



SAIGON – HANOI
COMMERCIAL JS BANK

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REPORT OF THE BOARD OF DIRECTORS
ON PERFORMANCE RESULTS IN 2023 AND ORIENTATION FOR 2024

To: GENERAL MEETING OF SHAREHOLDERS

In 2023, the difficult world economic context has significantly affected Vietnam's economy. However, with the participation of the entire political system, the Government has been proactive, flexible, drastic, and closely directed ministries, industries and localities, along with the solidarity, trust and support of the people and business community, to implement several initiatives to remove difficulties, promote growth and maintain macroeconomic stability, thanks to which the country's economy still achieves positive results. According to data from the General Statistics Office, Vietnam's GDP growth in 2023 reached 5.05%, making Vietnam one of the countries maintaining a high growth rate in the world...

In banking and financial activities, the State Bank of Vietnam (SBV) has seriously adhered to the Government's instructions, proactively followed macroeconomic and monetary developments to promptly adjust policies and regulations, synchronously implement and optimize operating tools and solutions, contributing to macroeconomic stability, controlling inflation, supporting economic recovery and ensuring safe development of the system of credit institutions.

Trusted and entrusted with important responsibilities by the General Meeting of Shareholders (GMS), the Board of Directors (BOD) of SHB has closely followed the directions of the Government and the State Bank of Vietnam, proactively forecasting and promptly responding flexibly with the economic fluctuations, providing directions and solutions appropriate to each stage of development, on the basis of a differentiated competitive strategy, through which SHB's business in 2023 was able to maintain sustainability and safety. With a long history of operations, strong financial capacity, and a united, determined, enthusiastic, creative, and flexible team, in 2023, SHB has continuously affirmed and promoted its achievements. At the 30th anniversary of its establishment, SHB was honored to receive the 3rd Class Labor Medal awarded by the State.

Implementing the Law on Credit Institutions, Law on Enterprises, Law on Securities and Charter of Saigon - Hanoi Commercial Joint Stock Bank (SHB), SHB Board of Directors (BOD) would like to report and respectfully submit to the General Meeting of Shareholders the performance results of the SHB Board of Directors in 2023 and operational orientation for 2024:

I. OPERATION RESULTS OF SHB'S BOARD OF DIRECTORS IN 2023

1. Results of implementing the Resolution of the 2023 General Meeting of Shareholders

In 2023, SHB has basically completed the Resolutions assigned by the General Meeting of Shareholders, specifically as follows:

1.1. Business results

In the past year, SHB's Board of Directors has always maintained close coordination with the Executive Board in directing and orienting business activities, controlling risk and effectively running business, as well as proactively seeking and maximizing opportunities, bringing SHB sustainable results, specifically:

As of December 31, 2023, according to the audited Consolidated Financial Statements, SHB's total assets amounted to more than VND 630,501 billion, Equity capital reached more than VND 70,268 billion, Customer deposits reached more than VND 497,417 billion, outstanding credit balance reached 455,718 billion VND. SHB's total net income from business activities in 2023 amounted more than VND 21,328 billion, SHB's pre-tax profit in 2023 reached VND 9,239 billion. SHB's operational safety and risk management indicators are all at good levels compared to State Bank of Vietnam regulations and international standard practices. SHB is maintained at B1 credit rating by the international credit rating organization Moody's, signifying the Bank's capability in strengthening safety, ensuring efficiency and sustainability in operations given the context of an everchanging global market.

Besides, SHB was also selected as a VN30, affirming its financial potential and reputation in the stock market.

(Detailed business results are stated in the Executive Board's Report on Business Results in 2023 and business plan for 2024 presented to the General Meeting of Shareholders).

1.2. Dividend payout and charter capital increase

Implementing the Resolution of the 2023 General Meeting of Shareholders, SHB has completed the issuance of shares to increase charter capital by nearly VND 6,000 billion, including (i) issuing shares to pay dividends in 2022 and (ii) increasing capital From the issuance of shares under the Employee Stock Option Program (ESOP) for SHB employees, specifically:

✓ ***Increasing charter capital from issuing shares to pay dividends in 2022 to existing shareholders:*** Completed issuing shares to pay dividends in 2022 (ratio 18%), increasing charter capital to **VND 36,193,981,130, 000**.

✓ *Capital increase from issuing shares under the ESOP:* On February 27, 2024, SHB received a document from the State Securities Commission confirming the issuance results. Currently, SHB is implementing procedures for additional listing and recording new capital in the Banking Establishment and Operation License. Accordingly, increasing SHB's charter capital to **VND 36,629,085,420,000**.

1.3. SHB's divestment at Saigon - Hanoi Commercial Joint Stock Bank Finance Company Limited (SHB FC)

On May 23, 2023, SHB completed the transfer of 50% of equity capital at Saigon - Hanoi Commercial Joint Stock Bank Finance Company Limited (SHB Finance) to Ayudhya Public Bank Limited (Krungsri) of Thailand (strategic member of MUFG Group, Japan). From June 9, 2023 SHB Finance has officially operated as a two-member LLC. For the transfer of the remaining 50% of SHB Finance's capital: SHB and Krungsri will carry out the transaction according to the agreed roadmap in the signed Joint Venture Contract.

1.4. The BOD respectfully reports to the General Meeting of Shareholders a number of contents according to the Resolution of the previous General Meeting of Shareholders and continues to implement them in 2024.

Regarding the transfer of SHB's capital at Saigon - Hanoi Laos Bank Limited (SHB Laos): SHB and the investor have signed an agreement to transfer all of SHB's capital contribution at SHB Laos. Currently, SHB and its partner are carrying out procedures to obtain permission from the Government and State Bank of the two countries to complete the agreement. This transfer is expected to be completed in the fourth quarter of 2024. SHB BOD respectfully submits to the General Meeting of Shareholders to assign and authorize the BOD to proactively decide on relevant tasks to complete the transfer of SHB capital at SHB Laos.

Regarding SHB's capital transfer at Saigon - Hanoi Bank Cambodia Limited (SHB Cambodia): SHB is choosing a suitable partner to carry out capital transfer/transform the operating model of SHB Cambodia.

Regarding the capital increase by issuing shares for foreign investors and foreign strategic investors: SHB shall continue to implement the Resolution of the previous General Meeting of Shareholders.

1.5. Transparent disclosure of information and continuously increases shareholder benefits

SHB has seriously carried out disclosure of information in accordance with provisions of law, fully and promptly provided shareholders and investors information about the Bank. The number of shareholders is over 90,000 shareholders (at various times when closing the list of shareholders in 2023), demonstrating the interest and trust of shareholders and investors in the safe and sustainable development of SHB.

SHB always ensures shareholder benefits through annual dividend payments, the 2022 dividend payout ratio was 18%. Expected dividend payout ratio for 2023 is 16%, of which 11% in stocks and 5% in cash (Detailed at proposals submitted to the GMS).

1.6. Actively accompanies customers, community and society

In the context of disadvantageous and challenging domestic and international markets, SHB always sets priority for the interests and sustainable development of the country and community, taking social responsibility as a guideline in every work. In 2023, based on the directions of the Government and the State Bank on continuing to implement solutions to increase access to credit capital and remove difficulties for production and business activities; with the "customer-centric" business motto, SHB has implemented initiatives to remove difficulties and obstacles to accompany businesses and individuals.

Besides supporting business activities, SHB always actively spreads the "Heart" of love to all regions of the country, adopts social security policies, and takes care of policy families and people with meritorious services, people in difficult circumstances,...

2. Regarding the implementation of the duties of the Board of Directors

2.1. Administration and supervision activities of the Board of Directors

Administration and supervision activities of the Board of Directors over the Executive Board are carried out in accordance with the provisions of Law, SHB Charter, Regulations on Organization and Operation of the BOD and Internal Governance Regulations of the Bank.

SHB BOD for the 2022-2027 term has implemented full governance and supervision according to the duties of the BOD; successfully directed and organized the 31st Annual General Meeting of Shareholders in 2023 (AGM). Currently, the BOD comprises of 08 members, including 02 independent Board members.

SHB's Board of Directors has assigned specific tasks to each member. Each member of the Board of Directors is assigned to perform management and supervision in each key operational area of the bank in accordance with their experience, expertise and capacity to contribute to improving the efficiency of the Bank operations.

In 2023, the BOD held 08 direct meetings, and promptly and effectively collected written opinions from board members on contents under the authority of the BOD, and many management meetings were convened to direct and orient appropriate business activities in each stage, creating motivation to promote business to ensure safety, efficiency and completion of plans assigned by the General Meeting of Shareholders.

The BOD monitors the Bank's operations regularly through periodic reports and reports/proposals arising from the Executive Board. In addition, supervision is also carried out through reviewing and processing information from reports prepared by the Supervisory Board and Internal Audit Division. Accordingly, management and supervision activities are always effective, ensuring safe and sustainable development; The BOD has issued Resolutions and Decisions in accordance with the provisions of Law and SHB.

On the other hand, the Committees and units under the Board of Directors also regularly report to the Board on issues within the scope of responsibility of the Committees and units to ensure adequate and comprehensive information on the Bank's operations is provided to the BOD, ensuring compliance with legal regulations and Resolutions of the General Meeting of Shareholders.

2.2. Activities of Independent Directors

On duly and prudently implementing the rights and obligations of independent members of the Board of Directors in accordance with SHB's internal regulations and according to the assignment decision of the BOD/Chairman of the BOD, during the past year, independent Board Members have attended meetings of the BOD, the Risk Management Committee, Strategy Committee and gave full opinions on issues to be approved at the meeting and issues to be approved in the form of written comments.

On implementing resolutions and decisions of the General Meeting of Shareholders and according to the Decision on assignment of tasks by the BOD, independent directors always comply, report and disclose information fully in accordance with current laws, complete tasks and powers in accordance with the roles and positions held according to the assignment of the BOD; effectively support the BOD in making timely decisions on the Bank's governance and management.

2.3. Directing strategy implementation

Inheriting and promoting achieved achievements, BOD determines a safe, sustainable development strategy suitable for each stage, flexible, creative and different. At the same time, to achieve the goal of becoming the TOP 1 Bank in terms of efficiency, the most popular digital bank, the best retail bank and the TOP bank providing capital for financial services for strategic corporate customers with green ecosystems, supply chains, value chains, and green development; Vision to 2035, SHB shall become a modern, leading retail bank, green bank, digital bank in the region. SHB shall continue to cooperate with partners, leading consulting firms in the world and recruit senior domestic/foreign personnel to accompany SHB in planning, implementing, and supervising the implementation of the Bank's strategic development plan.

In 2023, the Board of Directors has consolidated the personnel of the Committees (Strategy Committee, Human Resources Committee and Risk Management Committee) and Steering Committees to promptly direct, orient and supervise the Executive Board to promote business activity.

Especially in the past year, SHB BOD has decided to establish a Transformation Division with leaders who are senior staff from foreign banks working at SHB under the CEO to implement the SHB's transformation strategy directions, acting as a focal point to lead the Bank's Divisions/Departments in implementing business strategy development and digital transformation projects/schemes for the innovation and modernization of the Bank.

In 2023, SHB's Board of Directors has continued to orient and direct the Executive Board and the whole bank to complete the strategic goals based on 04 main pillars:

✓ **Institutions and mechanisms:** Streamlining the system, perfecting the policies, regulations, processes and internal document system of SHB. Digitize credit process, customer experience journey, and effectively control coordination and centralized customer management. Continue to promote effective risk management, debt structure, asset structure; Improve corporate governance and financial capacity to ensure SHB's safe and sustainable development.

✓ **People:** Centered on human resource management, system management, technical skill and management skill training, reward, discipline, KPIs, labor productivity; Building a corporate culture towards working efficiency; Attract and retain talent.

✓ **Customer-centricity:** From products, needs identification, policies, organizational structure, people, and technology to cultural activities ... of SHB all aim to serve and satisfy customers in every segment according to the characteristics of the region. Develop strategic initiatives to make the most of the customer base, customer ecosystem and supply chain financing; differentiated value propositions with appropriate products.

✓ **Information Technology and Digital Transformation Platform:** Modernize and automate the information technology system, flexibly connecting with the ecosystem anchor customers and strategic partners in the future. Specially focused on digital transformation, building a digital culture, transforming starting from people to internal processes and processes related to customer service to achieve operational efficiency.

2.4. Risk management and compliance monitoring

✓ *Regarding risk management*

The Board of Directors has oriented, managed and supervised SHB's risk management activities, ensuring safety limits and pioneering the application of advanced risk management standards.

In recent times, SHB has built a management system for key risks, not only meeting the State Bank's regulations ahead of time but also applying higher standards and current best practices. SHB is currently implementing and continuing to improve the quality of risk management activities according to international standards such as applying Basel III standards in liquidity risk management; implementing risk management and capital calculation using advanced methods; building an advanced asset and liability management forecasting system (FTP, ALM), converting financial statements according to IFRS9,... to enhance risk management, ensure safe and effective business operations.

✓ *Regarding compliance monitoring*

All business activities of SHB are to ensure compliance with regulations of the State Bank of Vietnam and relevant laws. The BOD has established criteria and risk appetite thresholds as the foundation for the internal management policy system and orientation for

business development within the legal framework. At the same time, directing and building a compliance culture is one of the key tasks to prevent and minimize risks and improve business performance.

✓ ***Regarding prevention of corruption and internal fraud***

For the prevention of corruption and crime, the BOD has established a Steering Committee for Prevention of corruption and crime, with Chairman of the BOD as Head of the Committee, directly directing prevention activities bankwide. In addition to provisions of law, the BOD has directed and oriented the development and supplementation of regulations/policies on preventing and managing internal fraud, promulgated reward and disciplinary policies to orient and adjust employee behavior and specific sanctions for violations.

- ***Regarding anti-money laundering***

SHB is one of the leading banks in implementing the regulatory framework on anti-money laundering according to the requirements of the Anti-Money Laundering Law. In addition to the criteria included in the KYC system and money laundering risk classification, SHB has developed the most advanced money laundering transaction scanning system in banking operations. Beside common situations to identify and warn of suspicious transactions, SHB also adds scenarios and criteria to identify prohibited transactions according to the instructions and directives of the State Bank. This system helps promptly warn suspicious transactions to make adjustments to customers or report to authorities according to regulations.

- ***Regarding Implementing ESG (Environment – Social – Governance):***

Accompanying the government in the roadmap to control carbon emissions, SHB is one of the leading banks in Vietnam in participating in green credit programs and introducing social and environmental risk assessment (ESG) in appraising and scoring credit customers to contribute to protecting the ecosystem towards sustainable development.

2.5. Remuneration for the BOD and Supervisory Board

In 2023, BOD Members and Supervisory Board Members are entitled to remuneration and benefits based on work performance and the Bank's business results, ensuring the use of remuneration and operating budget of the BOD and the Supervisory Board is within the limit approved by the General Meeting of Shareholders in 2023, in accordance with SHB's Charter, SHB's internal regulations, and relevant current legal regulations. Remuneration and operating budget of the Board of Directors and Supervisory Board are reported/disclosed in SHB's 2023 audited Financial Statement (included in the General Meeting of Shareholders documents).

It is expected that the total budget of the BOD and Supervisory Board Remuneration Fund in 2024 will equal 0.6 % of SHB's consolidated profit after tax in 2024. We would like to submit to the GMS for approval.

II. SHB'S OPERATION ORIENTATION IN 2024

SHB has been a bank providing effective capital sources for key sectors of the Vietnamese economy, accompanying the country's development. Continuing a proud 30-year journey, with a new mindset, new strength and new strategic vision, SHB aims to be the TOP 1 Bank in terms of efficiency and a favorite digital bank, the best retail bank and the TOP bank providing capital for financial services for strategic corporate customers with green ecosystems, supply chains, value chains, and green development by 2028. Vision to 2035, SHB shall become a modern, leading retail bank, green bank, digital bank in the region.

2024 is forecasted to continue to be a year of many challenges for the Vietnamese economy in general and the banking system in particular. However, turning challenges into opportunities, SHB has cooperated with the world's leading partners such as BCG, IFC, PWC,... SHB identifies 2024 as a pivotal year of transformation, implementing the strategy of "Large strategic customer, ecosystem & supply chain file "; while strengthening internal strength and maintaining growth momentum in a sustainable and effective direction, developing based on 4 pillars (*Institutions, mechanisms; People; Customer-centered; Information technology platform and digital transformation*).

In addition, SHB's Board of Directors has directed the implement of solutions and measures to achieve strategic goals in 2024 with the principle of "Innovation - Responsibility - Efficiency", becoming a strong foundation for breakthrough development in the coming years. Furthermore, with 6 core cultural values "Heart – Faith – Trustworthiness – Knowledge – Wisdom – Prestige" and the operating motto of "Solid partner - Flexible solutions", the BOD and Executive Board of SHB shall take steps towards sustainable development, transparency, strengthening financial capacity, risk management, ensuring compliance with operational safety indicators according to SBV regulations and improving investment capabilities and expanding the network consistent with business development goals, bringing the highest benefits to shareholders, investors, customers and the Bank. At the same time, the Bank shall comply and closely follow the Government's orientation on socio-economic development and the State Bank's direction on implementing key tasks of the banking industry thereby bringing more values to customers, investors, shareholders, and communities, contributing to the prosperity and development of the country.

Wishing you health, happiness and success.

**PP. BOARD OF DIRECTORS
CHAIRMAN OF THE BOARD**