TABLE OF CONTENTS

DISCLOSURE OF CAPITAL ADEQUACY RATIO OF SHB

(As of June 30, 2024)

Scope of capital adequacy ratio calculation

This is the information disclosure related to the capital adequacy ratio of Saigon – Hanoi Commercial Joint Stock Bank ("the Bank") and its subsidiaries (collectively referred to as "SHB") as of 30 June 2024. The information is disclosed in accordance with Circular 41/2016/TT-NHNN dated December 30, 2016 of the Governor of the State Bank of Vietnam regulating the capital adequacy ratio for banks and branches. foreign banks (Appendix 5 - Disclosure content).

As at 30 June 2024, SHB had subsidiaries and affiliates that were consolidated when calculating the Consolidated CAR as follows:

Subsidiaries

No.`	Company name	Charter capital (million VND)	Field of activity	Bank ownership ratio
1	Debt Management and Asset Exploitation One Member Company Limited Saigon – Hanoi Commercial Joint Stock Bank ("SHB AMC")	20,000	Debt management and asset exploitation	100%
2	Saigon – Hanoi Laos One Member Bank ("SHB Laos")	1,279,488	Finance/Banking	100%
3	Saigon – Hanoi Cambodia Bank Limited ("SHB Cambodia")	1,744,452	Finance/Banking	100%

Affiliates

No.`	Company name	Charter capital (million VND)	Field of activity	Bank ownership ratio
1	Saigon – Hanoi Commercial Joint Stock Bank Finance	500,000	Consumer Finance	50%

	Company Limited ("SHB FC")			

As at 30 June 2024, SHB has no subsidiaries that are insurance businesses, therefore, the consolidated balance sheet to calculate the consolidated CAR will be similar to the balance sheet.

1. Owner's equity capital structure

❖ Main components of SHB's equity include:

➢ *Main components of Tier 1 Capital:*

- Charter capital
- Reserve fund to supplement charter capital
- Professional development investment fund
- Financial provision fund
- Undistributed profits

➢ *Main components of Tier 2 Capital:*

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

❖ Information about the components of Tier 1 Capital, Tier 2 Capital, and value of items reduced when calculating SHB's separate equity and consolidated equity as of 30 June 2024 is as follows:

Unit: million dong

Equity	**Separate**	**Consolidated**
1. Deductions from equity		
Deductions from Tier 1 capital	5,260	5,260
Deductions from Tier 2 capital	-	-
Other	3,567,955	387,186
Total deductions	**3,573,214**	**392,446**
2. Equity value		
Tier 1 capital (after deductions)	55,334,250	55,876,442

Tier 2 capital (after deductions)	18,811,433	18,902,852
Total Owner's Equity	**70,577,728**	**74,384,341**

2. Capital adequacy ratio (CAR):

a) Qualitative content

❖ Procedure for calculating capital adequacy ratio:

SHB has developed an automated system to calculate the Capital Adequacy Ratio on a monthly basis. Additionally, SHB has implemented internal regulations and processes that define the responsibilities and authority of the relevant departments in calculating and managing the Capital Adequacy Ratio in accordance with Circular 41/2016/TT-NHN.

❖ Capital plan to maintain capital adequacy ratio:

SHB actively manages its Capital Adequacy Ratio to ensure compliance with the regulations of the State Bank, in alignment with its Risk Appetite, while maintaining a capital safety buffer to safeguard the bank's business activities and growth.

In particular, SHB develops an annual Capital Plan based on the Internal Capital Adequacy Assessment Process (ICAAP) with the following key components:

- The Capital Plan is prepared annually and includes a three-year forecast.
- The plan is detailed for each component, including Tier 1 capital, Tier 2 capital, and deductions, with specific plans for increasing each capital tier.
- The Capital Plan ensures compliance with the regulations of the State Bank and reflects the bank's Risk Appetite under both normal business and adverse conditions.

b) Quantitative content:

Unit: million dong

Items		**Separate**	**Consolidated**
A	**Equity capital**	**70,577,728**	**74,384,341**
A1	Tier 1 capital (after deductions)	55,334,250	55,876,442
B	**Total Value of RWA (= 1 + 2 + (3+ 4)* 12.5)**	**577,421,867**	**589,682,662**
1	RWA for credit risk	532,945,631	541,811,167
2	RWA for counterparty credit risk	88,537	88,537

3	Required capital for operational risk	2,879,390	3,151,011
4	Required capital for market risk	671,626	671,626
C	**Tier 1 capital ratio (=A1/B)**	9.58%	9.48%
D	**Capital adequacy ratio (=A/B)**	12.22%	12.61%

3. Credit risk:

a. Qualitative content:

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

(i) Credit risk: The risk that a customer (whether an individual or legal entity, including credit institutions and foreign bank branches) fails, or is unable, to fulfill part or all of their debt repayment obligations under a contract or agreement with SHB, excluding counterparty credit risk;

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

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

❖ Credit Risk Management Policy

SHB has established a Credit Risk Management Policy to align the objectives, principles, and framework of credit risk management, ensuring adherence to international standards and best practices in Vietnam.

The policy comprehensively outlines the measures required to ensure SHB’s credit activities are conducted safely and effectively, in line with the bank’s risk management orientation for each period. Specifically, it covers:

- Aligning the objectives, principles, and responsibilities of credit risk management;
- Detailing key aspects of Credit Risk Management, including: credit risk management strategy, risk limits, identification, measurement, control, and mitigation of credit risks, the internal credit rating system, credit appraisal,

approval of credit risk decisions, credit management, early warning systems, post-credit control, collateral management, problem credit management, debt classification and provisioning, credit risk management for new products and markets, credit portfolio management, centralized credit risk management, credit risk management data, and reporting;

- Counterparty credit risk management, including: counterparty credit risk management, measurement, monitoring, control, and reporting.

SHB has implemented a system of credit risk limits, developed based on the allocation of risk appetite thresholds to ensure compliance with internal requirements, safeguard credit activities, maintain SHB's target Capital Adequacy Ratio (CAR), and meet the regulatory standards set by the State Bank of Vietnam. SHB conducts an annual review of the credit risk limits to assess their suitability and make necessary adjustments.

In addition, SHB has developed a range of tools and models for measuring and assessing credit risk, including the Internal Credit Rating System (ICRS**)**, the Debt Collection Management System**,** and a comprehensive reporting system to proactively detect and manage credit risks. These systems enable SHB to implement timely measures to prevent and mitigate risks. SHB has also established a dedicated unit to monitor, issue early warnings, and supervise debts requiring attention

❖ Use independent credit rating

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

❖ Mitigate credit risk

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

(1) Collateral

(2) Offsetting

(3) Third Party Guarantee

(4) Credit Derivatives.

As of June 30, 2024, SHB primarily utilized collateral as the primary credit risk mitigation measure and did not employ credit derivative products (*For further details, please see Section b . Quantitative content below).*

b. Quantitative content:

❖ Receivables with independent credit ratings and their corresponding consolidated risk-weighted assets (RWA) are as follows:

Unit: million dong

Credit Rating	**Risk-weighted assets**
From AAA to AA-	3,292
From A+ to BBB-	247,695
From BB+ to B-	3,809,646
Below B- or no rating	5,998,240
Total	**10,058,873**

❖ The risk-weighted assets for credit risk and counterparty credit risk (CRR) in the consolidated figures are as follows:

Unit: million dong

Items	**Amount**
1. Risk-weighted assets for credit risk	**541,811,167**
Receivables from the Government	1,778,676
Receivables from Financial Institutions	8,279,003
Receivables from Corporate Customers (*)	452,347,200
Receivables from Retail Customers (**)	51,060,547
Others	28,345,740
2. Risk-Weighted Assets for Counterparty Credit Risk	**88,537**

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

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

❖ RWA for credit risk by industry of outstanding loans to customers in consolidated figures are as follows:

Unit: million dong

Items	Amount
Total loan	**485,731,779**
1. Economic entities	**431,292,525**
Wholesale and retail; repair of cars, motorcycles and other motor vehicles	93,026,936
Manufacturing and processing industry	57,665,328
Construction	95,835,126
Agriculture, forestry and fisheries	19,789,298
Real estate trading	87,091,204
Transportation, warehousing	18,600,904
Production and distribution of electricity, gas, hot water, steam and air conditioning	27,828,319
Other service activities	7,914,410
Accommodation and food services	3,579,487
Mining	1,027,186
Financial, banking and insurance activities	84,795
Others	18,849,534
2. Retail customers	**54,439,254**

❖ Risk-Weighted Assets (RWA) for credit risk (including both on-balance sheet and off-balance sheet items) are subject to the credit risk mitigation measures outlined in Circular 41, in consolidated data as follows:

Items	Amount before mitigation	Amount after mitigation
RWA for credit risk subject to mitigation	**88,828,100**	**12,732,302**
Mitigation by Collateral	34,228,217	11,496,626
Mitigation by offsetting	54,599,884	1,235,676
Mitigation by 3rd party guarantees	0	0
Mitigation by credit derivatives	-	-
RWA for credit risk subject to no mitigation	**529,078,865**	**529,078,865**

Items	Amount before mitigation	Amount after mitigation
Total	**617,906,965**	**541,811,167**

4. Operational risks:

a) Qualitative content:

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

(i) **Current operational risk management policy of SHB** :

In the first six months of 2024, SHB reviewed and issued amendments to the Operational Risk Management (ORM) Policy to ensure compliance with current practices, align the ORM framework with the requirements of the State Bank of Vietnam, and meet international standards and best practices. The revised policy covers the following key aspects:

- Alignment of definitions, classification, and general principles of operational risk (OR);
- Regulations on the three lines of defense model to manage operational risks, detailing the roles and responsibilities of all parties involved in ORM across the bank, including the Board of Directors, Operational Risk Committee, Chief Executive Officers/Deputy CEOs, Risk Management Council, Risk Management Division, Compliance Department, and all individuals and units at SHB; dedicated ORM focal points are assigned at each branch;
- Guidelines on ORM strategies**,** risk appetite, and risk limits;
- Methods for identifying, measuring, monitoring, and controlling operational risks, including specific measures for:
    - Operational risk management for new products and operations in new markets;
    - Operational risk management in technology applications and outsourcing activities;
- Regulations on the Business Continuity Plan (BCP)**;**
- Insurance policies aimed at minimizing operational risk losses;
- Capital requirements for operational risks;

- ORM reporting, communication, and early warning mechanisms.

Currently, SHB utilizes several methods to identify, measure, and control operational risks, including:

1. Collection and analysis of internal and external loss data;
2. Business flow mapping;
3. Key risk indicators;
4. Risk and control self-assessment, in accordance with the requirements of Circular 13/2018/TT-NHNN.

In addition to mandatory insurance, SHB has also signed and maintained several insurance contracts from 2022 to 2024 to further mitigate operational risk losses. These include Cyber Risk Insurance**,** Financial Institution Professional Indemnity (FIPI) Insurance**,** and Bankers Blanket Bond & Electronic Computer Crime (BBB & ECC) Insurance.

(ii) **Business continuity plan (BCP):**

SHB has issued comprehensive documentation and developed a detailed Business Continuity Plan (BCP) to address disruption events, as required by Circular 13/2018/TT-NHNN. The BCP is implemented at key headquarters, branches, and business centers across SHB's network to ensure operational resilience.

In the first six months of 2024, SHB successfully operated six level-3 IT systems on a rotational basis. Additionally, SHB conducted tests to assess the impact of a 24/7 call center outage and performed BCP tests at various branches and transaction offices under the following scenarios: (1) Inaccessible office, requiring relocation to a backup office or use of an alternative unit; (2) Fire or explosion, necessitating an immediate evacuation of the office building or headquarters; (3) Temporary suspension of transactions at a branch or transaction office.

b) Quantitative content:

The required capital for operational risk is calculated at 15% of the average business performance over the past three years, as of the time of calculation, and is outlined in accordance with the guidance provided in Appendix 3 of Circular 41. The specific consolidated figures are as follows:

Item	Separate	Consolidated
IC	18,236,422	18,915,933
FC	363,005	369,701
SC	1,679,004	1,770,101
BI	20,278,431	21,055,735
K_{OR} *(Required capital for OR)*	**2,879,390**	**3,151,011**
12.5*K_{OR} *(Total RWA for OR)*	**35,992,377**	**39,387,637**

5. Market risk:

a) Qualitative content:

❖ Market risk (MR) is the risk caused by adverse fluctuations in interest rates, exchange rates, stock prices and commodity prices in the market.

❖ Market risk management policy:

The Market Risk Management (MRM) policy is issued, reviewed, and evaluated on an annual or ad-hoc basis to ensure alignment with the Bank's evolving risk management strategy. In line with the objectives and principles outlined in the MRM policy, SHB has developed and implemented a comprehensive system of documents, regulations, and processes for effective market risk management. These include:

- Regulations on the separation of trading books and banking books;
- Regulations for market risk measurement;
- Guidelines for market risk measurement;
- Market risk management processes;
- Regulations on market risk limits;

This structured approach ensures that market risk management is carried out efficiently and consistently across the organization:

- The MRM policy establishes the objectives and principles of risk management to meet the requirements of the Market Risk Management

(MRM) strategy. It also outlines the oversight system, which is structured around the three lines of defense.

- In addition to the centralized interest rate and exchange rate risk management policy at the Head Office, SHB has developed principles for MRM under both normal and crisis conditions. This includes establishing risk limits and thresholds, developing stress test scenarios, and assessing the bank's resilience. These efforts enable SHB to formulate contingency plans for adverse situations. The policy also prescribes preventive measures and principles, such as closing positions and utilizing derivatives or hedging products, to mitigate risks effectively
- Implemented the Policy on Market Risk Management**,** SHB has fully established a system of MRM measures to manage risks, including:

    - Dealers limit;
    - Loss limit;
    - Stop loss (stop loss limit);
    - Status/portfolio limit;
    - Maximum holding period limit;
    - Sensitivity limit (PV01 – present value of 01 bps), etc.

  Market risk limits are reviewed at least annually or on an ad-hoc basis when there are significant market fluctuations

- Based on the established market risk limits**,** SHB conducts measurement**,** monitoring, and control to assess compliance with these limits. This process ensures the capability to provide early warnings, enabling timely and appropriate remedial actions.

❖ Outline of the Proprietary Trading Strategy ;

The Proprietary Trading Strategy is developed for proprietary activities and products for a duration of three years and is reviewed annually to allow for timely adjustments in response to changing market and business conditions. SHB formulates a proprietary trading strategy for each product and currency, incorporating hedging principles for each product group based on the bank's risk appetite. This approach ensures the optimization of capital while maintaining a balance between profit objectives and the bank's capital adequacy ratio.

❖ Trading book portfolio includes:

✓ Bonds

- ✓ Interest rate derivatives
- ✓ The entire forex trading portfolio includes spot, forward and swap transactions

b) ***Quantitative content:***

The capital required for market risk includes the capital necessary for interest rate risk and foreign exchange risk. As of June 30, 2024, SHB has not engaged in stock, commodity, or options trading activities; therefore, it has not incurred capital requirements for these associated risks.

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

Items	Separate		Consolidated	
	Required capital for market risk	**Total RWA**	**Required capital for market risk**	**Total RWA**
Interest rate risk	671,626	8,395,322	671,626	8,395,322
Stock price risk	0	-	0	-
Forex risk	-	-	-	-
Commodity price risk	0	-	0	-
Risks for options trading	0	-	0	-
Total	**671,626**	**8,395,322**	**671,626**	**8,395,322**