TABLE OF CONTENTS

SCOPE OF CALCULATION	**PAGE 1**
1. STRUCTURE OF EQUITY CAPITAL	**PAGE 1**
2. CAPITAL ADEQUACY RATIO	**PAGE 2**
3. CREDIT RISK	**PAGE 3**
4. OPERATION RISKS	**PAGE 9**
5. MARKET RISK	**PAGE 13**

DISCLOSURE OF CAR OF SHB

(Term December 31, 2022)

Scope of capital adequacy ratio calculation

This is the content of information disclosure related to the capital adequacy ratio of Saigon – Hanoi Commercial Joint Stock Bank (“the Bank”) and its subsidiaries (collectively referred to as “SHB”) as of 31. December 2022. The information is disclosed in accordance with Circular 41/2016/TT-NHNN dated December 30, 2016 of the Governor of the State Bank of Vietnam regulating the capital adequacy ratio for banks and branches. foreign banks (Appendix 5 - Disclosure content).

As at December 31, 2022, SHB had subsidiaries that were consolidated when calculating the Consolidated CAR as follows:

No.`	Company name	Charter capital (million VND)	Field of activity	Bank ownership ratio
1	Debt Management and Asset Exploitation One Member Company Limited Saigon – Hanoi Commercial Joint Stock Bank (“SHB AMC”)	20,000	Debt management and asset exploitation	100%
2	Saigon – Hanoi Commercial Joint Stock Bank Finance Company Limited (“SHB FC”)	1,000,000	Finance/Banking	100%
3	Saigon – Hanoi Laos One Member Bank (“SHB Laos”)	1,234,572	Finance/Banking	100%
4	Saigon – Hanoi Cambodia Bank Limited (“SHB Cambodia”)	1,744,452	Finance/Banking	100%

As at December 31, 2022, SHB has no subsidiaries that are insurance businesses, therefore, the consolidated balance sheet to calculate the consolidated CAR will be similar to the balance sheet.

1. Owner’s equity capital structure

❖ Main components of SHB's equity include:

➢ *Main components of Tier 1 Capital:*

- Authorized capital
- Reserve fund to supplement charter capital
- Professional development investment fund
- Financial provision fund

- Undistributed profits

➢ *Main components of Tier 2 Capital:*

- 80% of the general provision according to the regulations of the State Bank on classification of assets, level of deduction, method of making provision for risks and use of risk provisions for credit institutions, foreign bank branches.
- Secondary debt issued by SHB and satisfying the SBV's conditions on secondary debt is included in tier 2 capital.

❖ Information about the components of Tier 1 Capital, Tier 2 Capital, and value of items reduced when calculating SHB's separate equity and consolidated equity as of December 31, 2022 is as follows:

Unit: million dong

Equity items	Seperate	Consolidated
1. Items to be reduced when calculating Equity		
Deductions from Tier 1 capital	5,260	5,260
Deductions from Tier 2 capital	0	0
Other deductions	4,023.039	44,014
Total deductions when calculating Equity	4,028,298	49,274
2. Equity value		
Tier 1 capital (after deductions)	42,676,448	42,876,387
Tier 2 capital (after deductions)	19,752,133	19,889,849
Own Total Owner's Equity	**58,405,543**	**62,722,221**

2. Capital adequacy ratio (CAR):

a) Qualitative content

❖ Procedure for calculating capital adequacy ratio:

SHB has built a system to automatically calculate capital adequacy ratio periodically.

To ensure the correct operation of the system, SHB has issued a procedure to calculate the capital adequacy ratio with the main content:

- Fully stipulate the functions and duties of the departments involved in calculating the capital adequacy ratio.
- Specifying specific steps to ensure the accuracy of system input and results.

❖ Capital plan to maintain capital adequacy ratio:

In order to maintain the capital adequacy ratio at the target level according to the risk appetite and create value that meets the expectations of shareholders, SHB develops an Annual Capital Plan according to the Capital Planning Process, helping SHB to comply with ICAAP with the following main contents:

- The capital plan is made annually, the reserve scope is within 3 years.
- The capital plan is elaborated in detail for each component (tier 1 capital, tier 2 capital), detailing each capital growth plan.
- The capital plan is prepared on the principle that SHB always adheres to risk appetite in adverse business plan scenarios and ensures the target capital adequacy ratio in normal business conditions.
- Perform periodic and standardized analysis, provision, allocation and monitoring of capital adequacy with the participation of the whole system according to the internal capital adequacy assessment process.

b) Quantitative content:

Unit: million dong

Items		Seperate	Consolidated
A	**Equity capital**	**58,405,543**	**62,722,221**
A1	Tier 1 capital (after deductions)	42,676,448	42,876,387
B	**Total Value of Assets at Risk (= 1 + 2 + (3+ 4)* 12.5)**	**498,686.707**	**513,416,932**
1	Assets based on credit risk	466,544,323	477,959,225
2	Assets based on counterparty credit risk	946,580	946,580
3	Required capital for operational risk	2,296,080	2,578,591
4	Capital required for market risk	199.584	182,299
C	**Tier 1 capital ratio (=A1/B)**	**8.56%**	**8.35%**
D	**Capital adequacy ratio (=A/B)**	**11.71%**	**12.22%**

3. Credit risk:

a. Qualitative content:

Credit risk is one of the key risks of the bank, defined by SHB as:

(i) Credit risk: The risk that the Customer (who is an individual or legal entity, including credit institutions, foreign bank branches) fails to perform or is unable to perform part or all of its obligations. debt repayment service under contract or agreement with SHB, excluding counterparty credit risk ;

(ii) Counterparty credit risk: The risk that a counterparty (an individual or legal entity) fails to perform or is unable to perform part or all of its payment obligation before or when due for the following transactions. :

- Proprietary transactions ;

- repo transactions and reverse repo transactions;
- Trading derivatives to hedge risks ;
- Transactions of buying and selling foreign currencies and financial assets for the purpose of serving the needs of customers and partners.

❖ Credit Risk Management Policy

SHB has issued a Credit Risk Management Policy to unify credit risk management objectives, principles and framework, ensure compliance with international standards and best practice in Vietnam to apply. used in credit risk management at SHB.

SHB's credit risk management policy fully regulates the contents to ensure that SHB's credit activities are deployed safely and effectively, in line with the risk management orientation for SHB in each case. period includes: Credit risk management strategy; Credit risk limit; Authority to approve credit risk limits; Identify, measure and minimize credit risk; Identify the market and target customers; Internal credit rating system; Credit appraisal; Approve credit risk decisions; Credit management; Early warning; Post-lending control; Security asset management; Managing problematic credits; Debt classification and provisioning; Credit portfolio management; Centralized credit risk management; Credit Risk Management data and reports.

SHB has issued a credit risk limit system. Credit risk limit is built and established on the basis of allocating risk appetite limits to ensure compliance with requirements and limits to ensure safety in credit activities, ensuring safety ratio. SHB's target capital as well as complying with regulations of the State Bank from time to time. Annually, SHB evaluates the suitability of the credit risk limit to make appropriate adjustments.

SHB has built tools and models to measure and assess credit risk, including: Internal Credit Rating System (Internal Credit Rating System), Credit Monitoring System, Early Warning and Monitoring System debt notes, Debt collection management system as well as adequate reporting information system to proactively detect and manage credit risks and take appropriate measures to prevent and limit risks.

❖ Use independent credit rating

Circular 41 requires banks to use independent credit ratings with the agreement of rating agencies that meet the prescribed conditions to consider the risk coefficients for claims to financial institutions. At SHB, the bank uses the rating results of three independent credit rating agencies: Moody's, Standard & Poor's and Fitch Rating *(For details, please see Section b. Quantitative content below).*

❖ Minimize credit risk

According to the regulations of the State Bank of Vietnam in Circular 41, banks are allowed to minimize credit risks by implementing one or a combination of the following measures to ensure that all the conditions mentioned in Articles 11 to 15 of the Circular are fully satisfied. :

(1) Minimize by Collateral

(2) Reduce by Offsetting of Balance Sheet

(3) Mitigation by Third Party Guarantee

(4) Minimize by Credit Derivatives.

As of December 31, 2022, SHB minimizes credit risk mainly with collateral and does not reduce credit risk by credit derivative products (For details, please see Section b . *Quantitative content below).*

b. Quantitative content:

❖ Claims that are weighted based on independent credit ratings and correspondingly consolidated credit risk assets are as follows:

Unit: million dong

Credit Rating	Assets at risk
From AAA to AA-	-
From A+ to BBB-	1.075
From BB+ to B-	1,120,308
Below B- or no rating	30,863,340
Total	31,984,723

❖ Assets with credit risk according to credit risk and counterparty credit risk, Consolidated figures are as follows:

Unit: million dong

Items	Value
1. Assets based on credit risk	**477,959,225**
Receivables from the Government	1,764,056
Accounts Receivable Financial Institutions	15,497,079

Items	Value
Accounts Receivable (*)	371,807,973
Retail Receivables (**)	51,599,343
Other types of assets	37,290,775
2. Assets based on counterparty credit risk	**946,580**

(*) Including receivables from businesses and loans secured by real estate to corporate customers.

(**) Including retail receivables, home mortgage loans, loans secured by real estate of retail customers.

- ❖ Assets with credit risk by industry of outstanding loans to customers, specifically consolidated figures are as follows:

Unit: million dong

Items	Value
Total customer loan	**392,983,065**
1. Economic organization	**337,558,190**
Wholesale and retail; repair of cars, motorcycles and other motor vehicles	82,962,004
Manufacturing and processing industry	82,067,556
Build	48,331,446
Agriculture, forestry and fisheries	37,393,001
Real estate business	31,858,477
Transportation, warehousing	21,517,180
Production and distribution of electricity, gas, hot water, steam and air conditioning	17,571,504
Other service activities	11,732,292
Accommodation and food services	1,411,261
Extractive	1,180,487
Financial, banking and insurance activities	449,161
Other	1,083,821
2. Personal	**55,424,875**

- ❖ Credit risk assets (including on-balance sheet and off-balance sheet) are minimized (value before and after reduction) according to credit risk mitigation measures specified in the Circular. 41 according to specific consolidated data as follows:

Items	Pre risk-mitigated value	Post risk-mitigated value
Total assets under credit risk that are minimized	70,540,797	19,474.770
Assets based on credit risks that are	42,673,498	11,010,298

Items	Pre risk-mitigated value	Post risk-mitigated value
minimized by collateral		
Assets based on credit risks that are minimized by offsetting off-balance sheet	27,674,739	8,464,472
Assets based on credit risks that are minimized by 3rd party guarantees	192,560	0
Assets based on credit risks that are minimized by credit derivatives	-	-
Assets based on credit risk with no mitigation measures applied	**459,239,815**	**459,239,815**
Total	**529,780,612**	**478,714,584**

4. Operational risks:

a) Qualitative content:

Operational risk of SHB is defined as: the risk due to incomplete or erroneous internal processes, human factors, system failures, or external factors. financial loss, negative non-financial impact on SHB (including legal risks). Operational risk excludes reputational risk and strategic risk.

(i) Current operational risk management policy of SHB :

SHB has issued a Policy on Operational Risk Management (Operational Risk Management) to create a general framework for the risk management system to operate according to the requirements of the State Bank, international standards and practices, including the following contents:

- Unify the concepts, classification of operational risk and general principles of management of operational risk;
- Establish organizational structure and stipulate operational risk management responsibilities according to the model of three lines of defense throughout the bank: from the Board of Directors, the Supervisory Board, the Risk Management Committee, the General Director, the Risk Council, and the Internal Audit Division. Department, Risk Management Division, Compliance Monitoring Department and the system of OR Coordinators at each Unit ;
- Regulations on methods/tools to identify, measure, monitor and control OH&S and action plans for OH&S;

- Operational risk management with new products, operating in new markets, operational risk management in technology application, outsourcing activities ;
- Regulations on maintaining business continuity,
- Information security risk management, fraud risk management.
- Building a culture of risk management.

SHB is applying a number of methods to identify, measure and control operational risks, meeting the requirements of Circular 13/2018/TT-NHNN: 1) Collecting and analyzing internal loss data and outside; 2) Business process mapping; 3) Business performance and material risk ratios; 5) Risk self-assessment and control (with pre-issue documents and some key activities: E-banking, Information technology) 4) Scenario analysis (with capital for operational risk);

(ii) A business continuity plan (BCP):

SHB has set up a Crisis Management Team/Committee (CMT) and fully issued regulations, procedures , guidelines for building and updating BCP.

SHB units have developed BCPs with interruption situations that meet the requirements of Circular 13/2018/TT-NHNN, including:

- Force majeure events (natural disasters, fires, floods, etc.) cause the Unit to need to evacuate urgently or cannot access the work site ;
- Information technology system malfunction ;
- Loss of important documents and databases.

In 2022, SHB conducted a test of fire situations requiring emergency evacuation to evaluate the feasibility, efficiency and practicality, applying BCP at some Head Offices and some branches at SHB. .

b) Quantitative content:

The required capital for operational risk is determined on 15% of the average business performance of the last 3 years at the time of calculation and is specified in accordance with the guidance in Appendix 3 issued with Circular 41. Specifically. The consolidated figures are as follows:

Items on the income statement	**Item**	**Seperate**	**Consolidated**
(Interest income and similar income - Interest expense and similar expenses)	IC	15,612,309	17,628,951
(Service income + Service operating expenses + Income from other activities + Other operating expenses)	SC	1,849,945	2,374,862

(Net profit/loss from foreign exchange business + Net profit/loss from trading securities + Net profit/loss from trading investment securities)	FC	283,280	267,908
Business index	BI	17,745,534	20,271,721
Required capital for operational risk	**K_{OR}**	**2,296,080**	**2,578,591**
Total assets based on operational risk	**$12.5*K_{OR}$**	**28,701,000**	**32,232,389**

5. Market risk:

a) Qualitative content:

- Market risk is the risk caused by adverse fluctuations in interest rates, exchange rates, stock prices and commodity prices in the market.
- Market risk management policy:

The risk management policy is issued and reviewed and evaluated on an annual or irregular basis to ensure compliance with the Bank's risk management strategy from time to time. Based on the objectives and principles specified in the Policy on Market Risk Management, SHB has developed and issued a complete system of documents, regulations and processes on market risk management such as: Regulations on separation of business books and bank book; Regulations on market risk measurement; Guidelines for the measurement of market risk; Process of market risk management; Regulations on market risk limits, etc. to ensure that market risk management is implemented effectively and consistently:

- The market risk management policy stipulates the objectives and principles of risk management to fulfill the requirements for the market risk management strategy, and the market risk control system includes three lines of protection.
- Along with the centralized interest rate and exchange rate risk management policy at the Head Office, SHB develops the principles of market risk management in normal and crisis conditions by setting limits/limits to manage risk. manage and develop stress test scenarios, assess the Bank's resilience, thereby building contingency plans for adverse situations. Measures and principles for applying preventive measures are also prescribed such as closing positions, using derivatives/hedging products, etc.

- Implemented the Policy on Market Risk Management, the Bank has fully issued a system of MRM to manage such as: Dealers limit; Loss limit, stop loss (stop loss limit); Status/portfolio limit, Maximum holding period limit; Sensitivity limit (PV01 – present value of 01 bps),… MRM limits are reviewed at least annually or irregularly when there is a big fluctuation in the market.
- On the basis of the established market risk limit, SHB performs measurement , monitoring, control and assess the situation of compliance with the limit, ensure the ability to give early warning in order to take timely and appropriate handling measures.

❖ Brief presentation of the Proprietary Strategy ;

Proprietary strategy is developed for proprietary activities/products, is developed for a period of 3 years and is reviewed annually to make timely adjustments to changing market and business conditions. change. SHB builds a proprietary trading strategy for each product, each currency, along with hedging principles for each product group on the basis of risk appetite, ensuring the optimization of Capital and the balance between objectives . profit expenditure and capital adequacy ratio of the Bank

❖ List of business books.

The list of SHB's business books includes:

✓ List of bonds on the trading book ;

✓ The entire forex trading portfolio includes spot positions, forwards and swaps.

b) Quantitative content:

The capital required for market risk includes the capital required for interest rate risk and foreign exchange risk. As of December 31, 2022, SHB did not conduct stock, commodity and options trading activities, so it did not incur capital requirements for these risks.

The required capital for interest rate risk and foreign exchange risk is calculated according to the guidance in Circular 41. Specifically, consolidated figures are as follows:

Items	**Seperate**		**Consolidated**	
	Capital	**Total assets**	**Capital**	**Total assets**

	required for market risk	**at risk**	**required for market risk**	**at risk**
Interest rate risk	86.785	1,084.816	86.785	1,084.816
Stock price risk	0	-	0	-
Forex risk	112,799	1,409,990	95,514	1,193,923
Commodity price risk	0	-	0	-
Risks for options trading	0	-	0	-
Total	**199.584**	**2,494.806**	**182,299**	**2,278,738**