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## DISCLOSURE OF CAPITAL ADEQUACY RATIO OF SHB

(As of December 31, 2024)

### Scope of capital adequacy ratio calculation

This is the disclosure related to the capital adequacy ratio (CAR) of Saigon – Hanoi Commercial Joint Stock Bank (“the Bank”) and its subsidiaries (collectively referred to as “SHB”) as of December 31, 2024. The information is disclosed in accordance with Circular 41/2016/TT-NHNN dated December 30, 2016 of the State Bank of Vietnam (SBV) regulating the capital adequacy ratio for banks and branches of foreign banks (Appendix 5 - Disclosure content).

As of December 31, 2024, the Consolidated CAR for SHB was calculated by including its subsidiaries and affiliates:

### Subsidiaries

No.	Company name	Charter capital (million VND)	Business lines	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 LLC Bank (“SHB Laos”)	1,279,488	Finance/Banking	100%
3	Saigon – Hanoi Cambodia One Member LLC Bank (“SHB Cambodia”)	1,744,452	Finance/Banking	100%

### Affiliates

No.	Company name	Charter capital (million VND)	Business lines	Bank ownership ratio
1	Saigon – Hanoi Commercial Joint Stock Bank Finance Company Limited (“SHB FC”)	500,000	Consumer Finance	50%

As of December 31, 2024, SHB has no insurance subsidiaries/affiliates. Consequently, the consolidated balance sheet used to calculate the Consolidated CAR is identical to the balance sheet.

## 1. Equity capital structure

❖ The 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 in compliance with the regulations of the SBV on classification of assets, provisioning ratio, provisioning method and usage for credit institutions, foreign bank branches.
- Subordinated debt issued by SHB in compliance with the SBV's requirements is included in tier 2 capital.

❖ The table below presents the detailed composition of Tier 1 and Tier 2 capital, including applicable deductions, for the purpose of calculating SHB's separate and consolidated equity as of December 31, 2024:

Unit: Million VND		
Equity	Separate	Consolidated
<b>1. Deductions from equity</b>		
Deductions from Tier 1 capital	5,260	5,260
Deductions from Tier 2 capital	-	-
Other	3,567,955	414,028
<b>Total deductions</b>	<b>3,573,214</b>	<b>419,288</b>
<b>2. Equity</b>		
Tier 1 capital (after deductions)	57,280,728	57,846,719
Tier 2 capital (after deductions)	17,774,667	17,855,534
<b>Total equity</b>	<b>71,487,441</b>	<b>75,288,226</b>

## 2. Capital Adequacy Ratio (CAR):

### a) Qualitative content

❖ Procedure for calculating CAR:

SHB has developed an automated system to calculate the CAR 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 CAR in accordance with Circular 41/2016/TT-NHN.

❖ Capital plan to maintain CAR:

SHB actively manages its CAR to ensure compliance with the regulations of the SBV, 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 SBV and reflects the bank's Risk Appetite under both normal business and adverse conditions.

**b) Quantitative content:**

<b>Indicators</b>		<i>Unit: Million VND</i>	
<b>A</b>	<b>Equity capital</b>	<b>Separate</b>	<b>Consolidated</b>
A1	Tier 1 capital (after deductions)	57,280,728	57,846,720
<b>B</b>	<b>Risk-weighted Assets (RWA)</b> (= 1 + 2 + (3+ 4)* 12.5)	<b>621,343,521</b>	<b>634,883,995</b>
1	RWA for credit risk (RWA CR)	575,926,169	586,486,857
2	RWA for counterparty credit risk (RWA CCR)	70,865	70,865
3	Required capital for operational risk	2,944,549	3,182,932
4	Required capital for market risk	683,170	683,170
<b>C</b>	<b>Tier 1 capital ratio (=A1/B)</b>	<b>9.22%</b>	<b>9.11%</b>
<b>D</b>	<b>CAR (=A/B)</b>	<b>11.51%</b>	<b>11.86%</b>

**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 trading;
  - Repo transactions and reverse repo transactions;
  - Trading derivatives to hedge risk;
  - Foreign exchange and financial asset trading transactions are conducted to meet 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-disbursement management, 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 Risk Appetite Limit framework. The Risk Appetite Limits are established through the allocation of risk appetite thresholds to ensure compliance with regulatory requirements and internal limits, maintain the safety

of credit operations, support SHB's target CAR, and comply with SBV regulations applicable in each period. SHB annually assesses the appropriateness of the Risk Appetite Limits and makes adjustments as necessary.

In addition, SHB has developed a range of tools and models for measuring and assessing credit risk, including the Internal Rating-Based (IRB) approach, 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 mitigate risks. SHB has also established a dedicated unit to monitor, issue early warnings, and supervise special mention loans.

❖ Use independent rating.

In compliance with Circular 41, banks are required to utilize contracted and regulation-compliant independent rating agencies to assign risk weights to financial institution receivables. 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 Circular 41 issued by the SBV, 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 from Articles 11 to 15 of the Circular are fully satisfied:

- (1) Collateral
- (2) Balance sheet offsetting
- (3) Third-Party Guarantee
- (4) Credit Derivatives.

As of December 31, 2024, SHB primarily utilized balance sheet offsetting 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:**

❖ Weighted risks of receivables are defined by independent ratings and their corresponding consolidated RWA are as follows:

Unit : Million VND

Rating	RWA
From AAA to AA-	4,509

From A+ to BBB-	67,289
From BB+ to B-	2,918,890
Below B- or no rating	11,519,569
<b>Total</b>	<b>14,510,257</b>

❖ The RWA CR and RWA CCR in the consolidated figures are as follows:

*Unit: Million VND*

<b>Indicators</b>	<b>Amount</b>
<b>1. RWA CR</b>	<b>586,486,857</b>
Receivables from the Government	1,722,042
Receivables from Financial Institutions	12,791,285
Receivables from Corporate Customers (*)	494,238,248
Receivables from Retail Customers (**)	52,333,141
Others	25,402,140
<b>2. RWA CCR</b>	<b>70,865</b>

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

(\*\*) *Including retail receivables, mortgage loans, retail loans secured by real estate.*

❖ RWA by industry in consolidated amount are as follows:

*Unit: Million VND*

<b>Indicators</b>	<b>Amount</b>
<b>Total loan</b>	<b>517,620,290</b>
<b>1. Economic entities</b>	<b>461,902,946</b>
Wholesale and retail; repair of cars, motorcycles and other motor vehicles	98,821,652
Manufacturing and processing industry	38,087,149
Construction	68,972,600
Agriculture, forestry and fisheries	7,624,247
Real estate trading	144,030,868
Transportation, warehousing	23,426,886
Production and distribution of electricity, gas, hot water, steam and air conditioner	29,487,366
Other service activities	20,842,523
Accommodation and catering services	12,535,893
Mining	932,985
Finance, banking and insurance	276,487
Others	16,864,290
<b>2. Retail customers</b>	<b>55,717,345</b>

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

<b>Indicators</b>	<b>Amount before mitigation</b>	<b>Amount after mitigation</b>
<b>RWA subject to mitigation</b>	<b>104,653,098</b>	<b>11,579,236</b>
Mitigation by Collateral	40,941,919	10,070,822
Mitigation by balance sheet offsetting	63,711,179	1,508,414
Mitigation by third party guarantees	0	0
Mitigation by credit derivatives	-	-
<b>RWA subject to no mitigation</b>	<b>574,907,622</b>	<b>574,907,622</b>
<b>Total</b>	<b>679,560,720</b>	<b>586,486,857</b>

#### **4. Operational risks:**

##### **a) Qualitative content:**

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

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

SHB reviewed and revised its Operational Risk Management Policy (ORM) in early 2024 to ensure compliance with current practices, align the ORM framework with the requirements of the SBV and meet international standards and best practices. The policy covers the following key aspects:

- Alignment of definitions, classification, and general principles of 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, Risk Management Committee, Chief Executive Officers/Management, Risk Management Council, Risk Management

Division, Compliance Department, and all individuals and units at SHB; dedicated ORM employees are assigned at each branch;

- Guidelines on ORM strategies, risk appetite, and risk limits;
- Methods for identifying, measuring, monitoring, and controlling operational risks and specific measures;
- ORM for new products and operations in new markets, technology applications and outsourcing activities;
- Regulations on the Business Continuity Plan (BCP);
- Insurance policies aimed at minimizing OR losses;
- Capital requirements for OR;
- ORM reporting, communication, and early warning mechanisms.

Currently, SHB implements several methods for identifying, measuring, and controlling OR, including: 1) Collection and analysis of internal and external loss data; 2) Business process mapping; 3) Key risk indicators; and 4) Risk and control self-assessment in compliance with Circular 13/2018/TT-NHNN. In the last six months of 2024, SHB focused on implementing risk and control self-assessments for key business processes in credit, customer service, electronic banking, and information technology to proactively identify, prevent, and mitigate OR for the Bank.

In addition to regulatory insurance policies, SHB has also signed and maintained several insurance contracts from 2022 to 2024 to further mitigate OR 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 all necessary documents and developed a specific BCP to address disruption events in accordance with Circular 13/2018/TT-NHNN, and has implemented BCP arrangements at key Head Office units and SHB branches/business centers.

During the last six months of 2024, the following BCP tests under the following scenarios were conducted:

- 22 Level 3 IT systems were tested on a rotational basis.
- The 24/7 call center is unavailable.

- Fire or explosion incidents that require emergency evacuation from the building/office and relocation to a backup location for a key Head Office unit within the Operations Division;
- Test the BCP at branches/transaction offices under the following scenarios: 1) Obstruction of office access, necessitating relocation to a backup site or the use of an alternate unit; 2) Fire or explosion, requiring emergency evacuation from the building; 3) Temporary cessation of transactions at the branch or office.

**b) *Quantitative content:***

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

Components	Separate	Consolidated
IC	20,538,070	21,232,119
FC	102,078	186,932
SC	519,705	518,770
BI	21,159,853	21,937,821
<b>K<sub>OR</sub> (Required capital for OR)</b>	<b>2,944,549</b>	<b>3,182,932</b>
<b>12.5*K<sub>OR</sub> (Total RWA for OR)</b>	<b>36,806,867</b>	<b>39,786,654</b>

**5. Market risk:**

**a) *Qualitative content:***

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

The 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 and 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 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 scenarios, and conducting stress testing. 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 MRM, 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 period 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 target and the bank's CAR.

- ❖ 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 December 31, 2024, SHB has not engaged in stock, commodity, or option 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:

Indicators	Separate		Consolidated	
	Required capital for market risk	Total RWA	Required capital for market risk	Total RWA
Interest rate risk	683,170	8,539,620	683,170	8,539,620
Stock price risk	-	-	-	-
Forex risk	-	-	-	-
Commodity price risk	-	-	-	-
Risks for option trading	-	-	-	-
<b>Total</b>	<b>683,170</b>	<b>8,539,620</b>	<b>683,170</b>	<b>8,539,620</b>