

SAI GON – HA NOI COMMERCIAL JOINT STOCK BANK
(Incorporated in the Socialist Republic of Vietnam)

**REVIEWED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

For the 6-month period ended 30 June 2023

In accordance with Vietnamese Accounting Standards,
accounting regime applicable to credit institutions in Vietnam
and legal regulations relating to interim consolidated financial reporting



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HANOI COMMERCIAL JOINT STOCK BANK
HOAN KIEM DISTRICT
HANOI, S.R. VIETNAM

STATEMENT OF THE BOARD OF MANAGEMENT

The Board of Management of Saigon – Hanoi Commercial Joint Stock Bank (the “Bank”) presents this report together with the Bank’s interim consolidated financial statements for the 6-month period ended 30 June 2023.

The members of the Board of Directors, Board of Supervisors, and Board of Management and Chief Accountant of the Bank during the period and to the date of the interim consolidated financial statements are as follows:

Board of Directors

Mr. Do Quang Hien	Chairman
Mr. Do Duc Hai	Vice Chairman (appointed on 11 April 2023)
Mr. Do Quang Vinh	Vice Chairman (appointed on 11 April 2023)
Mr. Vo Duc Tien	Vice Chairman (resigned from 11 April 2023)
Mr. Thai Quoc Minh	Member
Ms. Ngo Thu Ha	Member (appointed on 11 April 2023)
Ms. Pham Viet Dan	Member (appointed on 11 April 2023)
Mr. Nguyen Van Le	Member (resigned from 11 April 2023)
Mr. Do Van Sinh	Independent Member
Mr. Haroon Anwar Sheikh	Independent Member (appointed on 11 April 2023)

Board of Supervisors

Mr. Pham Hoa Binh	Head of Board of Supervisors
Ms. Le Thanh Cam	Member
Mr. Vu Xuan Thuy Son	Member

Board of Management and Chief Accountant

Ms. Ngo Thu Ha	Chief Executive Officer
Mr. Le Dang Khoa	Deputy General Director
Mr. Nguyen Huy Tai	Vice General Director
Ms. Ninh Thi Lan Phuong	Vice General Director
Ms. Hoang Thi Mai Thao	Vice General Director
Mr. Do Duc Hai	Vice General Director
Mr. Do Quang Vinh	Vice General Director
Mr. Luu Danh Duc	Vice General Director
Mr. Tran Xuan Huy	Vice General Director (appointed on 01 March 2023)
Ms. Ngo Thi Van	Chief Accountant

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STATEMENT OF THE BOARD OF MANAGEMENT (Continued)

THE BOARD OF MANAGEMENT'S STATEMENT OF RESPONSIBILITY

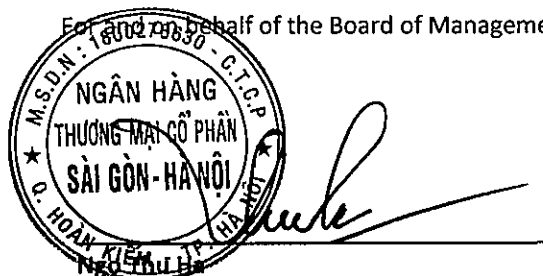
The Board of Management of the Bank is responsible for preparing the interim consolidated financial statements, which give a true and fair view of the financial position of the Bank as at 30 June 2023 and its financial performance and its cash flows for the 6-month period then ended in accordance with Vietnamese Accounting Standards, accounting regime applicable to credit institutions in Vietnam and legal regulations relating to interim consolidated financial reporting. In preparing these consolidated financial statements, the Board of Management is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the interim consolidated financial statements;
- Prepare the interim consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue its business; and
- Design and implement an effective internal control system for the purpose of properly preparing and presenting the interim consolidated financial statements so as to minimize errors and frauds.

The Board of Management is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Bank, and that the interim consolidated financial statements comply with Vietnamese Accounting Standards, accounting regime applicable to credit institutions in Vietnam and legal regulations relating to interim financial reporting. The Board of Management is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The Board of Management confirms that the Bank has complied with the above requirements in preparing these interim consolidated financial statements.

For and on behalf of the Board of Management,



The seal is circular with the text "NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN SÀI GÒN - HÀ NỘI" in the center. Around the perimeter, it reads "M.S.D.N.: 1800278830 - G.T.C.P." at the top and "Q. HOÀN KIẾM TP. HÀ NỘI" at the bottom. A handwritten signature is written over the seal.

Chief Executive Officer

Hanoi, 25 August 2023

No.: 0246/VN1A-HN-BC

REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To: The Shareholders
The Board of Directors and the Board of Management
Saigon – Hanoi Commercial Joint Stock Bank

We have reviewed the accompanying interim consolidated financial statements of Sai Gon – Hanoi Commercial Joint Stock Bank (the “Bank”), prepared on 25 August 2023 as set out from page 05 to page 53, which comprise the interim consolidated statement of financial position as at 30 June 2023, the interim consolidated income statement and the interim consolidated cash flow statement for the 6-month period then ended, and notes to the interim consolidated financial statements.

Board of Management’s Responsibility

The Bank’s Board of Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Vietnamese Accounting Standards, accounting regime applicable to credit institutions in Vietnam and legal regulations relating to interim financial reporting and for such internal control as the Board of Management determines is necessary to enable the preparation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express a conclusion on this accompanying interim consolidated financial statements based on our review. We conducted our review in accordance with Vietnamese Standard on Review Engagements No. 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

A review of interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Vietnamese Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the financial position of the Bank as at 30 June 2023, and its financial performance and its cash flows for the 6-month period then ended in accordance with Vietnamese Accounting Standards, accounting regime applicable to credit institutions in Vietnam and legal regulations relating to interim consolidated financial reporting.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 As at 30 June 2023

Unit: VND Million

NO.	ITEMS	Notes	Closing balance	Opening balance
A.	ASSETS			
I.	Cash, gold and gemstones		1,443,956	1,897,545
II.	Balances with the State Bank of Vietnam ("SBV")		30,143,998	15,145,862
III.	Placements with and loans to other credit institutions	5	68,922,397	63,008,862
1.	Placements with other credit institutions		52,826,350	52,456,685
2.	Loans to other credit institutions		16,215,209	10,651,971
3.	Provisions for credit losses		(119,162)	(99,794)
IV.	Trading securities	6	2,341	1,547
1.	Trading securities		3,881	3,881
2.	Provisions for impairment of trading securities		(1,540)	(2,334)
V.	Derivative financial instruments and other financial assets	7	145,447	269,772
VI.	Loans to customers		400,631,980	378,575,443
1.	Loans to customers	8	407,634,077	385,633,215
2.	Provisions for credit losses of loans to customers	9	(7,002,097)	(7,057,772)
VII.	Investment securities	10	33,700,784	32,954,676
1.	Available-for-sale investment securities	10.1	15,959,254	12,988,616
2.	Held-to-maturity investment securities	10.2	17,820,729	20,063,662
3.	Provisions for impairment of investment securities	10.4	(79,199)	(97,602)
VIII.	Long-term investments	11	410,293	46,699
1.	Investments in associates		335,900	-
2.	Other long-term investments		158,272	158,272
3.	Provisions for impairment of long-term investments		(83,879)	(111,573)
IX.	Fixed assets		4,997,949	4,954,396
1.	Tangible fixed assets		525,542	502,854
a.	Cost		1,304,008	1,287,149
b.	Accumulated depreciation		(778,466)	(784,295)
2.	Intangible assets		4,472,407	4,451,542
a.	Cost		4,789,988	4,772,975
b.	Accumulated amortisation		(317,581)	(321,433)
X.	Other assets	12	44,870,705	54,049,318
1.	Other receivables		24,533,451	37,702,381
2.	Interest and fee receivables		17,883,120	15,295,742
3.	Other assets		2,573,294	1,178,109
4.	Provisions for impairment of other assets		(119,160)	(126,914)
TOTAL ASSETS			585,269,850	550,904,120

The accompanying notes are an integral part of these interim separate financial statements

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2023

Unit: VND Million

NO.	ITEMS	Notes	Closing balance	Opening balance
B.	LIABILITIES AND OWNERS' EQUITY			
I.	Borrowings from the Government and the SBV	13	1,374,724	9,715,193
1.	Deposits and borrowings from the Government and the SBV		1,374,724	9,715,193
II.	Deposits and borrowings from other credit institutions	14	63,199,373	78,283,936
1.	Deposits from other credit institutions		54,969,288	72,871,039
2.	Borrowings from other credit institutions		8,230,085	5,412,897
III.	Deposits from customers	15	409,618,315	361,675,593
IV.	Grants, trusted funds and borrowings at risk of the credit institution	16	1,452,356	1,615,605
V.	Valuable papers issued	17	42,258,821	36,440,208
VI.	Other liabilities	18	19,752,719	20,269,114
1.	Accrued fee and interest expenses		13,322,073	9,069,320
2.	Deferred tax liabilities		34,242	30,233
3.	Other payables and liabilities		6,396,404	11,169,561
	TOTAL LIABILITIES		537,656,308	507,999,649
VII.	Capital and reserves	20	47,613,542	42,904,471
1.	Contributed capital		32,118,175	32,118,175
a.	Charter capital		30,673,832	30,673,832
b.	Share premium		1,449,603	1,449,603
c.	Stock fund		(5,260)	(5,260)
2.	Reserves		4,042,005	4,061,834
3.	Foreign exchange reserves		(663,587)	(606,344)
4.	Retained earnings		12,116,949	7,330,806
	TOTAL LIABILITIES AND OWNERS' EQUITY		585,269,850	550,904,120

The accompanying notes are an integral part of these interim separate financial statements

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
 As at 30 June 2023

OFF-BALANCE-SHEET ITEMS

Unit: VND Million

NO.	ITEMS	Notes	Closing balance	Opening balance
1.	Credit guarantees		20,766	23,856
2.	Foreign exchange transactions commitments		9,356,888	38,872,143
	<i>Buying foreign currency commitments</i>		947,564	6,324,654
	<i>Selling foreign currency commitments</i>		1,069,538	3,074,583
	<i>Cross currency swap contracts</i>		7,339,786	29,472,906
3.	Letters of credit		12,078,511	19,146,337
4.	Other guarantees		14,672,611	16,035,382
5.	Uncollected loan interest and fees		9,716,499	7,070,140
6.	Doubtful debts written-off		31,221,462	33,087,997
7.	Assets and other documents		2,358,560	4,156,915

Prepared by



Nguyen Thi Lien
 Head of Accounting and General
 Affairs Department

Approved by



Ngo Thi Van
 Chief Accountant

Approved by



Ngo Thu Ha
 Chief Executive Officer

25 August 2023

INTERIM CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2023

Unit: VND Million

NO.	ITEMS	Notes	Current period	Prior period
1.	Interest and similar income	21	29,119,918	19,289,005
2.	Interest and similar expenses	22	(19,168,388)	(10,872,859)
I.	Net interest income		9,951,530	8,416,146
3.	Income from services		533,782	551,815
4.	Expenses on services		(182,163)	(171,708)
II.	Net profit from services		351,619	380,107
III.	Net gain from trading foreign currencies		129,400	77,341
IV.	Net gain from trading securities	23.1	794	-
V.	Net gain/(loss) from investment securities	23.2	28,346	17,875
5.	Other operating income		167,113	525,009
6.	Other operating expenses		(21,533)	(69,715)
VI.	Net profit from other activities	24	145,580	455,294
VII.	Income from capital contribution, equity investments	25	684,523	2,083
VIII.	Operating expenses	26	(2,296,448)	(1,940,599)
IX.	Net profit from operating activities before credit provision expenses		8,995,344	7,408,247
X.	Provision expenses for credit losses		(2,911,094)	(1,631,384)
XI.	Profit before tax		6,084,250	5,776,863
7.	Current corporate income tax expense	27	(1,253,953)	(1,146,026)
8.	Differed tax expense		2,356	5,638
XII.	Corporate income tax expense		(1,251,597)	(1,140,388)
XIII.	Profit after corporate income tax		4,832,653	4,636,475
XIV.	Basic earnings per share (VND)	28	1,335	1,281

Prepared by

Approved by

Approved by



Nguyen Thi Lien
Head of Accounting and General
Affairs Department



Ngo Thi Van
Chief Accountant



Ngô Thu Hà
Chief Executive Officer

25 August 2023

INTERIM CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2023

Unit: VND Million

NO. ITEMS	Current period	Prior period
CASH FLOW FROM OPERATING ACTIVITIES		
01. Interest and similar income received	26,504,317	14,921,663
02. Interest and similar expenses paid	(14,915,635)	(10,405,828)
03. Service income received	379,845	321,826
04. Net cash received from trading foreign currencies, gold and securities	139,343	182,389
05. Other expenses	14,829	22,152
06. Receipts from debts written-off or paid off by risk fund	130,526	433,142
07. Payments to employees and for operating management	(2,256,145)	(1,939,639)
08. Corporate income tax paid	(2,024,665)	(485,656)
Net cash from operating profit before movements in assets and working capital	7,972,415	3,050,049
Movement in operating assets	(19,933,539)	(32,535,183)
09. (Increase)/Decrease in deposits at and loans to other credit institutions	(5,665,086)	(3,235,587)
10. Decrease in trading securities	(727,706)	(12,178,898)
11. (Increase) in derivatives and other financial assets	124,324	252,448
12. (Increase) in loans to customers	(22,000,863)	(10,258,779)
13. (Decrease) in provisions for losses	(2,417,255)	(479,013)
14. (Increase) in other operating assets	10,753,047	(6,635,354)
Movement in operating liabilities	26,065,491	10,101,077
15. (Decrease) in borrowings from the Government and the State Bank of Vietnam	(8,340,469)	(54,056)
16. (Decrease)/Increase in deposits and borrowings from other credit institutions	(15,084,563)	5,451,526
17. Increase in deposits from customers (including the State Treasury)	47,942,722	12,564,614
18. (Decrease)/Increase in issued valuable papers (excluding valuable papers charged to financial activities)	5,818,613	(6,097,815)
19. (Decrease)/Increase in grants, trusted funds and borrowings at risk of the credit institution	(163,249)	(3,178,785)
20. (Decrease) in derivatives and other financial liabilities	-	67,287
21. Increase/(Decrease) in other operating liabilities	(4,107,563)	1,348,306
I. Net cash generated by/(used in) operating activities	14,104,367	(19,384,057)

INTERIM CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the year ended 30 June 2023

Unit: VND Million

NO. ITEMS	Current period	Prior period
CASH FLOWS FROM INVESTING ACTIVITIES		
01. Acquisition of fixed assets	(132,440)	(15,833)
02. Proceeds from sales, disposals of fixed assets	225	14,628
03. Proceeds from investments in other entities	836,888	6,000
04. Dividends and profit received from long-term investments and capital contribution	3,333	2,083
II. Net cash (used in) investing activities	708,006	6,878
CASH FLOWS FROM FINANCING ACTIVITIES		
01. Dividends paid	(9)	(111)
III. Net cash (used in) financing activities	(9)	(111)
IV. Net increase/(decrease) in cash	14,812,364	(19,377,290)
V. Cash and cash equivalents at the beginning of the period	69,500,092	71,809,167
VI. Cash and cash equivalents at the end of the period (Note 29)	84,312,456	52,431,877

Prepared by



Nguyen Thi Lien
 Head of Accounting and General
 Affairs Department

Approved by



Ngo Thi Van
 Chief Accountant

Approved by



Ngo Thu Ha
 Chief Executive Officer

25 August 2023

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. GENERAL INFORMATION**Establishment and Operation**

Saigon- Hanoi Commercial Joint Stock 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 with the original name of Nhon Ai Rural Commercial Joint Stock Bank. The Bank was renamed as Saigon – Hanoi Commercial Joint Stock Bank under Decision No 1764/QĐ-NHNN dated 11 September 2009. 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 in Vietnam. Currently, the Bank operates under the Establishment and Operation License No. 115/GP-NHNN dated 30 November 30 2018, issued by the State Bank of Vietnam which has been amended several times and the most recent adjustment is according to Decision No. 08/QĐ-NHNN dated 04 January 2023, and Enterprise Registration Certificate No. 1800278630 dated 10 December 1993 by the Hanoi Department of Planning and Investment which was amended for the 33rd time on 19 July 2023. The Bank's term of operation is 99 years since 13 November 1993.

The Bank was established to perform banking activities under its Establishment and Operation License and Enterprise Registration Certificate, including demand deposits, term deposits, savings deposits and other types of deposits; credit granting; opening current accounts for customers; supply of domestic payment services; opening accounts; organizing internal payment; participating in the national interbank payment system; conducting other business activities of commercial banks such as cash management services, banking and financial consultancy; services of managing, preserving assets, leasing cabinets, safe boxes; providing advisory services on business finance, enterprise acquisition, disposal, consolidation, merger, and investment; participating in bidding for Treasury bills, purchase and sale of negotiable instruments, Government bonds, Treasury bills, State Bank of Vietnam bills and other valuable papers on the monetary market; buying and selling Government bonds and corporate bonds; providing money brokerage services; issuing certificates of deposit, promissory notes, treasury bills and bonds to mobilize domestic and foreign capital according to the provisions of the Law on Credit Institutions, the Law on Securities, the Government's Law and guidance; borrowing capital from the State Bank of Vietnam in the form of refinancing; lending and borrowing capital from domestic and foreign credit institutions and financial institutions; capital contribution and sale; acting as trustor, trustee and agent in banking-related activities, insurance business and asset management according to the regulations of the State Bank of Vietnam; trading and providing foreign exchange services on the domestic and international market within the scope prescribed by the State Bank of Vietnam; supplying commodity derivative products; providing securities depository and gold trading services; debt purchasing activities; investment in Government bond futures contracts.

Charter capital

As at 30 June 2023, the Bank's charter capital was VND 30,673,832 million.

Locations and the Branch network

The Head Office of the Bank is located at No. 77 Tran Hung Dao Street, Tran Hung Dao Ward, Hoan Kiem District, Hanoi, Vietnam. As at 30 June 2023, the Bank had one (1) Head Office, fifty eight (58) branches and two hundred and five (205) transaction offices.

Employees

The total number of officers and employees of the Bank as of 30 June 2023 was 10,786 (as at 31 December 2022 was 9,504)

Subsidiaries

As at 30 June 2023, the Bank has eleven (03) subsidiaries as follows:

STT	Name	Established in accordance with Decision/License No.	Business sector	Proportion of ownership
1	SHB Debt and Asset Management One Member Company Limited ("SHB AMC")	Registration Certificate No. 0103811666 by Hanoi Authority for Planning and Investment dated 04 May 2009 and the 5 th Amendment dated 25 June 2019	Debt and Asset management	100.00%
2	Saigon – Hanoi Bank Laos One Member Company Limited ("SHB Laos")	Registration Certificate No. 554/2018/VC-SHB.LAO by Central Bank of Lao PDR dated 08 July 2015 and 15 January 2016	Finance/Banking	100.00%
3	Saigon – Hanoi Bank Cambodia One Member Limited ("SHB Cambodia")	Banking License No. B.35 dated 31 October 2016 issued by the State Bank of Cambodia and Registration Certificate No. MOC-6193635 by Cambodia's Ministry of Commerce dated on 13 March 2017	Finance/Banking	100.00%

Associates

As at 30 June 2023, the Bank has one (01) associate as follows:

STT	Name	Established in accordance with Decision/License No.	Business sector	Proportion of ownership
1	SHB Finance Company Limited ("SHB FC")	Registration Certificate No. 21/GP-NHNN by the State Bank of Viet Nam dated 25 April 2023 and Registration Certificate No. 0107779290 by Hanoi Authority for Planning and Investment dated 28 March 2017, the 8 th amendment dated 4 July 2023	Consumer lending	50.00%

Resolution No. 29/NQ-HĐQT dated 25 August 2021 signed by the Bank's Board of Directors approved the Bank's transfer of its 100% ownership in SHB One Member Limited Finance Company, a subsidiary of the Bank. The capital transfer is divided into two phases. Currently, the Bank has completed the procedures for transferring 50% of charter capital to Ayudhya Public Bank Limited ("Krungsri") of Thailand – a member of MUFG Group (Japan). After 3 years of joint ownership of SHB FC, the Bank will transfer the remaining 50% of charter capital to Krungsri and Krungsri will become the sole owner of SHB FC. On 25 April 2023, SBV approved the License for Establishment and Operation of SHB Finance Company Limited No. 21/GP-NHNN (replacing the License No. 71/GP-NHNN for Establishment and Operation of SHB Finance Company Limited issued by the SBV dated on 11 November 2021) with an operation period of 50 years and the charter capital is VND 1,000,000 million. On 09 June 2023, the Hanoi Department for Planning and Investment issued the Registration Certificate No. 0107779290 which was amended in the 7th time, acknowledging that the list of capital contributors of SHB FC includes the Bank and Krungsri with the respective capital contribution ratio of 50%. As such, Krungsri has the right to appoint key management

positions at SHB FC, through which exercising its right to control over SHB FC. At the moment the Bank assesses that it still has a significant influence on SHB FC's financial policy and operations. Therefore, the Bank recognizes its investment in SHB FC after divestment as investment in associate.

Disclosure of information comparability in the interim consolidated financial statements

The comparative figures of the interim consolidated statement of financial position and the corresponding notes are the figures of the audited consolidated financial statements for the financial year ended 31 December 2022. The comparative figures of the interim consolidated income statement, the interim consolidated cash flow statement and the corresponding notes are the figures of the reviewed interim consolidated financial statements for the 6-month period ended 30 June 2023.

2. ACCOUNTING CONVENTION AND ACCOUNTING PERIOD

Accounting convention

The accompanying interim consolidated financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime applicable to credit institutions in Vietnam and legal regulations relating to interim consolidated financial reporting. However, due to the Bank's large scale of operation, for the purpose of preparing these interim consolidated financial statements, the figures are rounded to and presented in millions of Vietnam Dong (VND Million). This presentation does not materially impact the interim consolidated financial statements in terms of the financial position, the results of operations and cash flows of the Bank. Regarding the number of shares, the Bank presented the items in units as shown in Note 20.2 and Note 28.

The accompanying interim consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices which are generally accepted in countries and jurisdictions other than Vietnam.

Accounting period

The Bank's financial year begins on 01 January and ends on 31 December. The accompanying interim consolidated financial statements were prepared for the 6-month period ended 30 June 2023.

3. APPLICATION OF NEW GUIDELINES

Circular No. 02/2012/TT-NHNN dated on 23 April 2023

On 23 April 2023, the SBV issued Circular No. 02/2023/TT-NHNN ("Circular 02") restructuring debt repayment terms and maintaining debt categories at credit institutions and branches of foreign banks to assist disadvantaged customers. This circular took effective from 24 April 2023.

Some major changes in this Circular that affect the Bank's interim consolidated financial statements for the accounting period include:

- Set the conditions of debts including the principal balance and/or interest with restructured repayment, and provide for the retention of the debt group and classification of debts after restructuring the debt repayment term;
- Regulate on provision for customers whose principal and/or interest balances are restructured in accordance with this Circular;

Circular No. 18/2022/TT-NHNN dated 26 December 2022

On 26 December 2022, the State Bank of Vietnam issued Circular No. 18/2022/TT-NHNN ("Circular 18") amendment, supplemented a number of articles of Circular No. 09/2015/TT-NHNN ("Circular 09") dated 17 July 2015 of the State Bank of Vietnam regulating purchase, sale of debts of credit institutions, branches of foreign banks. This circular took effective from 9 February 2023.

Some major amendment in this Circular affecting the Bank's interim separate financial statements during the operation period include:

- Amending a number of articles of Circular 09 on the principles of buying and selling debts; valuation of the debt; management of purchased and sold debts and financial settlement, accounting for purchased and sold debts;
- Supplementing a number of articles of Circular 09 on buying and selling debts in case the debt buyer has not paid the full amount of debt purchase and managing monitoring in case of selling part of the debt or selling a debt to multiple debt buyers;
- Replacing some phrases, clauses, and articles of Circular 09.

The Bank has applied this Circular in its interim consolidated financial statements for the 6-month period ended 30 June 2023.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted by the Bank in the preparation of these interim consolidated financial statements, are as follows:

Estimates

The preparation of the interim consolidated financial statements in conformity with Vietnamese Accounting Standards, accounting regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting requires the Board of Management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the operating period. Although these accounting estimates are based on the Board of Management's best knowledge, actual results may differ from those estimates and assumptions.

Basis of consolidation

The consolidated financial statements incorporate the separate financial statements of the Bank and the financial statements of the enterprises/bank controlled by the Bank ("its subsidiaries") for the period ended 30 June 2023. Control is achieved when the Bank has the power to govern the financial and operating policies of investee enterprises so as to obtain benefits from their activities.

The operating results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Bank. All internal transactions and balances between the Bank and its subsidiaries and among subsidiaries are eliminated in the interim consolidated financial statements.

In the period, the Bank divested part of capital invested in a subsidiary. After the divestment, the Bank lost control and this subsidiary became an affiliated company of the Bank. Therefore, investments in associates are presented using the equity method. The results of the divestment are recorded in the interim consolidated income statement according to current accounting regulations.

Non-controlling interests consist of the amount of those non-controlling interests at the date of the initial business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses in subsidiaries are respectively attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations

Upon acquisition, the assets, liabilities and contingent liabilities of the subsidiaries are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to profit and loss in the year of acquisition.

The non-controlling interests are initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Investments in Associates

An associate is an entity over which the Bank has significant influence but not a subsidiary or joint venture of the Bank. Significant influence is the power to participate in the financial and operating policy decisions of the investee without the power to control or joint control over those policies.

The operating results, assets and liabilities of associates are consolidated in the interim consolidated financial statements using the equity method of accounting. Under this method, an equity investment is initially recorded at cost and is subsequently adjusted to reflect by post-acquisition changes in the Bank's share of the net assets of the associates. The associate losses exceeding the Bank's capital contribution to that associate (including any long-term contributions, in substance, form part of the Bank's net investment in the associate) are not recorded.

In the situation that a Bank's subsidiary has conducted transactions with its associate, unrealised profits and losses resulting from these transactions should be eliminated from the consolidated financial statements proportionately to the extent of the Bank's contribution in the associate.

Foreign currencies

According to the Bank's accounting system, all the transactions are recorded at the original currencies. At the date of the interim consolidated financial statements, monetary assets and liabilities denominated in foreign currencies are translated into VND using the average buying and selling spot exchange rates at the close of business of the statement of financial position date, if the difference between this rate and the weighted average exchange rate of buying and selling of the same day is less than 1% (see details of exchange rates applied on 30 June 2023 at Note 35). In case the buying and selling spot exchange rate at the close of business of the statement of financial position date is greater than or equal to 1% compared with the weighted average of buying and selling spot exchange rate of the same day, the Bank uses the weighted average buying and selling spot exchange rates of the statement of financial position date for conversion. Income and expenses arising in foreign currencies of the Bank are converted into VND at exchange rates ruling at the transaction dates. At the end of the period, exchange rate differences arising from revaluation of assets and liabilities denominated in foreign currencies into VND are recorded in "Net gain/(loss) from foreign currency trading" in the consolidated income statement. At the mid-year, exchange differences are recorded in the interim consolidated income statement.

The reporting currency of SHB Cambodia is the US Dollar. The reporting currency of the SHB Laos is the Lao Kip ("LAK"). For the purposes of consolidation under the equity method for the investment in associated companies in the consolidated financial statements of the Bank and its subsidiaries, assets and liabilities are converted into VND at the average exchange rate of buying and selling spot transfers at the end of the working day on the statement of financial position date, capital accounts are converted into VND at the exchange rate of the date on which the capital contribution transaction arises. Items in the interim consolidated income statement and cash flow statement are converted at the actual exchange rate at the time the transaction arises. Exchange rate differences arising from the conversion of the report to VND are recorded in the item "Foreign exchange differences" on the interim consolidated financial position and transferred to the interim consolidated income statement at the time of the investment disposal.

Cash and cash equivalents

Cash and cash equivalents comprise cash, current accounts at the SBV, current accounts and time deposits for term of three months or less from the deposit date.

Placements with and loans to other credit institutions

Placements with and loans to other credit institutions are presented at their principal amounts outstanding at the end of the reporting period.

Placements with and loans to other credit institutions are classified and provisioned in accordance with Circular No. 11/2021/TT-NHNN dated 30 July 2021 ("Circular 11") issued by the SBV. Accordingly, the Bank makes specific provisions for deposits (except payment deposits) in other credit institutions, branches of domestic banks in accordance with the provisions of law and depositing money at foreign credit institutions and lending to other credit institutions in the same way as for customer loans.

Derivatives

Foreign currency forward and swap contracts

For foreign currency forward and swap contracts, the difference between equivalent VND amounts of foreign currency purchase/sale commitments using forward exchange rate and spot exchange rate as at effective date of the contract is recognized immediately at the effective date of the contract in lines "Interest and fee receivables" or "Interest and fee payables" in the interim consolidated statement of financial position. The difference is subsequently allocated to "Net gain/(loss) from foreign currency trading" item using straight-line method over the term of the contract.

As at the date of the interim consolidated financial statements, commitments of foreign currency forward contracts are revaluated and exchange differences arising from the revaluation of foreign currency denominated balances of forward contracts are recognized in the "Foreign exchange differences" item in the interim consolidated statement of financial position and will be recognized in the income statement at the end of the financial year.

Loans to customers

Loans to customers are disclosed and presented at their principal amounts outstanding at the end of the reporting period.

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- Circular No. B7.020.001.SRNN dated 27 March 2020 and Document No. B7.020.1748 Chh.Tor; Circular No. B7-021-002-CL dated 24 June 2021 of the National Bank of Cambodia on debt classification for customers affected by the Covid-19 epidemic; Document No. "Thor 7-020-055 Chhor.Tor" dated 06 January 2020 and Document No. "B7.021.2098 Chhor.Tor" dated 07 December 2021 of the Director General of the State Bank of Cambodia Supervision Department on debt classification for some customers;
- Decision No. 238/BOL dated 26 March 2020 of the Bank of the Lao PDR on debt classification for customers affected by the Covid-19 epidemic; Notification No. 172/BOL dated May 15 2017; of the Governor of the Central Bank of Lao PDR and other documents of the Central Bank of Laos on debt classification for some customers.

Loans are classified by risk level into: Standard, Special mention, Sub-standard, Doubtful and Loss. Loans classified as either Sub-standard, Doubtful or Loss are considered as bad debts. Loan classification and provision for credit losses will be made at the end of each month and recorded for accounting in the following month. Provision for credit risk on 30 June 2023 is recorded in the interim consolidated income statement for the reporting period incurred.

Net credit risk exposure for each item is calculated by subtracting from the remaining loan balance the discounted value of collateral which is subject to discount rates in accordance with Circular 11 from the remaining loan balance. Specific provision is made based on the net credit risk exposure of each item using the prescribed provision rates as follows:

Group	Category	Provision rate
1	Standard	0%
2	Special-mentioned	5%
3	Sub-standard	20%
4	Doubtful	50%
5	Loss	100%

In accordance with Circular 03, the Bank should make a specific provision for customers whose debts are restructured or granted interest and fees exemption, or reduction as prescribed by this Circular as follows:

- Up to 31 December 2021: by at least 30% of the additional specific provision;
- Up to 31 December 2022: by at least 60% of the additional specific provision, and;
- Up to 31 December 2023: 100% of the additional specific provision.

According to Circular 02, the Bank should make specific provisions for customers whose debt balances are restructured in the debt repayment term as prescribed in this Circular as follows:

- Up to 31 December 2023: by at least 50% of the additional specific provision;
- Up to 31 December 2024: 100% of the additional specific provision.

The specific provision amount must be added according to Circular 03 and Circular 02.

In accordance with Circular 11, a general provision is made for credit losses which are yet to be identified during the loan classification and specific provisioning process as well as in cases where the Bank encounters potential financial difficulty due to the deterioration in loan quality. Accordingly, the Bank is required to fully make and maintain a general provision at 0.75% of total loans which are classified in group 1 to 4, except deposits at domestic credit institutions; loans and term purchases of valuable papers to credit institutions and other foreign bank branches in Vietnam; purchases of promissory notes, bills, certificates of deposit, bonds issued domestically by credit institutions and other foreign bank branches; and resale of Government bonds under Circular 11.

Investment securities

Available-for-sale investment securities

Available-for-sale investment securities include debt and equity securities that the Bank and/ or subsidiaries hold less than 11% of voting rights for investment and ready-for-sale purposes. These securities are not frequently traded but can be sold at any time once they are profitable, and the Bank and/ or subsidiaries are neither the founding shareholder/strategic partner nor capable of controlling, to some extent, the process of initiating and approving financial and operational policies of the investee, which is evidenced by a written agreement on delegating personnel for representation in the Board of Directors/Board of Management.

Capital securities are recorded at cost on the transaction date and are always reflected at the original price during the subsequent holding period.

Available-for-sale debt securities are initially recognized at par value at the transaction date. Accrued interest before the acquisition date (for debt securities with interest payment in arrears) or interest income received upfront awaiting amortisation (for debt securities with interest payment in advance) is recorded in a separate account. Any discount or premium, which is the difference between the cost and the amount equal to par value plus (+) accrued interest before the acquisition date (if any) or minus (-) interest received upfront awaiting amortisation (if any), is also recorded in a separate account.

During the term of those securities, available-for-sale investment securities are recorded at par value minus/plus remaining discount/premium after being amortised into the interim consolidated income statement using the straight-line method over the remaining term of securities. Interest payment in arrears is recorded as follows: accumulative interest income before the purchasing date is deducted from the cost of such securities and the same amount is credited into the accrued interest income; accumulative interest income after the purchasing date is recognised as the Bank's income on an accrual basis. Interest received upfront is amortised into the interest income from securities investment on the straight-line method over the investment period.

Periodically, available-for-sale securities are subject to impairment review. Provision for securities that are fallen within the scope of Circular 11 (see details in the accounting policy notes for "Provision for credit risks") are made in accordance with Circular 11. Provision for impairment of securities that are not fallen within the scope of Circular 11 are made when their carrying values are higher than their market values determined in accordance with prevailing accounting regulations. Provision for impairment is recognized in the interim consolidated income statement as "Net gain/(loss) from investment securities".

Held-to-maturity investment securities

Held-to-maturity investment securities are debt securities that the Bank purchases for investment purpose to gain interest and the Bank has intention and ability to hold the securities until maturity. Held-to-maturity securities have determinable payments and fixed maturity dates. In case of being sold before maturity, they will be reclassified as trading or available-for-sale securities. Held-to-maturity investment securities are recognized similarly to available-for-sale debt securities.

Periodically, held-to-maturity securities are subject to impairment review. Provision for securities that are fallen within the scope of Circular 11 (see details in the accounting policy notes for "Provision for credit risks") are made in accordance with Circular 11. Provision for impairment of securities that are not fallen within the scope of Circular 11 are made when their carrying values are higher than their market values determined in accordance with prevailing accounting regulations. Provision for impairment is recognized in the interim consolidated income statement as "Net gain/(loss) from investment securities".

Reclassification

According to Official Letter No. 2601/NHNN-TCKT dated 14 April 2009 by the SBV, reclassification after transaction date is made only once for each item of investment securities. In special cases or in case a large number of securities has to be reclassified (greater than or equal to 50% of total value of the portfolio), the Bank will disclose the effect of reclassification on total assets, liabilities, equity, income and expenses of the Bank in the interim consolidated financial statements.

Other long-term investments

Other long-term investments represent the Bank's capital investments in other enterprises at which the Bank either owns less than 11% of the voting rights or is a founding shareholder; or a strategic partner; or is capable of controlling, to some extent, the process of initiating and approving financial and operating policies of the investees, which is evidenced by a written agreement on delegating personnel for representation in the Board of Directors/Board of Management. The investments are initially recognized at cost at the transaction date and always carried at that cost during the subsequent holding period.

Provision for impairment of investments

Provision for impairment of investments in subsidiaries, joint ventures, associates and other long-term investments is made when the investee is operating at loss in accordance with prevailing accounting regulations.

Provision for impairment of long-term investments is recognized as an operating expense in the interim consolidated income statement. In case an investment is made in listed shares, or the fair value of an investment is reliably determined, the provision is made based on the market value of the stock (similar to the provision for impairment of trading securities).

Recognition

The Bank recognizes investment securities and other investments at the date when contracts are signed and effective (transaction-date based policy). Investment securities and other investments are initially recognized at cost. After initial recognition, investment securities and other investments are recognized under the above accounting policies.

Derecognition

Investments in securities are derecognized when the rights to receive cash flows from the investments end or when the Bank transfers to the buyer the significant risks and rewards associated with the ownership of the investments.

Trust activities and trusted funds

The value of trusted funds is recorded when the trust contracts have been signed and trusted funds have been realised. Rights and obligations of the trustor and trustee relating to profit and profit sharing, trust fee, other rights and obligations are following the terms of the signed contracts. The assets that are held under custody services are not considered as assets of the Bank and therefore, they are not recognized in the interim consolidated financial statements of the Bank.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of tangible fixed asset comprises all the Bank's purchase price plus any directly attributable costs of bringing the asset to the working condition for its intended use.

Expenditures for additions, improvements and renewals are capitalized and expenditures for maintenance and repairs are charged to the interim consolidated income statement when incurred. When assets are sold or disposed, their cost and accumulated depreciation are written off from the interim consolidated statement of financial position and any gains or losses resulting from their disposals are recorded in the interim consolidated income statement.

Intangible assets

Intangible assets are stated at cost less accumulated amortization. The cost of an intangible asset comprises all the Bank's expenditures paid to acquire the asset until it is put into use.

Expenditures for improvements and renewals are capitalized. Costs related to intangible fixed assets incurred after the initial recognition are measured reliably, increasing the economic benefits of intangible fixed assets compared to the initial activity, which is reflected in the increase in the cost of the asset. Other expenditures are charged to the interim consolidated income statement when incurred. When intangible assets are sold or disposed, their cost and accumulated amortisation are written off from the interim consolidated statement of financial position and any gains or losses resulting from their disposals are recorded in the interim consolidated income statement.

Leasing

A lease is classified as a finance lease if it transfers substantially all the risks and rewards to lessee. All leases other than finance leases are classified as operating leases.

A lease is classified as an operating lease when the lessor retains most of the benefits and bears the risk of ownership of the property. Operating leases are not recognized on the interim consolidated financial position statement. Lease payable is recorded on a straight-line method in the "Operating Expenses" item during the lease term.

Depreciation and amortization

Depreciation and amortization of tangible fixed assets and intangible assets are calculated on a straight-line basis over the estimated useful lives of the assets.

<u>Assets</u>	<u>Estimated useful lives</u> <u>(Years)</u>
Buildings and structures	25
Machinery and equipment	03 - 05
Motor vehicles	06 - 10
Management tools and equipment	03 - 07
Other tangible fixed assets	04 - 07
Computer software	03 - 08
Other intangible assets	04 - 10

The cost of the land use rights is not amortized if it is granted by the Government of Vietnam for an indefinite term. The cost of the land use rights with definite term is amortized over the granted term from 30 - 46 years.

Prepayments

Prepayments include actual expenses that have arisen but are related to the results of production and business activities of many accounting periods. Prepayments comprise prepaid office rentals and other prepaid expenses.

Office rentals represent the amounts which have been paid in advance. Prepaid office rental is charged to the interim consolidated income statement using the straight-line method over the rental period.

Other prepayments include repair, maintenance costs for assets, costs of tools and supplies issued for consumption, which are expected to provide future economic benefits to the Bank. These expenses are capitalized as prepayments and are allocated to the interim consolidated income statement using the straight-line method over the period of one year or more, but not exceeding three years in accordance with prevailing accounting regulations.

Receivables

Receivables other than those from credit activities in the Bank's operation are initially recognized at cost and subsequently recorded at cost. Other receivables are subject to impairment review based on the overdue status or based on the expected loss for the following cases: institutional debtors who have fallen into bankruptcy or have been in the process of dissolution; or individual debtors who are missing, escaping, prosecuted, on trial or passed away even though receivables are not overdue. Provision expense incurred is recorded as "Operating expenses" in the interim consolidated income statement during the period.

Provision rates for overdue receivables are applied in accordance with the prevailing accounting regulations.

Other provisions

Other provisions are recognized when the Bank has a present obligation due to a past event, and it is probable that the Bank will be required to settle that obligation. Other provisions are measured at the Board of Management's best estimate of the expenditure required to settle the obligation at the accounting period.

Capital and reserves

Common shares

Common shares are classified as owners' equity.

Share premium

When capital is received from shareholders, the difference between selling price and par value is recorded as share premium in owners' equity. Incurred expenses that directly relate to the issuance of common shares are recognized as a decrease in share premium.

Treasury shares

When issued shares are repurchased, the aggregate amount paid, including expenses that directly relate to the repurchase of shares, after deducting taxes, is recorded as treasury shares, and stated as a decrease in owners' equity.

Reserves

Reserves are used for specific purposes and are appropriated from the Bank's profit after tax based on the regulated ratios in the following sequence:

- Charter capital supplementary reserve: 5% of profit after tax but not exceeding the Bank's charter capital;
- Financial reserve fund: 10% of profit after tax;
- Other reserves, if any, will be approved by the shareholders at the Annual General Shareholders' Meeting;
- The reward and welfare fund shall be made according to the decision of the General Shareholders' Meeting.

The reserve funds at subsidiaries shall be made according to the Bank's policy, except for the following banks, which is in accordance with relevant laws:

- Saigon – Hanoi Bank Laos Limited ("SHB Laos"): regulatory reserves, development investment and other fund under the amended Enterprise Law No. 46/NA dated 26 December 2013 and the amended Law on Commercial Banking in 2018 issued update by the Lao National Assembly on 07 December 2018 with the following ratios:
 - Regulatory reserve: 10% of profit after tax, maximum not exceeding 50% of charter capital of the Bank;
 - Development investment and other funds: according to the decision of the Board of Directors of SHB Laos.
- Saigon-Hanoi Bank Cambodia Limited ("SHB Cambodia"): there are no regulations on the appropriation of compulsory reserve funds and subject to owner's approval.

Revenue and expenses

Interest income and interest expense

Interest income and interest expenses are recognized in the interim consolidated income statement on the accrual basis. The accrued interest income arising from the loans that are classified from group 2 to group 5 in accordance with Circular 11, accrued interest income on loans restructured and maintained as Standard loan groups (group 1) as prescribed in Circular 01, Circular 03, Circular 14, Decree 55/2015/ND-CP dated 09 June 2015 and Circular 02 will not be recognized the interim consolidated income statement. Accrued interest income on such loans is recorded as an off-balance-sheet item and is only recognized in the interim consolidated income statement when it is actually received.

Income and expenses from interest on investments in securities are recorded on the accrual basis. Accrued interest income incurred from investment securities covered by Circular 11 classified up to group 2 or higher is not recognized in the interim consolidated income statement for the period. This income is recorded as an off-balance-sheet item and is only recognized in the interim consolidated income statement when it is actually received.

Income from service charges and commissions

Income from service charges and commissions is recognized on the accrual basis.

Income from guarantee and L/C commitment activities

Income from guarantee and L/C commitment activities is recognized on the accrual and allocation basis.

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Income from securities trading

Income from securities trading is determined based on the difference in selling price and cost price of securities.

Recognition of dividends and profits received

Cash dividends and profits received from investment and capital contributions activities are recorded in the interim consolidated income statement when the Bank's right to receive dividends and profits has been established. Share dividends, which are distributed from profits of joint stock companies, are recognized neither as an increase in the value of received shares nor financial income in the interim consolidated financial statements but are only used for tracking the increase in the number of shares according to Circular No. 200/2014/TT-BTC dated 22 December 2014 issued by the Ministry of Finance.

Revenue from other service

When the contract results can be determined reliably, revenue will be recognized based on the level of work completion. If the contract results cannot be determined reliably, revenue will only be recognized at the recoverable level of the recorded expenses.

Recognition of accrued income not yet collected

According to Circular No. 16/2018/TT-BTC dated 07 February 2018 issued by the Ministry of Finance, receivables recognized as accrued income but subsequently assessed to be not recoverable or not yet recoverable at the due date are recorded as reduction in revenue if the income has been accrued in the same financial year or recorded as other expenses if accrued in different financial year and monitored off-balance-sheet. Upon actual receipt of these receivables, the Bank recognizes them in "Other income" in the interim consolidated income statement.

Taxation

Corporate income tax expense represents the sum of the current income tax and deferred tax.

The current income tax is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the interim consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognized on temporary differences between carrying amounts of assets and liabilities in the interim consolidated financial statements and the corresponding tax bases. Deferred tax liabilities are generally recognized for all taxable temporary differences unless they occur from the initial recognition of an asset or liability of a transaction which has no impact on accounting profit or taxable profit/(loss) at the transaction date. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled, or the asset is realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

The determination of the current corporate income tax expense is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

Employee benefits

Post-employment benefits

Retired employees of Bank and subsidiaries will receive retirement benefits from Social Insurance, an agency under the Government. The bank must pay social insurance premiums for each employee equal to 30% of the basic monthly salary, salary allowances and other supplements.

Severance allowance

According to Article 46 of Labour Law No 45/2019/QH14 which is effective on 1 January 2021, the Bank and its subsidiaries in Vietnam are responsible for paying a severance allowance equal to half of the month's salary for each working year for employees who have worked regularly for full 12 months or more to terminate the labor contract in accordance with the provisions of law (in Clauses 1, 2, 3, 4, 6, 7, 9 and 10 Article 34 of the Labor Law), except for cases where they are eligible for pension in accordance with the law on social insurance and the case specified at Point e, Clause 1, Article 36 of the Labor Law 2019. The working time for calculating severance allowance is the total time the employee has actually worked for the employer minus the time the employee has participated in unemployment insurance in accordance with the law on unemployment insurance and the working time has been paid severance allowance by the employer, job-loss benefits. The salary for calculating severance allowance is the average salary of 06 preceding months according to the labor contract before the employee quits.

Unemployment insurance

According to the Circular No. 28/2015/TT-BLDTBXH dated 31 July 2015 of the Ministry of Labor - War Invalids and Social Affairs guiding the implementation of Article 52 of the Employment Law 2013 and Decree No. 28/2015/NĐ-CP of the Government dated 12 March 2015 regulating the implementation of the Law on unemployment insurance, from 01 January 2009, the Bank is obliged to pay unemployment insurance to eligible employees at 2% of their salary fund allocated for unemployment insurance.

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Related parties

The parties are related if one party has the ability to control the other party or exercise significant influence over the other party in making decisions on financial and operating policies. A party is considered as a related party with the Bank if:

- (a) Directly or indirectly through one or more intermediaries, the party:
 - Controls, or is controlled by, or is under common control by the Bank (including the holding company and its subsidiaries);
 - Contributes capital to the Bank and therefore has significant influence over the Bank;
 - Has joint control over the Bank;
- (b) The party is a joint venture or an associate of which the Bank is a venturer or an investor;
- (c) The party has a key management personnel who is also a member of the Board of Directors, Board of Supervisors, and Board of Management of the Bank;
- (d) The party is a close member of the family of any individual referred to in (a) or (c); or
- (e) The party is an entity that is, directly or indirectly controlled, jointly controlled, or significantly influenced by, or of which, significant voting power in such entity resides with, any individual referred to in (c) or (d).

Offsetting

Financial assets and liabilities are offset, and the net amounts are reported in the interim consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

5. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
Placements with other credit institutions		
Demand deposits	25,678,812	32,874,344
- In VND	24,877,634	31,980,505
- In foreign currencies	801,178	893,839
Term deposits	27,147,538	19,582,341
- In VND	21,898,000	19,510,000
- In foreign currencies	5,249,538	72,341
	<u>52,826,350</u>	<u>52,456,685</u>
Loans to other credit institutions		
- In VND	16,215,209	10,463,971
- In foreign currencies	-	188,000
- Provisions for credit losses	(119,162)	(99,794)
	<u>16,096,047</u>	<u>10,552,177</u>
Placements with and loans to other credit institutions	<u>68,922,397</u>	<u>63,008,862</u>

Analysis of placements with overseas credit institutions, deposits, and loans to other credit institutions by quality is as follows:

	<u>Closing balance</u> VND Million	<u>Opening balance</u> VND Million
Standard loans	43,720,465	30,406,367
Loss loans	119,162	99,794
	<u>43,839,627</u>	<u>30,506,161</u>

6. TRADING SECURITIES

	<u>Closing balance</u> VND Million	<u>Opening balance</u> VND Million
Equity securities	3,881	3,881
Equity securities issued by local business entities	3,881	3,881
	<u>3,881</u>	<u>3,881</u>
Provisions for impairment of trading securities	(1,540)	(2,334)
General provision	(1,540)	(2,334)
	<u>2,341</u>	<u>1,547</u>

7. DERIVATIVES AND OTHER FINANCIAL ASSETS/(LIABILITIES)

Details of derivatives as at 30 June 2023 are as follows:

	Total contract value (at exchange rate at the effective date of the contract)	Net book value (at exchange rate as at the reporting date)		
		Assets	Liabilities	Net amount
	VND Million	VND Million	VND Million	VND Million
As at 30/06/2023				
- Forward contracts	2,010,618	146,761	(123,538)	23,223
- Swap contracts	7,345,947	4,601,551	(4,479,327)	122,224
	<u>9,356,565</u>	<u>4,748,312</u>	<u>(4,602,865)</u>	<u>145,447</u>
As at 31/12/2022				
- Forward contracts	9,183,413	101,170	(9,972)	91,198
- Swap contracts	29,471,074	349,570	(170,996)	178,574
	<u>38,654,487</u>	<u>450,740</u>	<u>(180,968)</u>	<u>269,772</u>

8. LOANS TO CUSTOMERS

	<u>Closing balance</u> VND Million	<u>Opening balance</u> VND Million
Loans to local business entities and individuals	407,579,989	384,788,544
Payments made on behalf of customers	52,758	843,341
Discounted bills and valuable papers	1,330	1,330
	<u>407,634,077</u>	<u>385,633,215</u>

Analysis of loan portfolio by quality

	<u>Closing balance</u>	<u>Opening balance</u>
	VND Million	VND Million
Standard loans	383,940,362	368,044,572
Special-mentioned loans	11,391,931	6,735,687
Sub-standard loans	2,187,686	1,611,827
Doubtful loans	3,555,795	1,898,472
Loss loans	6,558,303	7,342,657
	<u>407,634,077</u>	<u>385,633,215</u>

Analysis of loans portfolio by original term

	<u>Closing balance</u>	<u>Opening balance</u>
	VND Million	VND Million
Short-term loans (Up to 1 year)	188,203,725	180,372,262
Medium-term loans (From 1 to 5 years)	90,343,573	82,300,107
Long-term loans (Above 5 years)	129,086,779	122,960,846
	<u>407,634,077</u>	<u>385,633,215</u>

9. PROVISIONS FOR CREDIT LOSSES ON LOANS TO CUSTOMERS

Movements in provisions for credit losses on loans to customers for the 6-month period ended 30 June 2023 are as follows:

	<u>General provision</u>	<u>Specific provision</u>	<u>Total</u>
	VND Million	VND Million	VND Million
Opening balance	2,843,216	4,214,556	7,057,772
Provision made for the period	211,285	2,687,054	2,898,339
Provision used to write off bad debts	-	(2,417,255)	(2,417,255)
Effect of divestment of SHB FC	(42,566)	(495,188)	(537,754)
Other adjustments	(196)	1,191	995
Closing balance	<u>3,011,739</u>	<u>3,990,358</u>	<u>7,002,097</u>

Movements in provisions for credit losses on loans to customers for the 6-month period ended 30 June 2022 are as follows:

	<u>General provision</u>	<u>Specific provision</u>	<u>Total</u>
	VND Million	VND Million	VND Million
Opening balance	2,697,260	1,940,256	4,637,516
Provision made for the period	82,654	1,494,214	1,576,868
Provision used to write off bad debts	-	(479,007)	(479,007)
Other adjustments	(557)	(411)	(968)
Closing balance	<u>2,779,357</u>	<u>2,955,052</u>	<u>5,734,409</u>

10. INVESTMENT SECURITIES

10.1. Available-for-sale investment securities

	<u>Closing balance</u> VND Million	<u>Opening balance</u> VND Million
Debt securities	15,929,801	12,959,163
Government bonds	5,468,084	-
Debt securities issued by other local credit institutions	300,000	300,000
Debt securities issued by local business entities	10,161,717	12,659,163
Equity securities	29,453	29,453
Equity securities issued by other local credit institutions	796	796
Equity securities issued by local business entities	28,657	28,657
Provisions for impairment of available-for-sale investment securities	(75,250)	(93,653)
Provisions for impairment	(364)	(559)
General provision	(74,886)	(93,094)
	<u>15,884,004</u>	<u>12,894,963</u>

10.2. Held-to-maturity investment securities

	<u>Closing balance</u> VND Million	<u>Opening balance</u> VND Million
Debt securities	17,820,729	20,063,662
Government bonds	17,130,873	18,687,126
Debt securities issued by other local credit institutions	163,320	850,000
Debt securities issued by local economic organisations	526,536	526,536
Provisions for impairment of held-to-maturity investment securities	(3,949)	(3,949)
General provision	(3,949)	(3,949)
	<u>17,816,780</u>	<u>20,059,713</u>

10.3. Quality analysis of securities classified as credit risk assets under Circular 11 based on their face values

	<u>Closing balance</u> VND Million	<u>Opening balance</u> VND Million
Standard loans	10,983,429	14,089,030
	<u>10,983,429</u>	<u>14,089,030</u>

10.4. Movements in provision for impairment of investment securities

Movements in provision for credit losses on investment securities for the 6-month period ended 30 June 2023 are as followed:

	Provision for available-for-sale investment securities		Provision for held-to-maturity investment securities	Total
	General provision	Provisions for impairment	General provision	
	VND Million	VND Million	VND Million	
Opening balance	93,094	559	3,949	97,602
Provision (reversed) for the period	(18,208)	(195)	-	(18,403)
Closing balance	74,886	364	3,949	79,199

Movements in provision for credit losses on investment securities for the 6-month period ended 30 June 2022 are as followed:

	Provision for available-for-sale investment securities		Provision for held-to-maturity investment securities	Total
	General provision	Provisions for impairment	General provision	
	VND Million	VND Million	VND Million	
Opening balance	41,517	400	3,949	45,866
Provision made for the period	86,933	240	-	87,173
Closing balance	128,450	640	3,949	133,039

11. CAPITAL CONTRIBUTION, LONG-TERM INVESTMENTS

	Closing balance	Opening balance
	VND Million	VND Million
Investments in associates (11.1)	335,900	-
Other long-term investments (11.2)	158,272	158,272
Provisions for impairment of long-term investments (11.3)	(83,879)	(111,573)
	410,293	46,699

11.1. Investments in associates

	Closing balance			Opening balance		
	Cost in original currency	Cost equivalent	Proportion of ownership interest	Cost equivalent	Net value of investment using equity method	Proportion of ownership interest
	VND Million	VND Million	%	VND Million	VND Million	%
SHB Finance Company Limited	343,497	335,900	50	-	-	-
		335,900			-	

11.2. Other long-term investments

	<u>Closing balance</u>	<u>Opening balance</u>
	VND Million	VND Million
Investments in economic entities	114,258	114,258
Investments in financial institutions	44,014	44,014
	<u>158,272</u>	<u>158,272</u>

11.3. Provisions for impairment of long-term investments

	<u>Closing balance</u>	<u>Opening balance</u>
	VND Million	VND Million
Opening balance	111,573	32,739
(Reversed) for the period	(27,694)	(1,047)
	<u>83,879</u>	<u>31,692</u>

12. Other assets

	<u>Closing balance</u>	<u>Opening balance</u>
	VND Million	VND Million
Purchase of fixed assets and construction in progress	1,154,708	565,743
Receivables	23,378,743	37,136,638
In which:		
- <i>Receivables from usance payable at sight letters of credit</i>	8,328,581	17,034,245
- <i>Receivables from sales of bonds</i>	3,276,541	3,388,279
- <i>Receivables from sales of debts</i>	5,559,723	6,329,712
- <i>Receivables from interbank fast fund transfers via Napas</i>	345,781	5,023,716
- <i>Receivables from customers under foreign currency credit contracts - where the Bank is not exposed to risks</i>	4,608,279	3,452,319
- <i>Other receivables</i>	1,259,838	1,908,367
Interest and fee receivables	17,883,120	15,295,742
Other assets (12.2)	2,573,294	1,178,109
Provisions for impairment of other assets (12.3)	(119,160)	(126,914)
	<u>44,870,705</u>	<u>54,049,318</u>

12.1. Quality analysis of other assets classified as credit risk assets

	<u>Closing balance</u>	<u>Opening balance</u>
	VND Million	VND Million
Standard loans	8,836,264	9,717,991
	<u>8,836,264</u>	<u>9,717,991</u>

12.2. Other assets

	<u>Closing balance</u>	<u>Opening balance</u>
	VND Million	VND Million
Foreclosed assets awaiting resolution	1,021,965	53,141
Prepaid expenses	1,421,903	1,108,659
Other assets	129,426	16,309
	<u>2,573,294</u>	<u>1,178,109</u>

12.3. Provisions for impairment of other assets

	<u>Closing balance</u>	<u>Opening balance</u>
	VND Million	VND Million
Provisions for credit risk	66,272	72,885
- <i>General provision</i>	66,272	72,885
Provisions for impairment of other assets	52,888	54,029
	<u>119,160</u>	<u>126,914</u>

Movements in provisions for impairment of other assets for the 6-month period ended 30 June 2023 are as followed:

	<u>General provision</u>	<u>Provision for bad debts</u>	<u>Total</u>
	VND Million	VND Million	VND Million
Opening balance	72,885	54,029	126,914
Provision (reversed) for the period	(6,613)	(1,141)	(7,754)
Closing balance	<u>66,272</u>	<u>52,888</u>	<u>119,160</u>

13. BORROWINGS FROM THE GOVERNMENT AND SBV

	<u>Closing balance</u>	<u>Opening balance</u>
	VND Million	VND Million
Borrowings from the SBV	1,374,724	9,715,193
Loans under credit contracts	1,374,724	1,413,078
Discounting and rediscounting valuable papers	-	8,302,115
	<u>1,374,724</u>	<u>9,715,193</u>

14. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

Deposits from other credit institutions

	<u>Closing balance</u> VND Million	<u>Opening balance</u> VND Million
Demand deposits	25,761,740	28,502,733
- In VND	25,733,880	28,356,594
- In foreign currencies	27,860	146,139
Term deposits	29,207,548	44,368,306
- In VND	19,462,346	26,285,390
- In foreign currencies	9,745,202	18,082,916
	<u>54,969,288</u>	<u>72,871,039</u>

Borrowing from other credit institutions

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
- In VND	2,372,658	2,118,871
- In foreign currencies	5,857,427	3,294,026
	<u>8,230,085</u>	<u>5,412,897</u>

15. DEPOSITS FROM CUSTOMERS

	<u>Closing balance</u> VND Million	<u>Opening balance</u> VND Million
Demand deposits	24,886,841	25,701,591
- Demand deposits in VND	22,724,874	23,624,868
- Demand deposits in foreign currencies	2,161,967	2,076,723
Term deposits	383,112,801	334,037,088
- Term deposits in VND	375,595,381	326,721,890
- Term deposits in foreign currencies	7,517,420	7,315,198
Deposits for specific purpose	18,001	29,002
- Deposits for specific purpose in VND	2,297	6,078
- Deposits for specific purpose in foreign currencies	15,704	22,924
Margin deposits	1,600,672	1,907,912
- Margin deposits in VND	1,557,186	1,872,762
- Margin deposits in foreign currencies	43,486	35,150
	<u>409,618,315</u>	<u>361,675,593</u>

16. GRANTS, TRUSTED FUND AND BORROWINGS WHERE THE BANK BEARS RISKS

	<u>Closing balance</u> VND Million	<u>Opening balance</u> VND Million
Funds received from other organisations and individuals in VND	767,478	839,293
Funds received from other organisations and individuals in foreign currencies	684,878	776,312
	<u>1,452,356</u>	<u>1,615,605</u>

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17. VALUABLE PAPERS ISSUED

	Closing balance	Opening balance
	VND Million	VND Million
Valuable papers in VND	42,258,821	36,440,208
Par value	42,258,821	36,440,208
	<u>42,258,821</u>	<u>36,440,208</u>

Details of the term of issued valuable papers:

Valuable papers	Book-entry bonds	Certificate of deposit	Total
	million VND	million VND	million VND
Closing balance			
Under 12 months	-	15,110,000	15,110,000
- VND	-	15,110,000	15,110,000
From 12 months to under 5 years	4,900,000	1,300,150	6,200,150
- VND	4,900,000	1,300,150	6,200,150
Over 5 years	-	20,948,671	20,948,671
- VND	-	20,948,671	20,948,671
	<u>4,900,000</u>	<u>37,358,821</u>	<u>42,258,821</u>
Opening balance			
Under 12 months	-	8,353,000	8,353,000
Par value	-	8,353,000	8,353,000
From 12 months to under 5 years	4,900,000	2,413,246	7,313,246
- VND	4,900,000	2,413,246	7,313,246
Over 5 years	-	20,773,962	20,773,962
- VND	-	20,773,962	20,773,962
	<u>4,900,000</u>	<u>31,540,208</u>	<u>36,440,208</u>

18. OTHER PAYABLES AND LIABILITIES

	Closing balance	Opening balance
	VND Million	VND Million
Accrued fee and interest expenses	13,322,073	9,069,320
Deferred tax liabilities	34,242	30,233
Other payables and liabilities	6,396,404	11,169,561
In which:		
Internal payables	223,949	66,163
External payables	6,021,698	11,055,935
- Taxes and other payables to State Treasury (Note 19)	1,019,884	1,811,318
- payables on payment intermediaries and other liabilities	311,453	5,270,212
- Receipt of entrustment in foreign currencies	4,608,279	3,452,319
- Other payables	82,082	522,086
Bonus and welfare funds	150,757	47,463
	<u>19,752,719</u>	<u>20,269,114</u>

19. THE BANK'S OBLIGATIONS TO THE STATE BUDGET

	Opening balance VND Million	Movement in the period		Closing balance VND Million
		Payable VND Million	Paid VND Million	
Value added tax	8,423	37,334	41,728	4,029
Corporate income tax	1,746,517	1,253,953	2,024,665	975,805
Other taxes	56,378	263,207	313,776	5,809
	1,811,318	1,554,494	2,380,169	985,643

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20. CAPITAL AND RESERVES

20.1. Statement of changes in equity

	Charter capital VND Million	Share premium VND Million	Treasury shares VND Million	Investment and development fund VND Million	Financial reserve fund VND Million	Supplemental capital reserve VND Million	Other funds VND Million	Foreign exchange reserves VND Million	Retained earnings VND Million	Total VND Million
Opening balance	30,673,832	1,449,603	(5,260)	45,385	2,670,379	1,345,048	1,022	(606,344)	7,330,806	42,904,471
Profit for the period	-	-	-	-	-	-	-	-	4,832,653	4,832,653
Appropriation to funds for the period	-	-	-	5,236	-	5,236	-	-	(10,472)	-
Appropriation to bonus and welfare funds (i)	-	-	-	-	-	-	-	-	(105,000)	(105,000)
Adjustments of funds due to divestment of SHB FC	-	-	-	-	(18,017)	(9,009)	-	-	81,666	54,640
Foreign exchange difference	-	-	-	(1,535)	-	(1,740)	-	(57,243)	-	(60,518)
Others	-	-	-	-	-	-	-	-	(12,704)	(12,704)
Số dư cuối kỳ	30,673,832	1,449,603	(5,260)	49,086	2,652,362	1,339,535	1,022	(663,587)	12,116,949	47,613,542

(i) Appropriation to bonus and welfare funds according to Resolution No. 01/NQ-DHDCD of 2023 Annual General Meeting of Shareholders dated 11 April 2023 and Statement No. 01/TTr-HDQT dated 22 March 2023 of Board of Directors on the plan for profit distribution and appropriation to funds in 2022. Other funds under to equity have been fully appropriated in the audited consolidated financial statements for the fiscal year ended 31 December 2022.

20.2. Details of the Bank's shares

	<u>Closing balance</u>	<u>Opening balance</u>
Number of registered shares for issue (unit)	3,067,383,196	3,067,383,196
Number of shares sold to the public (unit)	3,067,383,196	3,067,383,196
- Ordinary shares (unit)	3,067,383,196	3,067,383,196
- Preference shares (unit)	-	-
Number of shares repurchased (unit)	496,186	496,186
- Ordinary shares (unit)	496,186	496,186
- Preference shares (unit)	-	-
Number of shares in circulation (unit)	3,066,887,010	3,066,887,010
- Ordinary shares (unit)	3,066,887,010	3,066,887,010
- Preference shares (unit)	-	-
Par value	10,000	10,000

20.3. Dividends

Resolution No. 01/NQ-DHDCD of 2023 Annual General Meeting of Shareholders dated 11 April 2023 approved the plan on 2022's profit distribution and appropriation to equity funds in according with Statement No. 01/TTr-HDQT dated 22 March 2023 of the Bank's Board of Directors, including the plan to issue shares to pay dividends to shareholders from undistributed profit after tax in 2022 at the ratio of 18%. According to Resolution No. 17/NQ/ HDQT dated 03 July 2023 of the Board of Directors, the last registration date to confirm the list of shareholders exercising the right to receive stock dividends in 2022 is on 25 July 2023. According to the Report on the results of the share issuance to pay dividends in 2022 No. 3853/CV-SHB dated 02 August 2023, the Bank distributed 552,014,917 shares.

21. INTEREST AND SIMILAR INCOME

	<u>Current period</u>	<u>Prior period</u>
	VND Million	VND Million
Interest from deposits	620,955	541,972
Interest from loans to customers	26,774,390	17,888,465
Interest from debt securities	1,560,205	745,699
- Interest from investment securities	1,560,205	745,699
Income from guarantee services	86,602	76,116
Other income from credit activities	77,766	36,753
	<u>29,119,918</u>	<u>19,289,005</u>

22. INTEREST AND SIMILAR EXPENSES

	<u>Current period</u>	<u>Prior period</u>
	VND Million	VND Million
Interest expense on deposits	16,886,463	9,243,744
Interest expense on borrowings	720,410	329,706
Interest expense on valuable papers issued	1,521,619	1,263,179
Expense on other credit activities	39,896	36,230
	<u>19,168,388</u>	<u>10,872,859</u>

23. NET GAIN FROM TRADING SECURITIES AND INVESTMENT SECURITIES

23.1. Net gain from trading securities

	<u>Current period</u>	<u>Prior period</u>
	VND Million	VND Million
Provision reversed for impairment of securities held for trading	794	-
Net gain from securities held for trading	794	-

23.2. Net gain from investment securities

	<u>Current period</u>	<u>Prior period</u>
	VND Million	VND Million
Income from trading investment securities	65,248	228,659
Expense for trading investment securities	(55,305)	(123,611)
Provision reversed/(charged) for impairment of investment securities	18,403	(87,173)
	28,346	17,875

24. NET GAIN FROM OTHER ACTIVITIES

	<u>Current period</u>	<u>Prior period</u>
	VND Million	VND Million
Other operating income	167,113	525,009
Income from recovery of bad debts	130,526	433,142
Income from other derivative instruments	-	1,515
Other income	36,587	90,352
Other operating expenses	(21,533)	(69,715)
Expense from other derivative instruments	-	(1,507)
Social welfare expenses	(3,936)	(36,522)
Other expenses	(17,597)	(31,686)
Net profit from other activities	145,580	455,294

25. INCOME FROM CAPITAL CONTRIBUTION AND EQUITY INVESTMENTS IN OTHER ENTITIES

	<u>Current period</u>	<u>Prior period</u>
	VND Million	VND Million
Dividends received in cash from capital contribution, equity investments	3,333	2,083
- from equity investment securities	3,333	2,083
Income from capital contribution and long-term investments	688,787	-
Share from net profit under equity method of investments in associates	(7,597)	-
	684,523	2,083

26. OPERATING EXPENSES

	<u>Current period</u>	<u>Prior period</u>
	VND Million	VND Million
Taxes, fees, and charges	22,838	18,753
Staff cost	1,487,521	1,282,032
Expenses for fixed assets	279,789	234,804
- Depreciation and amortisation expenses	52,393	38,717
Expenses for operating management	338,658	252,795
Insurance premium for customers' deposits	196,478	153,262
Provision (reversed)/charged for provisions (excluding provisions for credit losses and provisions of securities)	(28,836)	(1,047)
	<u>2,296,448</u>	<u>1,940,599</u>

27. CURRENT CORPORATE INCOME TAX ("CIT") EXPENSE

	<u>Current period</u>	<u>Prior period</u>
	VND Million	VND Million
Profit before tax	6,084,250	5,776,863
<i>Adjustments for:</i>		
- Non-taxable dividend income	3,333	17,313
- Profit before tax of subsidiaries	(14,342)	-
- Adjustment of profit due to consolidated financial statements	68,087	-
- Others	(2,730)	159,812
Taxable income of the Holding Bank	6,029,902	5,599,738
Income tax rate	20%	20%
CIT expense of the Holding Bank based on local taxable income	1,205,981	1,119,948
CIT expense of subsidiaries	45,925	26,078
CIT expense based on the taxable income	1,251,906	1,146,026
Adjustment of CIT expense in the prior year into the current year	2,047	-
Current tax expense	1,253,953	1,146,026
Deferred income tax benefit	2,356	5,638
Total CIT payables	1,251,597	1,140,388

28. BASIC EARNINGS PER SHARE

Profit for calculation of basic earnings per share

	<u>Current period</u>	<u>Prior period</u>
	million VND	million VND
Profit after corporate income tax	4,832,653	4,636,475
Profit for the period attributable to equity holder	4,832,653	4,636,475

Number of ordinary shares for calculation of basic earnings

According to VAS 30 – Earnings per share, the Bank retroactively adjusts “Basic earnings per share” for all reporting periods if the number of ordinary shares in circulation increased due to capitalization, issuance of bonus shares, stock splitting or decreased due to stock pooling, including changes occurring after the end of the accounting period but before the date of the interim consolidated financial statements. As a result, basic earnings per share for the 6-month period ended 30 June 2023 are restated because of the following events:

- According to Resolution No. 16/NQ-HDQT dated 20 June 2023, Board of Directors of the Bank decided to issue shares to pay dividends at the rate of 18% from profits after tax in 2022 and the last registration date was on 25 July 2023. On 02 August 2023, the Bank completed the issuance of an additional 552,014,917 shares;
- According to Resolution No. 30/NQ-HDQT dated 19 October 2022, Board of Directors of the Bank decided to issue shares to pay dividends at the rate of 15% from profits after tax in 2021 and the last registration date was on 24 November 2022. On 01 December 2022, the Bank completed the issuance of an additional 400,013,397 shares.

Details of common shares for calculation of basic earnings as follows:

	<u>Current period</u>	<u>Prior period (Restated)</u>
	Share	Share
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	3,619,397,293	3,619,397,293
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	3,619,397,293	3,619,397,293
Basic earnings per share		
	<u>Current period</u>	<u>Prior period (Restated)</u>
	VND	VND
Earnings per share	1,335	1,281

The basic earnings per share for the 6-month period ended 30 June 2022 are restated as followed:

	<u>Current period</u>	<u>Prior period (Restated)</u>
Profit for the period attributable to common shareholders (VND Million)	4,636,475	4,636,475
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (Share)	2,667,369,799	3,619,397,293
Basic earnings per share (VND)	1,738	1,281

29. CASH AND CASH EQUIVALENTS

	<u>Closing balance</u>	<u>Opening balance</u>
	VND Million	VND Million
Cash	1,443,956	1,897,545
Balances with the State Bank	30,143,998	15,145,862
Current deposits at other credit institutions	25,678,812	32,874,344
Placements with other credit institutions with terms not exceeding 3 months	27,045,690	19,582,341
	84,312,456	69,500,092

30. Other off-balance sheet activities for which credit institutions are subject to significant risks

	Closing balance	Opening balance
	VND Million	VND Million
Contingent liabilities	26,771,888	35,205,575
Credit guarantees	20,766	23,856
Letters of Credit	12,078,511	19,146,337
Other guarantees	14,672,611	16,035,382
Commitments	9,356,888	38,872,143
Foreign exchange transactions commitments	9,356,888	38,872,143
	36,128,776	74,077,718

31. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties which have significant balances and transactions during the period

<u>Related party</u>	<u>Relationship</u>
SHB Finance Company Limited ("SHB FC")	Associate (from 09 June 2023) and subsidiary (until 08 June 2023)
T&T Group Joint Stock Company	Major shareholders
Saigon- Hanoi Insurance Corporation	Entity with common key management members
Saigon - Hanoi Securities Joint Stock Company	Entity with common key management members

Details of significant balances with related parties during the 6-month period ended 30 June 2023 are as follows:

	<u>Receivables/ (Payables)</u>	
	<u>Closing balance</u>	<u>Opening balance</u>
	VND Million	VND Million
SHB FC		
- Contributed capital	500,000	1,000,000
- Demand and term deposits received	(309,774)	(114,110)
- Demand and term deposits	3,313,000	3,123,500
- Accrued interest payables on deposits	(2)	(21)
- Accrued interest receivables on deposits	31,770	25,878
T&T Group Joint Stock Company		
- Capital contribution received	(3,066,852)	(3,066,852)
- Demand deposits received	(71,790)	(202,230)
- Accrued interest payables on deposits	(731)	(1,044)
Saigon- Hanoi Insurance Corporation		
- Contributed capital	42,857	42,857
- Demand deposits received	(592,699)	(470,001)
- Accrued interest payables on deposits	(4,501)	(4,554)
Saigon - Hanoi Securities Joint Stock Company		
- Demand deposits received	(6,551,504)	(8,143,061)
- Accrued interest payables on deposits	(193,306)	(69,354)
- Loans	100,000	111,000
- Accrued interest receivables on loans	1,603	274



32. GEOGRAPHICAL STRUCTURE OF ASSETS, LIABILITIES AND OFF-BALANCE-SHEET ITEMS AS AT 30 JUNE 2023

	Total loan balance	Total deposits	Credit commitments	Deveritives (Difference between Debit - Credit)	Trading and investment securities (Difference between Debit - Credit)
	VND Million	VND Million	VND Million	VND Million	VND Million
Domestic	410,116,936	460,323,670	26,459,340	145,447	33,783,864
Overseas	13,732,350	4,263,933	312,548	-	-
	423,849,286	464,587,603	26,771,888	145,447	33,783,864

33. SEGMENT REPORTS

A business segment is a distinguishable component of the Bank that is engaged in providing products and services and that is subject to risks and returns that are different from those of other business segments.

A geographical segment is a distinguishable component the Bank that is engaged in providing products and services and that is subject to risks and returns that are different from those of components operating in other economic environments.

Primary segment report of the Bank is business segment report; secondary segment report of the Bank is geographical segment report.

Business segment report

ITEMS	Credit	Investment	Services	Treasury	Total
	VND Million	VND Million	VND Million	VND Million	VND Million
Business segment income					
Interest and similar income	26,938,758	1,560,205	-	620,955	29,119,918
Income from services	-	-	533,782	-	533,782
Net gain from trading foreign currencies	-	129,400	-	-	129,400
Net gain from trading securities	-	794	-	-	794
Net gain from investment securities	-	28,346	-	-	28,346
Other income	-	-	145,580	-	145,580
Income from capital contribution, share purchase	-	684,523	-	-	684,523
At 30.06.2023					
Assets	456,236,969	35,435,249	8,943,916	84,653,716	585,269,850
1. Segment assets	434,195,893	35,394,453	180,150	84,520,202	554,290,698
2. Allocated assets	22,041,076	40,796	8,763,766	133,514	30,979,152
Liabilities	(5,514,899)	(8,406)	(1,870,604)	(530,262,399)	(537,656,308)
1. Segment liabilities	(973,347)	-	(64,836)	(530,234,889)	(531,273,072)
2. Allocated liabilities	(4,541,552)	(8,406)	(1,805,768)	(27,510)	(6,383,236)

Geographical segment report

ITEMS	Northern VND Million	Southern VND Million	Central VND Million	Overseas VND Million	Total VND Million
Business segment income					
Interest and similar income	7,527,892	1,691,728	415,486	316,424	9,951,530
Income from services	194,215	143,813	13,182	409	351,619
Income from trading foreign currencies	115,211	15,538	2,763	(4,112)	129,400
Net gain/(loss) from trading securities	794	-	-	-	794
Net gain/(loss) from investment securities	26,871	1,050	425	-	28,346
Other income	137,835	6,654	1,745	(654)	145,580
Income from capital contribution, share purchase	684,523	-	-	-	684,523
Operating expenses	(1,587,068)	(441,077)	(205,537)	(62,766)	(2,296,448)
Net profit from operating expenses before provision	7,100,273	1,417,706	228,064	249,301	8,995,344
Provision expenses for credit losses	(2,405,010)	(467,182)	(22,085)	(16,817)	(2,911,094)
Segment profit before tax	4,695,263	950,524	205,979	232,484	6,084,250

ITEMS	Northern VND Million	Southern VND Million	Central VND Million	Overseas VND Million	Total VND Million
Assets					
Cash, gold and gemstones	860,150	390,048	142,399	51,359	1,443,956
Balances with the State Bank of Vietnam ("SBV")	29,016,739	20,193	16,857	1,090,209	30,143,998
Placements with and loans to other credit institutions	68,230,420	2,702	4,413	684,862	68,922,397
Loans to customers	297,856,747	69,324,442	20,149,354	13,301,437	400,631,980
Financial investment	34,258,811	54	-	-	34,258,865
Fixed assets	4,909,140	57,691	23,606	7,512	4,997,949
Other assets	8,236,583	19,166,085	17,113,433	354,604	44,870,705
TOTAL ASSETS	443,368,590	88,961,215	37,450,062	15,489,983	585,269,850
Liabilities					
Deposits and borrowings from the Government and the SBV and other credit institutions	55,329,771	892	112	9,243,322	64,574,097
Deposits from customers	295,508,344	80,102,312	31,026,103	2,981,556	409,618,315
Other mobilization	35,600,985	4,347,643	3,762,549	-	43,711,177
Other liabilities	11,964,191	3,559,845	2,455,316	1,773,367	19,752,719
TOTAL LIABILITIES	398,403,291	88,010,692	37,244,080	13,998,245	537,656,308

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34. RISK MANAGEMENT POLICIES RELATED TO 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 position limits to restrict over-concentration and simultaneously participating in activities with balancing impact to minimize risks. By holding various assets being high quality financial instruments, the structure of SHB's consolidated statement of financial position 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 detail 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 ratio 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 development of the 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.

35. 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 operated 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.

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SAIGON – HANOI COMMERCIAL JOINT STOCK BANK
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

B05a/TCTD-HN

The book values of the Bank's foreign currency denominated monetary assets and monetary liabilities as at 30 June 2023 are as follows:

ITEMS	EUR equivalent	USD equivalent		Other currencies	Total
	VND Million	VND Million	VND Million	equivalent VND Million	VND Million
Assets					
Cash	23,748	277,006	9,784	310,538	
Balances with the State Bank	2,301	5,396,350	112,472	5,511,123	
Placements with and loans to other credit institutions (*)	132,157	5,753,431	165,128	6,050,716	
Loans to customers (*)	434,850	12,640,073	1,775,173	14,850,096	
Fixed assets	-	6,609	902	7,511	
Other assets (*)	4,605,374	8,904,411	47,926	13,557,711	
Total assets	5,198,430	32,977,880	2,111,385	40,287,695	
Liabilities and owners' equity					
Deposits and borrowings from other credit institutions	-	15,599,587	30,902	15,630,489	
Deposits from customers	136,224	8,806,473	795,880	9,738,577	
Derivative financial instruments and other financial liabilities	-	4,591,918	10,947	4,602,865	
Grants, trusted funds and borrowings at risk of the credit institution	434,850	250,028	-	684,878	
Other liabilities (*)	4,612,382	2,298,400	27,191	6,937,973	
Capital and reserves	-	1,173,411	729,342	1,902,753	
Total liabilities and owners' equity	5,183,456	32,719,817	1,594,262	39,497,535	
Balance sheet currency position	14,974	258,063	517,123	790,160	
Off-balance sheet currency position	-	(1,566)	1,564	(2)	
Total currency position	14,974	256,497	518,687	790,158	

(*) Excluding provision.

36. INTEREST RATE RISK

SHB's operation 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 n interest risk measurement method for all assets – liabilities items with 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 categorized by the contractual re-pricing or maturity date and the interest rates at the end of the annual accounting period.

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

The table below shows the Bank's exposure to interest rate risk as at 30 June 2023:

	Overdue		Current							Total
	Non - interest bearing	Over 3 months	Within 3 months	Within 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	
	VND Million	VND Million	VND Million	VND Million	VND Million	VND Million	VND Million	VND Million	VND Million	VND Million
Assets										
Cash	1,443,956	-	-	-	-	-	-	-	-	1,443,956
Balances with the State Bank	-	-	-	30,143,998	-	-	-	-	-	30,143,998
Placements with and loans to other credit institutions (*)	-	-	-	57,980,984	5,809,916	766,497	4,365,000	119,162	-	69,041,559
Trading securities (*)	3,881	-	-	-	-	-	-	-	-	3,881
Derivative financial instruments and other financial assets	145,447	-	-	-	-	-	-	-	-	145,447
Loans to customers (*)	-	12,301,784	11,391,931	107,022,371	220,936,209	14,664,399	13,933,753	24,116,760	3,266,870	407,634,077
Investment securities (*)	29,454	-	-	-	4,994,893	6,249,458	672,974	1,524,931	20,308,273	33,779,983
Capital contribution, long-term investments (*)	494,172	-	-	-	-	-	-	-	-	494,172
Fixed assets	4,997,949	-	-	-	-	-	-	-	-	4,997,949
Other assets (*)	19,169,593	52,887	-	7,276,674	8,310,409	5,038,380	2,269,881	2,341,083	530,958	44,989,865
Total assets	26,284,452	12,354,671	11,391,931	202,424,027	240,051,427	26,718,734	21,241,608	28,101,936	24,106,101	592,674,887
Liabilities										
Borrowings from the Government and the SBV	-	-	-	173,202	141,734	930,160	129,628	-	-	1,374,724
Deposits and borrowings from other credit institutions	-	-	-	50,795,141	4,752,323	4,809,137	2,289,861	550,842	2,069	63,199,373
Deposits from customers	-	-	-	83,132,998	74,390,374	125,732,774	100,304,320	26,052,833	5,016	409,618,315
Grants, trusted funds and borrowings at risk of the credit institutions	-	-	-	206,176	40,574	59,435	89,302	649,960	406,909	1,452,356
Valuable papers issued	-	-	-	4,238,256	5,619,189	6,147,878	24,903,471	1,350,027	-	42,258,821
Other liabilities (*)	6,511,767	-	-	2,450,673	3,210,969	3,695,399	3,002,065	794,715	87,131	19,752,719
Total liabilities	6,511,767	-	-	140,996,446	88,155,163	141,374,783	130,718,647	29,398,377	501,125	537,656,308
Balance sheet net interest gap	19,772,685	12,354,671	11,391,931	61,427,581	151,896,264	(114,656,049)	(109,477,039)	(1,296,441)	23,604,976	55,018,579
Off-balance sheet commitments affecting to sensitivity with assets and liabilities' interest rate	(3)	-	-	-	-	-	-	-	-	(3)
Total net interest rate gap	19,772,682	12,354,671	11,391,931	61,427,581	151,896,264	(114,656,049)	(109,477,039)	(1,296,441)	23,604,976	55,018,576

(*) Excluding provision.

37. LIQUIDITY RISK

Liquidity risk arises in the general funding of SHB's activities and in the management of currency positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risks 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 mobilization, 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 appendix to the contracts which may exist.

SHB
SAIGON
HANOI
COMMERCIAL
JOINT STOCK
BANK

The table below shows the Bank's exposure to liquidity risk as at 30 June 2023:

	Overdue		Current					Total VND Million
	Over 03 months	Within 03 months	Within 01 month	From 01 to 03 months	From 03 to 12 months	From 01 to 05 years	Over 05 years	
	VND Million	VND Million	VND Million	VND Million	VND Million	VND Million	VND Million	
Assets								
Cash	-	-	1,443,956	-	-	-	-	1,443,956
Balances with the State Bank	-	-	30,143,998	-	-	-	-	30,143,998
Placements with and loans to other credit institutions (*)	-	-	57,980,984	5,809,916	5,131,497	119,162	-	69,041,559
Trading securities (*)	-	-	3,881	-	-	-	-	3,881
Derivative financial instruments and other financial assets	-	-	63,895	18,681	62,871	-	-	145,447
Loans to customers (*)	12,301,784	11,391,931	28,203,790	53,116,402	110,314,889	137,004,328	55,300,953	407,634,077
Investment securities (*)	-	-	-	941,750	1,652,212	5,183,992	26,002,029	33,779,983
Capital contribution, long-term investments (*)	-	-	-	-	-	-	494,172	494,172
Fixed assets	-	-	1,685,694	71	851	90,523	3,220,810	4,997,949
Other assets (*)	52,887	-	24,949,116	8,397,534	8,437,144	2,685,391	467,793	44,989,865
Total assets	12,354,671	11,391,931	144,475,314	68,284,354	125,599,464	145,083,396	85,485,757	592,674,887
Liabilities								
Borrowings from the Government and the SBV	-	-	173,202	141,734	1,059,788	-	-	1,374,724
Deposits and borrowings from other credit institutions	-	-	49,976,229	1,668,985	7,098,998	4,453,092	2,069	63,199,373
Deposits from customers	-	-	86,307,413	71,215,959	226,037,094	26,052,833	5,016	409,618,315
Grants, trusted funds and borrowings at risk of the credit institution	-	-	3,448	40,574	283,874	717,551	406,909	1,452,356
Valuable papers issued	-	-	2,899,999	3,600,000	14,192,710	11,867,164	9,698,948	42,258,821
Other liabilities (*)	-	-	6,423,522	7,418,473	3,126,587	2,316,424	467,713	19,752,719
Total liabilities	-	-	145,783,813	84,085,725	251,799,051	45,407,064	10,580,655	537,656,308
Net liquidity difference	12,354,671	11,391,931	(1,308,499)	(15,801,371)	(126,199,587)	99,676,332	74,905,102	55,018,579

(*) Excluding provisions.

38. CREDIT RISK

Credit risk is the possibility that the Bank may incur losses because its customers do not perform or fail to perform their contractual obligations. The Bank controls and manages credit risk by setting credit limits based on the risk tolerance level that the Bank specifies for individual customers and each industry and setting up the medium and long-term credit limit suitable for the structure of mobilization.

The Bank has established a credit quality review process to provide early identification of possible changes in financial position, repayment ability of debtors based on qualitative and quantitative factors. Credit limit for each customer is determined by the use of the credit scoring system, in which each customer is classified at a certain risk level. Customer's risk level is updated regularly. The Bank controls and manages credit risk by establishing an authorization limit for each branch based on its credit portfolio quality, management capability and geographical potentiality.

The Bank has developed a number of customer policies in order to select good customers and have suitable and consistent policies applicable to each customer. The Bank has developed a diversified range of products to meet customers' demands and established credit appraisal and approval procedures at branches and the Head Office for consistent implementation in the Bank's entire system to mitigate operational risks. In addition, in order to strengthen secured methods for loans and minimize operational risks, the Bank has also issued detailed guidance on guarantees for loans.

Credit quality for assets with credit risk is fallen within the debt classification scope of Circular 11

Detailed analysis of credit quality for assets with credit risk in accordance with Circular 11 of the Bank is described below:

Summary of debt group according to Circular 11	<u>Closing balance</u> VND Million	<u>Opening balance</u> VND Million
Current loans	447,480,520	422,257,960
Special-mentioned loans	11,391,931	6,735,687
Sub-standard loans	2,187,686	1,611,827
Doubtful loans	3,555,795	1,898,472
Loss loans	6,677,465	7,442,451
Total debt according to Circular 11	<u>471,293,397</u>	<u>439,946,397</u>
Bad debt	12,420,946	10,952,750
Bad debt ratio	2.64%	2.49%

39. EXCHANGE RATES OF SOME FOREIGN CURRENCIES AT THE END OF THE PERIOD

	Closing balance	Opening balance
	VND	VND
USD	23,650	23,500
EUR	25,629	24,770
GBP	29,774	28,402
CHF	26,240	25,514
JPY	163.00	178
SGD	17,396	17,549
AUD	15,638	15,983
HKD	3,011.0	3,024
CAD	17,787	17,401
CNY	3,252.0	3,392
LAK	1.2359	1.3598
XAU	6,671,000	6,631,000

40. SUBSEQUENT EVENTS AFTER REPORTING DATE

Except for the event of issuing shares to pay dividends (as details in Note 20.3), no events occurred after the statement of financial position date that have a material effect on the operations of the Bank, its financial position and the results of those operations that require adjustment or disclosure in the interim consolidated financial statements.

Prepared by

Approved by

Approved by






Nguyen Thi Lien
 Head of Accounting and General
 Affairs Department

Ngo Thi Van
 Chief Accountant

Ngo Thu Ha
 Chief Executive Officer

25 August 2023
