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PRESS RELEASE

SHINHAN BANK VIETNAM HAS BEEN MAINTAINED “BB+” RATING WITH “STABLE” OUTLOOK BY STANDARD & POOR’S IN 2024

Ho Chi Minh City, 11th June 2024 – Shinhan Bank Vietnam Limited (“Shinhan Bank Vietnam”) has been maintained “BB+” rating with “Stable” outlook by Standard & Poor’s (“S&P”), a credit rating agency in the RatingsDirect issued on 30th May 2024.

According to S&P, the ratings reflect S&P’s view that Shinhan Bank Vietnam will benefit from stronger group support following the upgrade of Vietnam’s national credit rating. If the ratings were not constrained, the Shinhan Bank Vietnam credit rating would be one notch lower than the Shinhan Financial Group (SFG) rating profile of “a+”.

In S&P’s opinion, the stable outlook on Shinhan Bank Vietnam reflects the general outlook of Vietnam as well as Shinhan Bank Vietnam will maintain its highly strategic importance to the Shinhan Financial Group (SFG) over the next 18 – 24 months.

In the view of S&P, Shinhan Bank Vietnam plays an integral role for the global business expansion goal of Shinhan Financial Group (SFG) in Southeast Asia and will maintain its highly strategic importance to the SFG. Shinhan Bank Vietnam has steadily grown its business, becoming one of the largest foreign banks by assets in Vietnam and simultaneously ranked at the 2nd in terms of profit among foreign banks in Vietnam as of end-2023.

In addition, Shinhan Bank Vietnam leads the SFG’s expansion strategy in the country by coordinating with non-banking affiliates in Vietnam to increase cross-selling opportunities. Shinhan Bank Vietnam is the largest overseas earnings contributor for the parent bank in Korea and the primary operating entity within SFG.

According to the latest updated data, in 2023, 18% of net income of the parent bank in Korea was generated from overseas business and about 44% of this figure was contributed by Shinhan Bank Vietnam. Thereby, S&P believes that SFG has strong long-term commitment to Shinhan Bank Vietnam and Vietnam market. S&P expects Shinhan Bank Vietnam to maintain its balanced loan portfolio between corporate and retail, with each segment accounting for about half of total customer loans.

S&P also expects that SFG will likely remain supportive capitalization of Shinhan Bank Vietnam. Shinhan Bank Vietnam has not paid any dividends over the past decade and keep re-investing to develop Vietnam market. The bank's regulatory Tier 1 capital ratio increased by roughly 19.8% as of end-2023 from 17.5% a year ago. This is owing to strong profits and a decrease in assets such as deposits with other financial institutions and investment securities following a large outflow of USD deposits from Shinhan Bank Vietnam amid the rise in the interest rates, given the zero interest on such deposits.

According to S&P's forecast, Vietnam's GDP growth will reach 6.1% in 2024, up from 5.0% in 2023. This will be supported by exports led by electronics, a recovery in the service sector (particularly in tourism and retail), and a steady influx of foreign direct investment in manufacturing.

Amid that context, S&P believed that Shinhan Bank Vietnam will prioritize credit risk management to prevent a sharp deterioration in asset quality over the next one or two years. This consider challenging operating conditions, including potential spillover effects from the property downturn to the banking sector.

S&P assessed that Shinhan Bank Vietnam will be able to manage asset quality risks raising from the weak property market. The bank's exposure to real estate and construction loans was small at less than 1% of its total loans as of end-2023. Meanwhile, according to S&P's estimate, Shinhan Bank Vietnam's ratio of non-performing assets (NPA) increased about 1.5% as of end-2023 from about 0.8% a year ago, though this was still much lower than the average for domestic commercial bank peers of about 4.5%.

Besides, S&P also anticipated that Shinhan Bank Vietnam's profitability, measured by return on average assets (ROAA), will face downward pressure in the coming year. This considers some contraction of net interest margins amid the declining interest rates and a moderate increase in credit losses. Still, the bank's profitability will likely remain superior compared with the average for major Vietnamese banks. Shinhan Bank Vietnam's ROAA was about 2.6% in 2023 compared with the average of about 1.3% for major domestic banks, by S&P's estimate.

As of end-2023, the Bank represented about 5% and 3% of shareholders' equity of Shinhan Bank and SFG on a consolidated basis, respectively.

ABOUT S&P

Standard & Poor's (S&P) is a financial services company based in the United States. This is a subsidiary of McGraw-Hill. S&P is one of the three largest and most prestigious credit rating agencies in the world. The credit ratings of S&P have been published since 1916, to provide investors and market participants worldwide with independent analysis of credit risk. The credit ratings issued by this agency reflects their views on the ability and readiness to meet financial conditions in a complete and timely manner by a business or a country.

S&P's ratings are classified into alphabetical rankings, the highest is AAA while the lowest is D, and are issued for various fields such as local currency and foreign currency ratings, short-term and long-term credit ratings, etc.

ABOUT SHINHAN BANK VIETNAM

Shinhan Bank Vietnam Limited (“Shinhan Bank”) is a subsidiary of Shinhan Bank Korea, an affiliate of Shinhan Financial Group (SFG). SFG is the leading financial holding company in Korea and listed to both Korea Exchange (KRX) and New York Stock Exchange (NYSE).

In Vietnam, Shinhan Bank’s history can be traced back to 1993 when Shinhan Bank first opened the representative office in Ho Chi Minh City. Over the history of over 29 years, Shinhan Bank has built a broad network expanding from the North, the Central and the South of Vietnam. Currently, Shinhan Bank has been offering a diversified portfolio of tailored corporate and consumer banking products and solutions.

In 2023, Shinhan Bank was received three consecutive awards from the prestigious international organizations, including: Best Foreign Retail Bank Vietnam 2023 granted by Global Business Review Magazine, Best Foreign Digital Bank Vietnam 2023 granted by International Business Magazine and Best Foreign Bank Vietnam 2023 granted by World Economic Magazine.

For more information about Shinhan Bank Vietnam, please visit

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