURE AND PERSONNEL</b>
<b>Khách hàng là trọng tâm</b>	<b>CUSTOMER-CENTRICITY</b>

<b>Nền tảng công nghệ thông tin và chuyển đổi số</b>	<b>IT PLATFORM AND DIGITAL TRANSFORMATION</b>
<b>4 trụ cột phát triển kinh doanh năm 2023</b>	<b>4 PILLARS FRO BUSINESS GROWTH IN 2023</b>

- Reform policies, regulations, procedures, competitive environment, current legal regulations, promote business development. Implement smart document management, apply modern technology to continue digitizing internal process documents.
- + Improve the quality of SHB's policies, regulations and business processes
- + Systematize policies, regulations, business processes and documents of SHB, implement smart document management, step by step digitalize internal process documents
- + Focusing on strengthening the policy framework of risk management, credit management and debt settlement to improve credit quality and promote debt collection
- + Build automated tools, system and and guiding model for identification of and early warning for credit risks
- + Design and deliver appropriate and effective programs, policies, and products for chain value and ecosystem customers.
- Consolidate the organization structure and personnel in a modern and safe direction; separate the function of planning, leading and managing from the one of executing and implementing business activities, enhancing connectivity, system management between Head Office and business units following the principle of "Management by Objectives".
- + Consolidate the organizational structure and personnel to meet the strategic goals, improve business efficiency and reduce risks.
- + Develop talent management program to meet the business growth's requirements of the Bank.
- + Invest in human resources (through compensation package, recruitment policies, talent acquisition, employee retention, retirement, esop ... )
- + Focus on IT, Digital Transformation, and sales personnel who are capable of designing financial structures and solutions.
- + Improve the overall capacity of SHB's personnel through the development of Competency Frameworks and training programs to meet the Bank's business objectives.
- "Customer-centric" business activities: Focus on developing customer base to correspond with the potential of regions and locations. Formulate modern banking products and services, applying advanced technology, Design Thinking and Agile methodology to make a difference in each product: adopt the customer-centric approach to uncover the smallest ,even hidden, needs of customers, put the end user at the center and creativity at the core; Creativity needs to be maximized to achieve breakthrough.
- + Building Business Strategy by Sector, Industry and Customer Segments
- + Design customer value positioning (CVP) for each segment, exploit the strategic Ecosystem and value chain customers.



- + Enhance business efficiency and performance of Business Units based on industry, market, customer, and local knowledge.
- Technology and digital transformation: focus on modernizing IT infrastructure, upgrading/converting Core banking, Core cards... and improving integration capabilities of application software and digital transformation, ... to enrich customer experience and better SHB's system management; Focus on recruiting and attracting specialized personnel and senior experts in IT and digital transformation to manage and operate the system; Select capable domestic and foreign strategic partners to consult, implement and execute IT modernization and digital transformation.
  - + Prioritize investment for modern IT infrastructure platform in line with strategic goals, business plans, market position of SHB and enhance customer experience
  - + Step-by-step plan to digitize business operation of the Bank and interactions with its customers
  - + Develop automated tools to enhance business management and data management
  - + Prioritize the partial digitization of credit process, advance credit appraisal and customer's experience of credit processes and products at SHB

The above is the report on business performance in 2022 and business plan in 2023 I would like to submit to the General Meeting of Shareholders for consideration.

Best regards!

**CHIEF EXECUTIVE OFFICER**