

DRAFT

BIDV RESTRUCTURING PLAN FOR THE PERIOD 2021-2025
(Attached with the Proposal No..... /TTr-BIDV datedof BOD)

INTRODUCTION

With over 65 years of operation and nearly 30 years in commercial bank, BIDV has become a major financial institution, playing a key role in the Vietnamese banking system. BIDV has always been at the forefront of implementing guidelines and policies of the Party, Government and SBV in the country's socio-economic development.

Implementing the policy of the Government and the SBV, BIDV has developed and deployed a "Restructuring plan associated with bad debt handling for the period 2016-2020". In November 2019, BIDV completed a strategic cooperation transaction with Hana Financial Group (South Korea) - a financial institution renowned for its superior management capabilities and successful operations in South Korea and many countries around the world. This partnership provided BIDV with an opportunity to fundamentally change its management model, enhance its management and operational capabilities, risk management, and develop modern, high-tech products and services. It also aimed to boost competitiveness, better meet customer product and service needs, and contribute to the country's development.

After completing the Restructuring plan associated with bad debt handling for the period 2016-2020, BIDV transitioned to implementing its Business Development Strategy until 2025, with a vision to 2030, focusing on sustainable development. As of December 31, 2022, BIDV had achieved and surpassed its major targets set for 2022 in the Strategy. It continued to lead the banking system in terms of total assets and total credit, with pre-tax profits increasing 2.7 times compared to 2020, exceeding the upper limit target for 2022 by 27%. Notably, bad debts at BIDV have largely been resolved or mitigated to reduce risk for the bank, with a bad debt coverage ratio of 226% as of December 31, 2022, and a bad debt ratio of only 0.96% (a very low figure compared to the industry and BIDV's past performance).

Following the SBV's direction and based on the reality of the bank, BIDV had developed and refined the Restructuring Plan for the period 2021-2025 with a focus on: (i) Aligning to the key directions approved in BIDV's Business Development Strategy until 2025, with a vision to 2030; (ii) Aligning with the Government's directions in Decision No. 689/QD-TTG and the SBV's guidelines in Decision No. 1382/QD-NHNN.

I. Results of Implementing the Restructuring Plan associated with handling bad debts for the period 2016-2020 and updated to December 31, 2021

1. Performance of major business plan targets

- To effectively implement the Restructuring Plan, BIDV concentrated all resources on deploying synchronously solutions to enhance financial capacity, control credit quality, strengthen the recovery of bad debts - off-balance-sheet debts - debts sold to VAMC, and improve investment activity efficiency. By the end of 2019, BIDV **had fundamentally met the main targets for 2019 in the Restructuring Plan.**

- In 2020, to achieve the Government's dual objectives of "effectively controlling the pandemic as well as restoring and developing the socio-economic situation", BIDV closely followed the pandemic and market developments, flexibly operated, and made every effort to carry out business activities.

- In 2021, BIDV continued its business activities in alignment with the approved Business development strategy until 2025, vision to 2030. By December 31, 2021, basically, business plan indicators had met the 2021 targets set in the Strategy and showed **positive improvements** compared to 2020. Specifically:

+ **BIDV continued to maintain its leading market position in terms of scale** despite the adverse impacts of the Covid-19 pandemic: (i) Total assets reached **VND 1,721,316 billion**, growing by 16.5% compared to 2020, continuing to be the largest commercial bank in Vietnam by total assets; (ii) **Total credit¹** reached **VND 1,333,232 billion**, growing by 11.6% compared to 2020, leading in market share for economic organization and individual loans among commercial banks; (iii) Mobilized capital² met the demand for capital usage and ensured system liquidity safety, with the scale of mobilized capital reaching **VND 1,489,119 billion** by December 31, 2021, growing by 16.8% compared to 2020.

+ **Credit quality improved significantly:** (i) The non-performing loan ratio (according to Circular 02) was controlled at 0.82% by December 31, 2021, down by

¹ Total Credit is the outstanding loan balance for economic organizations and individuals, and corporate bonds

² Mobilized capital (at the end of the period) includes customer deposits, issuance of valuable papers, and deposits from the Ministry of Finance

0.75% from 2020; (ii) The ratio of group 5 NPL was 0.49%, down by 0.86% from 2020.

+ **Operational efficiency improved:** (i) Profit before tax reached VND 12,543 billion, growing by 50.6% compared to 2020; (ii) ROA and ROE indicators showed positive improvement compared to 2020.

2. Results of Implementing Restructuring Solutions

During this period, BIDV completed **8 main solution groups** stated in the Restructuring Plan, including: (i) Solutions to enhance financial capacity and credit quality; (ii) Solutions to diversify products, services, customer base, improve service quality, and competitiveness; (iii) Solutions to enhance management capability, transparency in operation; (iv) Solutions to modernize technology systems; (v) Solutions to improve the quality, effectiveness, and efficiency of inspection and internal supervision; handling issues, weaknesses and violations identified in the inspection and audit report of independent valuation organization; (vi) Solutions for restructuring and enhancing the efficiency of the operational network; (vii) Solutions for human resource development; (viii) Solutions to enhance cost efficiency to improve BIDV's operational performance.

3. Limitations, difficulties, and causes

During the period 2016-2020, BIDV completed the solutions according to the approved Restructuring Plan. However, due to economic difficulties, particularly the impact of the Covid-19 pandemic, three items (increasing charter capital, divesting non-core investments, Core Banking transformation projects) experienced delays compared to the planned schedule.

4. Learned Lessons

- Anticipate potential scenarios and unforeseen factors that may arise during the implementation of the set goals and solutions identified in the Restructuring Plan.
- Restructuring tasks are an ongoing process and always are the focus of operations and the foundation for the next stage.
- Maintain strict adherence to governance and regulatory discipline; comply with regulations and guidelines from management agencies.

- Strengthen supervision and assess progress in implementing restructuring goals and solutions to make timely adjustments as needed.

II. Objectives, Requirements, and Legal Basis for Developing the Restructuring Plan for the period 2021-2025

1. Objectives and Requirements

- The BIDV Restructuring Plan for period 2021-2025 is developed to:

+ Implement the directives and adhere to the Government's/SBV's guidelines, orientations, goals, tasks, and restructuring solutions for the period 2021-2025.

+ Ensure alignment with BIDV's Business Strategy until 2025, with a vision to 2030, which has been approved and implemented at BIDV.

+ Be consistent with BIDV's operational realities at the time of developing the Restructuring Plan and forecast macroeconomic and banking sector trends for the near future.

- The Restructuring Plan for period 2021-2025 serves as a basis for units within the BIDV system to develop orientations and action plans to effectively achieve the set goals, tasks, and solutions.

2. Legal basis for developing the Restructuring Plan for period 2021-2025

- Decision No. 689/QD-TTg dated June 8, 2022, by the Prime Minister approving the "Restructuring the Credit Institution System linked to handling bad debts for the Period 2021-2025" project;

- Decision No. 1382/QD-NHNN dated August 2, 2022, on issuing the action plan of the banking sector to implement the "Restructuring the credit Institution system linked to handling bad debts for the Period 2021-2025" project;

- Document No. 1152/NHNN-TTGSNH dated December 15, 2022, on developing the restructuring plan linked to handling bad debts;

- Other relevant legal documents;

- Development prospects and competitive trends in the banking sector for 2021-2025;

- Trends in economic integration and deepening cooperation of the overall economy as well as the banking sector;
- BIDV's Business Strategy until 2025, with a vision to 2030, approved by the SBV;
- BIDV's operational status as of December 31, 2022.

III. Evaluation of Operational Status

1. Organization and Governance

1.1. Establishment and Operational License

- License for establishment and operation : Establishment and operational license No. 84/GP-NHNN dated April 23, 2012, and related amendments and supplements
Name written in Vietnamese: Ngân hàng Thương mại Cổ phần Đầu tư và Phát triển Việt Nam
- Vietnamese name : NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN ĐẦU TƯ VÀ PHÁT TRIỂN VIỆT NAM
- English name : JOIN STOCK COMMERCIAL BANK FOR INVESTMENT AND DEVELOPMENT OF VIETNAM
- Transaction name : BIDV
- Head office : BIDV Tower, 194 Tran Quang Khai, Ly Thai To Ward, Hoan Kiem District, Hanoi City, Vietnam
- Telephone number : (84-4) 22205544
- Fax: : (84-4) 22200399
- E-mail : info@bidv.com.vn
- Website : www.bidv.com.vn

- Logo :



- Tax code : 0100150619

BIDV was established to carry out banking activities according to its establishment and operation license, and business registration certificate, including:

- Commercial Banking Activities:

+ *Capital mobilization*: BIDV raises funds from organizations and individuals both domestically and internationally in Vietnamese dong, foreign currencies, and other financial instruments as regulated by law, through the following methods: accepting demand deposits; term deposits, savings deposits, and other types of deposits; issuing certificates of deposit, promissory notes, bills, bonds to mobilize capital domestically and internationally; borrowing from other credit institutions operating in Vietnam and foreign credit institutions; borrowing from the SBV in the form of refinancing; and other forms of fund mobilization not contrary to legal regulations.

+ *Credit activities*: BIDV provides credit to organizations and individuals both domestically and internationally in Vietnamese dong and foreign currencies as regulated by law, through the following methods: lending; bank guarantees; discounting and rediscounting negotiable instruments and other valuable papers; domestic factoring; international factoring for banks authorized to make international payments; issuing credit cards; and other credit facilities after approval from the SBV

+ *Payment and Treasury Services*: (i) Opening deposit accounts at the SBV; (ii) Opening payment accounts at other credit institutions; (iii) Opening deposit and payment accounts abroad according to foreign exchange regulations; (iv) Opening payment accounts for customers; (v) Providing payment instruments; (vi) Performing domestic payment services for customers including checks, payment orders, collection orders, credit letters, and bank cards except credit cards; (vii) Providing collection and payment services; (viii) Providing international payment services and other payment services with SBV approval; (ix) Organizing internal payment systems and

participating in domestic and international payment systems; participating in international payment systems when approved by the State Bank of Vietnam.

+ *Other commercial banking and business services*: (i) Participating in the money market: bidding for Treasury bills, buying and selling negotiable instruments, government bonds, Treasury bills, State Bank bills, and other valuable papers on the money market; (ii) Trading and providing foreign exchange services on domestic and international markets within SBV regulations, trading and providing interest rate derivatives; (iii) Authorized to act as agents, receive agency, and act as brokers in areas related to banking activities, insurance business, asset management as regulated by the State Bank; (iv) Providing cash management services, banking and financial consulting, asset management and safekeeping services, renting safes; (v) Providing corporate financial advisory services, advice on mergers, acquisitions, and investments; (vi) Buying and selling government bonds and corporate bonds; (vii) Providing currency brokerage services; (viii) Securities custody, gold trading, and other banking-related activities after State Bank approval; (ix) Trading in gold bullion (at locations licensed by the State Bank); (x) Debt purchasing activities; (xi) Investing in government bond futures; (xii) Providing commodity price derivatives; (xiii) Providing clearing and settlement services for securities transactions as regulated by the Securities Law; (xiv) Acting as a securities custodian under securities laws; (xv) Other activities as regulated by law.

+ *Other Activities* when approved by the SBV in accordance with the provisions of Law.

- Insurance Business Activities:

BIDV provides insurance services through establishing subsidiaries, affiliated companies, or acting as agents for insurance companies as regulated by law, including: (i) Life insurance; (ii) Non-life insurance; (iii) Reinsurance; (iv) Other insurance services as regulated by law.

- Other Activities:

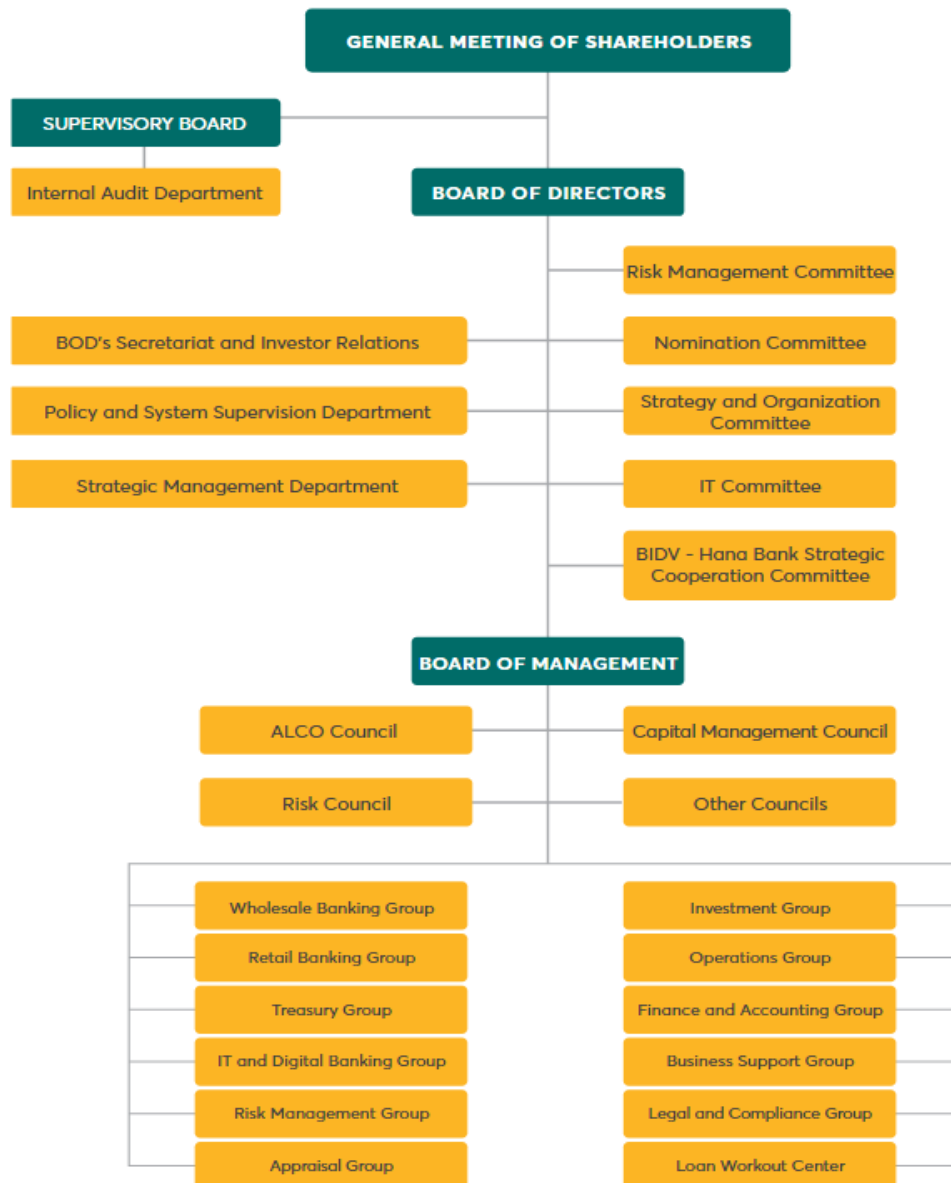
Based on current legal regulations, BIDV is authorized to perform other activities including, but not limited to: (i) Using its charter capital and reserve funds to invest in, purchase shares, or entrust individuals or organizations to invest in or purchase shares of companies, investment funds, and other credit institutions domestically and

internationally according to legal regulations; (ii) Establishing a debt management and asset recovery company to receive, manage, exploit, and sell customer assets used for repaying bank debts and other activities as regulated by law; (iii) Other activities permitted by law.

1.2. Organizational Structure and Personnel

- **Organizational Structure:** As of December 31, 2022, BIDV's organizational model includes: General Shareholders' Meeting; the Supervisory Board; the Board of Directors; the Executive Board; and branches.

+ The organizational structure of the Head Office is detailed as follows:



+ The structure of branches includes 05 groups: Customer Management, Risk Management, Operations, Internal Affairs, and subsidiary Units.

- **Personnel:** As of December 31, 2022, the entire BIDV system had 28,435 employees, of which 25,731 were in the commercial banking sector, an increase of 4.3% compared to the end of 2021. BIDV continuously restructures, arranges, and streamlines staff to align with business efficiency and labor productivity, focusing on supplementing staff for high-performing, productive units and limiting the number of employees in support and operational units, while gradually reducing simple labor at the bank.

1.3. Compliance with Organizational Structure and Personnel Requirements for the BOD, Supervisory Board, and BOM to the Credit Institutions Law (amended and supplemented)

As of December 31, 2022, BIDV's BOD comprises 09 members (including the Chairman of the Board, a Board Member who also serves as the General Director, 06 other Board Members, and 01 independent Board Member. BIDV's Executive Board consists of 12 members (including the General Director, 8 Deputy General Directors, 1 Head of the Legal and Compliance Control Division, 1 Board Member, and 1 Chief Accountant). BIDV's Supervisory Board has 02 members.

1.4. Operational Network

As of December 31, 2022, BIDV had **190** branches and **895** transaction offices; 7 representative offices and 3 domestic non-business units. BIDV is one of the three commercial banks with the widest network in Vietnam, covering all 63 provinces/cities with more than 70% coverage in urban areas and 30% in rural and agricultural areas.

1.5. Governance and Management

1.5.1. Management Capacity and Mechanisms

- BIDV has proactively implemented and completed the Basel II project since 2019 and has finalized financial statements according to IFRS9 since 2020, meeting the Ministry of Finance's requirements ahead of schedule.

- The role of the HO has been strengthened through the phased implementation of centralized credit approval processes, support, and operations; restructuring of business units.

- The BOD focuses on governance and supervision, enhancing delegation of authority to the BOM and operational levels in all areas to streamline activities; specific regulations on responsibilities of members in approving credit/investment activities.

- The internal control system operates to monitor, prevent, detect, and report to regulatory authorities.

1.5.2. Inspection and Supervision

- The first-line of defense is established in each business process to detect and prevent potential risks in operational activities. The organizational structure and task allocation are regularly updated and improved to clearly define functions and responsibilities among proposing, supervising/risk management, and accounting/ post-inspection departments, meeting risk management requirements.

- The second and third-line of defense continue to be emphasized and strengthened.

1.5.3. Internal Audit

- The Internal Audit function is clearly defined, ensuring separation, clearly demonstrating the role of the third line of defense in the three-line of defense model as prescribed in Circular 13. Internal Audit has fully carried out its auditing functions as required by law and BIDV's internal requirements.

- The system of regulations and policies for Internal Audit is regularly reviewed and updated to comply with Circular 13, align with practices, and meet increasingly high audit requirements.

- The scope of Internal Audit has been expanded to include not only activities required by the SBV and major transactions but also new activities, ensuring audit frequency. Alongside direct audits, suspicious transaction reviews are conducted to enhance risk prevention effectiveness, and Internal Audit regularly participates in issuing regulations and guidelines, contributing to the effectiveness and efficiency of the internal control system.

1.5.4. Risk Management and System Governance

BIDV has thoroughly researched, developed, and continuously improved its system of regulations, tools, supporting software, and risk management reporting,

ensuring compliance with SBV regulations and international practices. Training and communication efforts are intensified to effectively implement risk management.

1.6. Implementation of Basel II/Basel III

BIDV has completed the implementation of Basel II (according to standard approach) as scheduled, ensuring compliance with SBV regulations and standards; it has developed models and IT systems for FIRB approaches of Basel II and is currently validating these models before application; research on Basel III implementation roadmap is ongoing, with active implementation of planned tasks.

2. IT Systems, Digital Transformation, and Development of Digital Banking

2.1. IT System Safety Organization

- **Policies:** BIDV has issued a complete and consistent system of policies, regulations, and operational guidelines to meet the SBV's and regulatory authorities' requirements for IT operations, ensuring the safety of the bank's IT systems. Policies are reviewed and updated annually to align with practical situations or adjusted as needed by regulatory authorities and to ensure IT system safety.

- **Technology:** BIDV consistently deploys comprehensive solutions to ensure network security, malware protection, access control, data protection, and security assessment.

- **Personnel:**

- + BIDV has established a dedicated department for Information Security (IT Security) and an operational management unit for the Security Operations Center (SOC). The SOC operates according to standard SOC processes, including various tiers and procedures for handling IT security incidents.

- + BIDV has developed an IT team of over 900 staff across the system, covering all IT operational areas and focusing on developing high-quality IT human resources.

2.2. Implementation status of Circular 09/2020/TT-NHNN dated October 21, 2020 regulating the safety of information systems in banking activities (Circular 09)

- Immediately after the SBV issued Circular 09, BIDV reviewed the contents and organized the implementation, development and updating of related documents.

Accordingly, BIDV basically met the requirements of the SBV in Circular 09.

- Regarding difficulties and causes: The contents of Circular 09 are broad, the amount of work to be done is large, while the number of information systems of BIDV is huge, putting pressure on the implementation of measures to ensure information security for information systems.

2.3. Implementation status of Decision No. 810/QD-NHNN dated May 11, 2021 approving the “Banking Sector Digital Transformation Plan to 2025, with a vision to 2030” (Decision 810)

BIDV has issued a Resolution approving BIDV's Digital Transformation Strategy for the period 2021-2025, with a vision to 2030, which identifies:

- 4 main pillars: 360-degree comprehensive digitalization; Building a diverse digital ecosystem; Building a digital transformation culture; Mastering the digital future;

- 8 groups of solutions covering most aspects of BIDV's operations.

- Digital transformation goals ensure the roadmap for completing the SBV's Banking Sector Digital Transformation Plan. By the end of 2022, basically, the implementation of digital transformation targets at BIDV is very positive and within the roadmap to 2025.

2.4. Implementation status of Decision No. 2655/QD-NHNN dated December 26, 2019 of the Governor of the SBV approving the Banking Industry's IT Development Strategy to 2025, with a vision to 2030 (Decision 2655) and the implementation status of BIDV's IT development strategy

- Based on the requirements of the State Bank of Vietnam in Decision 2655/QD-NHNN, BIDV has issued the IT Development Strategy for the period 2022 - 2031, with a vision to 2035 with 47 groups of solutions to be implemented in the period 2020 - 2025, issued an Action Program in which targets/initiatives are assigned, and completion progress requirements are required for focal units to organize implementation and monitor and supervise the implementation of the IT Development Strategy.

- By the end of December 2022, there were 17 completed solution groups, 12 solution groups being implemented, 11 solution groups being implemented as regular

tasks and 7 solution groups being researched/built.

2.5. Evaluation of the operation of the IT system at BIDV

- Overall:

+ The Corebanking system and applications are operated stably and safely, meeting the requirements of business operations and the transaction growth rate of the system.

+ The infrastructure, network - communication, and database systems are the foundation for IT applications to operate stably and continuously 24/7.

+ The server system in the partitions operates stably, without serious incidents affecting the overall operation of the IT system.

+ The storage system through disk cabinets operates stably, processing capacity and capacity are regularly supplemented/upgraded to serve the storage growth needs well.

+ The communication network system operates stably because it is designed with a full active-active backup mechanism, so there will be no serious incidents in 2022.

- Main difficulties, obstacles, risks and challenges for IT operations at banks:

+ Increasing challenges in the field of security and confidentiality are on the rise, especially in cyberspace, so it is necessary to continue investing in security and confidentiality solutions and systems to ensure that the IT system operates safely and stably.

+ Forms of cyber attacks and new types of malware are increasing rapidly, creating pressure on Cyber Security risk management.

+ With the rapid development of Fintech, the more popular form of cooperation in developing products and services raises the issue of supply chain security (third party).

+ BIDV has identified cloud computing as a key platform, however, the implementation and application at BIDV is still in the initial stages. While professional and reputable cloud service providers are currently only operating abroad (no Data Center in Vietnam) and Vietnam's legal regulations are still unclear, detailed and require the storage of all personal information to be in Vietnam. These problems cause

many difficulties for BIDV in the process of deploying cloud computing.

+ BIDV's IT resources are still lacking, especially security officers and application development officers. IT and information security human resources are lacking in both quantity and quality, including a lack of experts in the field of IT risk management and experienced security engineers for the SOC department.

+ Risks when users and customers are not equipped with knowledge about information security, quickly becoming the target of attacks.

3. Financial situation

3.1. Capital

3.1.1. Owner's equity, charter capital, actual value of charter capital, equity

Results of BIDV's capital indicators as of December 31, 2022

Unit: Billion VND

No.	Indicators	31/12/2022	2022/2021
1	Equity	96,781	19%
2	Charter capital	50,585	0%

3.1.2. Shareholder structure, share ownership

- The number of shareholders of BIDV as of December 31, 2022 was 29,626 shareholders. The shareholder structure includes: SBV with an ownership ratio of 80.99%, strategic shareholder Hana Bank with an ownership ratio of 15%, the rest were other shareholders with an ownership ratio of 4.01%.

- BIDV does not provide credit to members of the BOD, members of the Supervisory Board, CEO, Deputy General Director and equivalent positions, legal entities that are shareholders with representatives of capital contributions who are members of the BOD, members of the Supervisory Board; Father, mother, wife/husband, children of members of the BOD, members of the Supervisory Board, CEO, Deputy General Director and equivalent positions.

- BIDV ensures to meet the legal capital level, has no violations of share ownership, violations of share purchase.

- BIDV's capital adequacy ratio (CAR) as of December 31, 2022 reached over 8%, ensuring compliance with the regulations of the SBV.

3.2. Capital mobilization

3.2.1. Capital mobilized from economic organizations and individuals³

Capital mobilization from economic organizations and individuals occupied the largest proportion of Total Deposit (over 80%) at BIDV. As of December 31, 2022, customer deposits reached VND 1,456,810 billion, issued valuable papers were VND 157,182 billion, and capital sponsored, entrusted investment, and risky lending to credit institutions reached VND 13,238 billion.

3.2.2. Capital mobilized from other credit institutions

The balance of deposits received and loans from other credit institutions as of December 31, 2022 was VND 167,635 billion.

3.2.3. Deposits and loans from the Government and the SBV

Deposits and loans received from the Government and the SBV as of December 31, 2022 reached VND 151,710 billion, an increase of VND 127,860 billion compared to 2021.

3.2.4. Level of capital mobilization concentration (excluding customers who are credit institutions and foreign bank branches)

As of December 31, 2022, the total deposit balance of the 50 largest customers at BIDV accounted for 23% of the total first market capitalization.

3.3. Asset quality

3.3.1. Credit situation

By December 31, 2022, the enterprise's credit to economic organizations and individuals and investment in corporate bonds reached VND 1,499,937 billion, a net increase of VND 166,706 billion, ~ 12.5% compared to December 31, 2021. Credit growth according to the calculation of the SBV when assigning the annual credit limit to BIDV⁴ was 12.66%, completing 99.7% of the limit assigned by the SBV (12.7%).

3.3.2. Asset quality

³ Excluding credit capital from other credit institutions

⁴ Including loans to economic organizations and individuals, corporate bonds (excluding outstanding loans to non-residents)

a. Total Credit and off-balance sheet commitments must be classified according to the provisions of Circular No. 11/2021/TT-NHNN dated July 30, 2021 (Circular 11)

(i) Total Credit, group 1 debt, group 2 debt, group 2 debt ratio compared to total outstanding debt, bad debt, bad debt ratio according to Circular 11

Total Credit according to Circular 11 as of December 31, 2022 was VND 1,731,520 billion. The bad debt ratio is 0.96%.

(ii) As of December 31, 2022, BIDV has no debt that must be transferred to bad debt according to the Conclusion of inspection, examination, and audit but has not been transferred.

b. Restructured debt, interest exemption, reduction and maintaining the debt group

As of December 31, 2022, BIDV had no restructured debt and maintains the debt group according to Decision 780/QD-NHNN dated April 23, 2021 and Circular 09/2014/TT-NHNN dated March 18, 2014.

c. Bad debt sold to VAMC, Vietnam Debt Trading Company Limited (DATC), recovery capacity and measures

As of December 31, 2022, BIDV had no bad debt sold to VAMC, DATC by special bonds.

d. Investment in corporate bonds

As of December 31, 2022, the total outstanding corporate bonds in the debt group requiring attention was VND 5,271 billion. BIDV has fully implemented measures (provision, recovery, etc.) to handle the debt according to regulations.

e. Other bad debt receivables: None

f. Interest receivables that must be withdrawn but not yet withdrawn: None

g. Risk provisions (general provisions, specific provisions)

BIDV made full provision for risk provisions in accordance with the regulations of the SBV. BIDV's risk provision fund balance as of December 31, 2022 was VND 37,678 billion.

h. Bad debt settlement situation

Total bad debt settlement by writing off bad debt as of December 31, 2022 was VND 14,375 billion.

i. Off-balance sheet debt collection status

In 2022, income from off-balance sheet debt reached VND 5,636 billion.

k. Investment and capital contribution activities

(i) Trading securities: The balance of the trading securities portfolio as of December 31, 2022 was VND 62 billion, invested according to BIDV's limits, limits and risk appetite.

(ii) Investment securities: As of December 31, 2022, the total scale of investment securities was VND 233,954 billion, coming from 2 components: available-for-sale investment securities (VND 162,030 billion) and held-to-maturity securities (VND 71,924 billion).

(iii) Investment bonds issued by VAMC: As of December 31, 2022, BIDV had no outstanding investment bonds issued by VAMC.

(iv) Capital contributions, long-term investments: BIDV's direct investment portfolio as of December 31, 2022 included: 07 subsidiaries, 03 joint ventures, 01 associate and 9 other investment units.

(v) Other capital contributions (not subsidiaries or associates):

BIDV's other capital contributions portfolio currently had 9 items. BIDV was promoting divestment of investments in these units to streamline the portfolio, focusing on core business activities. However, along with the general difficulties due to the pandemic situation and the business situation of the capital contributions, BIDV's divestment of these investments had not met expectations.

l. Other activities (Guarantee commitments)

Outstanding guarantee for institutional customers at BIDV as of December 31, 2022 was VND 188,810 billion.

m. Other assets

- Receivables; interest, fees receivable:

+ Currently, all interest receivable of debts that were restructured to maintain the same debt group are accounted for off-balance sheet by BIDV, not recorded in income.

+ BIDV did not incur interest receivables that must be repaid for debts from groups 2 to 5, interest receivables that must be repaid according to the conclusions of inspections, examinations, audits, etc.

- Other assets:

As of December 31, 2022: (i) Other assets (before risk provisions) were VND 33,135 billion; (ii) Risk provisions for other assets: VND 429 billion; (iii) Receivables with risks had been fully accounted for risk provisions.

3.4. Payment, agency and trust activities

3.4.1. Payment activities

BIDV's payment and money transfer activities are safe, stable and smooth, maintaining a positive growth rate.

BIDV has focused on implementing payment products and services with high technology content on the basis of actively applying IT, modernizing the payment system in accordance with the digital transformation orientation of BOD&BOM and the direction of the SBV on developing non-cash payments in the period 2021-2025.

3.4.2. Agency and trust activities

By December 31, 2022, BIDV managed over 220 foreign trust capital sources with a total committed capital of 18.9 billion USD equivalent to 445,000 billion VND from the Governments of Germany, Switzerland, Russia, France and international financial organizations such as WB, ADB, AFD, JBIC, NIB, EIB. BIDV had no overdue debts or bad debts for BIDV's capital sources subject to credit risk.

3.5. Business results

Business performance results 2021-2022

- **Total net income from operations** in 2022 reached VND 67,019 billion, up 13% compared to 2021. Of which, net income from interest accounted for 81%, reaching VND 54,557 billion, up 21% compared to 2021.

- In 2022, **BIDV's Net income from service activities** reached VND 4,813 billion, a net decrease of VND 675 billion ~ -12% compared to the previous year. The

ratio of service revenue/Total income reached 7.18%, down from the ratio of 9.24% in 2021 due to the impact of the fee-free policy applied from the beginning of 2022.

- **Operating expenses:** Total operating expenses in 2022 were VND 21,035 billion, up 17% compared to 2021 thank to BIDV promoting marketing and customer care activities to increase capital mobilization.

3.6. Liquidity situation and compliance with safety limits and ratios

BIDV always ensures compliance with the regulations of the SBV in Circular 22/2019/TT-NHNN, Circular 41 and amended and supplemented documents.

3.7. Operational situation and business results of domestic subsidiaries and associates

BIDV focused on restructuring the investment portfolio towards focusing on core business areas and complying with the regulations of the SBV; resolutely directs the development and supervision of the implementation of the Restructuring Project and solutions to improve financial capacity, asset quality, and operating efficiency of companies with contributed capital. On that basis, the operations of the companies had recorded positive changes, profitable business operations, and improved operating quality.

3.8. Operational situation and business results of subsidiaries and branches operating abroad

In 2022, the business environment in overseas markets had many fluctuations (especially in Laos and Myanmar), the economies of the countries still faced many difficulties and challenges. In that context, the 2 subsidiary banks (LVB, BIDC) and BIDV Yangon branch had continuously followed the market situation, customers, partners as well as functional agencies to gradually overcome difficulties, maintain continuous, stable and profitable business operations.

3.9. Implementation status of the Green Banking Development Project in Vietnam issued under Decision No. 1604/QĐ-NHNN dated August 7, 2018 of the Governor of the SBV and related documents

- **BIDV has a clear strategic vision on developing green credit and green banking.** The Resolution of the BOD on BIDV's business strategy to 2025, with a vision to 2030, clearly states that BIDV will study the model of "Green Bank"

Branches/Transaction Offices associated with the requirements of promoting green credit growth and environmental and social risk management in credit granting activities, at the same time, committing to deploy "Green Credit" packages, dedicating a proportionate proportion to financing customers in the green sector.

- BIDV always prioritizes focusing credit capital to finance green credit projects:

- + Green credit enterprises focus mainly on the renewable energy sector, including more than 800 renewable energy and clean energy projects with the total credit amount accounting for about 97% of green credit enterprises.

- + With the strategy of gradually reducing funding sources for projects using fossil fuels, BIDV has not approached and financed coal power projects. According to the roadmap to 2035, BIDV will have no outstanding loans for thermal power and coal power projects.

- + In addition, BIDV focuses on promoting green agricultural financing, waste treatment and pollution prevention, sustainable water management, etc.

- BIDV strengthens cooperation with international organizations in the field of sustainable development to support the deployment of green and sustainable capital in Vietnam. Currently, BIDV is a long-term partner of financial institutions such as WB, ADB, JICA, JBIC... and has the largest market share (21%) in mobilizing ODA capital and international trust capital sources.

- BIDV is the first domestic financial institution to cooperate with the Ministry of Natural Resources and Environment to develop specific solutions and actions to achieve strategic goals on environmental protection, climate change response, and promote sustainable green finance development in Vietnam.

- BIDV continuously improves institutional capacity and completes internal processes related to green credit.

IV. Existing problems, violations, and potential risks in operations

BIDV units fully comply with internal mechanisms, policies, procedures, regulations, as well as legal and state regulations in the process of comprehensively implementing all aspects of operations; errors and problems are detected and timely corrective and remedial measures are taken.

V. General assessment of strengths, weaknesses, difficulties, challenges, and trends affecting the bank's operations

1. Strengths

- BIDV is a long-standing, prestigious and leading financial institution in Vietnam with a wide network, covering 63 provinces/cities nationwide; chosen and trusted by customers in accessing and using banking and financial services.

- BIDV is a large-scale bank in the market, operating stably and firmly.

- BIDV has a team of experienced leaders, good management and operation capacity, abundant human resources with formal, formal training, suitable majors, good professional qualifications and working skills, meeting the requirements of banking business operations.

- BIDV has a large and diverse customer base, and is one of the banks with the largest individual customer base in the Vietnamese market.

- BIDV has always been assessed for its transparent and public operations in accordance with international practices. Up to now, BIDV has continuously conducted international audits (since 1996) and continuously conducted international ratings (since 2006) and has been highly appreciated by international auditing organizations and international rating organizations.

- The risk management system at BIDV has been increasingly improved and upgraded, ensuring control and coverage of risks according to the requirements and regulations of the SBV and good practices in the region and the world.

- BIDV has invested in developing comprehensive IT solutions, serving most of its business activities, basically meeting business and management requirements.

- BIDV's payment products and services system adopted advanced technology content and is focused on developing in accordance with BIDV's digital transformation orientation and the direction of the SBV on developing non-cash payments.

2. Weaknesses

- Despite efforts to increase capital in recent years, the pressure to increase capital for commercial banks, especially state-owned commercial banks such as BIDV,

has always existed and is increasing due to increasingly stricter requirements on ensuring operational safety.

- Interest income is still a major source of revenue for BIDV. In addition, the implementation of the fee exemption and reduction policy to promote non-cash payments has caused the ratio of revenue from non-credit services/total revenue to decrease relatively.

3. Difficulties and challenges

- The implementation of capital increase solutions is difficult due to the often lengthy process and fluctuating market conditions.

- The IT system is increasingly facing many challenges, requirements for technological innovation, human resources, security, confidentiality, overall architecture, etc.

- The market interest rate level is fluctuating. Competition is increasingly fierce. There is less liquidity in the market. The business environment contains many risks and challenges, creating more pressure on the ability to implement the restructuring goals in the coming period.

- The legal corridor for debt settlement still has many obstacles.

4. Trends affecting banking operations

4.1. Trends from the business environment

- Global economy:

In the coming period, the global economy will have both opportunities and challenges that will affect banking operations. The challenges include: inflation is forecast to persist in the medium term, the risk of economic recession, climate change, the risk of epidemics, urbanization, conflicts, information security... However, opportunities are also gradually emerging thanks to the rapid development of the digital revolution, individuals and organizations are increasingly concerned about the environment and social benefits (transition to a low-carbon economy, promoting investment in environmental, social and governance (ESG))...

- Vietnam's economy:

Vietnam's economic growth will rely on positive momentum from the economic

recovery process and the implementation of economic stimulus measures. Risks to the Vietnamese economy will mainly arise from the outside as the world economy faces the risk of recession/slow recovery. In addition, the domestic economy also faces risks, difficulties, and challenges from the real estate market and corporate bonds, the balance between inflation and growth; interest rates and exchange rates, etc. Accordingly: Economic growth is forecast to continue to remain stable (about 6% to 7%/year); Inflation is forecast to be controlled and maintained at a stable level (about 4.0% to 4.5%); Monetary policy will be proactive, flexible, timely, effective, coordinated synchronously, harmoniously, and closely with fiscal policy and other macroeconomic policies; The exchange rate is expected to be adjusted in line with developments to ensure stability and support for imports and exports; Credit growth is expected to continue at a stable and reasonable level.

4.2. Trends from the banking industry

- Development trends of the global and regional banking industry:

+ It is expected that the number of online and mobile banking users will continue to increase rapidly with the support of artificial intelligence, blockchain and the Internet of Things. Accordingly, banks will continue to promote digital transformation and technology applications in business operations such as online banking services, digital payments, chatbots and virtual assistants, as well as develop technologies such as artificial intelligence and blockchain to improve processes and enhance security.

+ The banking system will play an important role in providing capital and financial services to emerging industries (IT, renewable energy, healthcare, tourism), SMEs. This helps create jobs, increase competitiveness in the economy, promote innovation, growth and economic diversification.

+ It is expected that large technology companies and fintech companies will continue to enter the banking market. In addition, traditional banks will adapt to the changes. It is expected that the combination of traditional banking and financial technology will become a trend. Traditional banks may cooperate or acquire fintech companies to take advantage of their technological capabilities and data analytics capabilities.

+ Banks will strengthen risk management and build stronger risk management systems and processes. This includes developing and applying advanced risk analysis

technologies and models, ensuring the ability to measure, monitor and mitigate risks effectively. In addition, banks will strengthen data protection and information security, including investing in security technology, testing and monitoring processes, employee training and compliance with security regulations.

+ It is expected that central banks around the world will gradually normalize monetary policy after the volatile period, and may continue to research and develop digital currency formats such as central bank digital currencies (CBDC) or cryptocurrencies. This may open up new opportunities and challenges in the global financial system.

+ The global banking industry is expected to continue to increase awareness and visibility of ESG, increasing investment in projects and businesses with positive impacts on the environment and society. Green and sustainable investment will become a popular trend, and related financial products will be developed and expanded. The emergence and development of global ESG standards and norms will help shape a common and reliable basis for effective measurement and reporting of ESG factors.

- Development trends of Vietnam's banking industry

+ Restructuring business areas, focusing on low-risk and high-margin areas in the context of fluctuations in the financial market in terms of liquidity, interest rates, and bad debts (such as cutting out business areas with too many potential risks and focusing on business areas that can bring high profit margins such as retail, service fees, asset management, etc.).

+ The fluctuations of the world and Vietnamese economies have raised concerns about asset quality and stability in the operations of banks. Banks will need to address dual goals, focusing on strengthening internal resources to withstand difficult challenges in the short term, but still preparing for the long-term future. Accordingly, priority will be given to quick recovery and the ability to respond to fluctuations.

+ Banks must further accelerate the digital transformation process to meet customers' increasing demands for convenience and service quality.

+ Advanced analytics technologies such as AI, ML... will help banks personalize customer experiences, assess risks more comprehensively, quickly and accurately, optimize operations, save costs, etc.

+ Banks are increasingly prioritizing green development goals. This is not only an effective way to attract environmentally conscious customers but also a way for banks to show their responsibility toward sustainable development.

VI. Viewpoints and goals of restructuring until 2025

1. Viewpoints of restructuring for the period 2021-2025

Promoting strengths, exploiting fundamental resources, overcoming limitations in business operations; Complying with legal regulations and orientations of the Government and the State Bank, continuing to aim for good international practices; Creating a favorable foundation for implementing strategic goals until 2025 and vision to 2030; Being ready to respond and increase adaptability to fluctuations in the business environment, maintaining stable, safe and sustainable operations.

2. Vision:

“As the leading financial institution in Southeast Asia, having the best digital platform in Vietnam, striving to be in the group of 100 strongest banks in Asia.”

3. Priority goals for the period 2021-2025

1	Strengthening financial capacity to meet operational safety requirements according to regulatory and good practices.
2	Improving credit quality and efficiency, promote green credit towards an environmental - social - governance business model for sustainable development.
3	Structuring revenue structure and gradually increasing the proportion of non-credit income in total operating income.
4	Developing a digital banking model and strongly applying information technology achievements in business activities and governance.
5	Improving transparency, governance capacity according to practices.
6	Developing corporate culture, high-quality human resources, building and maintaining a professional, modern, learning and creative working environment.

4. Separate business plan oriented towards 2025

No	Targets	Objectives ¹
1	Total assets	Average growth of 13.8% - 14.6%/year in the period 2021-2025
2	Total deposits	Growth in line with credit growth, ensuring safety indicators (about 13.2% - 14.1%/year in the period 2021-2025)
3	Total credit ²	Average growth of 12.3% - 13.2%/year in the period 2021-2025 and according to the plan assigned by the SBV
4	CAR	Ensure compliance with SBV regulations throughout the period

Note: - (1) Implementation of business plan targets depends on the credit growth limit assigned by the SBV (when there is a change in credit growth, business plan targets will change accordingly).

- (2) Total Credit is the outstanding loan balance for economic organizations and individuals, and corporate bonds as of December 31 of each year.

VII. Restructuring solutions, implementation roadmap

1. Improve efficiency and quality of operations

1.1. Improve financial capacity, credit quality, operational efficiency, business administration, transparency in operations

- Improving financial capacity and credit quality through: (i) Increasing capital and improving the quality of equity to ensure that charter capital is not lower than the legal minimum required and to enhance the capital adequacy ratio according to international standards; (ii) Restructuring the asset portfolio to limit allocation to high-risk areas, adjusting investment and credit strategies to lower-risk industries and sectors, controlling the growth rate of risky assets, and balancing risk and return to improve capital adequacy ratios; (iii) Controlling credit quality, reducing bad debts, and improving asset quality.

- Improving operational efficiency, business management, and transparency through: (i) Establishing and operating an internal control system to monitor, prevent, detect, and report to regulatory agencies; (ii) Issuing comprehensive regulations and continuing to maintain and update them according to legal requirements and management needs to monitor, prevent, detect, and report to regulatory agencies in

case of violations; (iii) Seeking and selecting reputable strategic investors, both domestic and international, with financial capacity and management experience to improve operational efficiency; (iv) Continuing to research and implement modern business models, such as building BIDV's financial ecosystem and low-capital business models; (v) Publicly disclosing accurate and transparent information as required by law for listed companies and in line with international practices.

1.2. Modernize banks, enhance competitiveness

- Developing a vision and business strategy with international scope: (i) Utilizing customer satisfaction indices in formulating banking business strategies; (ii) Building, strengthening, and developing the bank's brand with distinctive features linked to products and strengths, aiming to become one of the leading banking brands in Vietnam; (iii) Improving and simplifying administrative procedures and loan procedures to facilitate customers; (iv) Identifying target customers, developing customer strategies, and expanding the network; (v) Expanding agency relationships with foreign institutions and enhancing access to international financial markets; (vi) Gathering information, being ready to seize opportunities, and equipping necessary conditions to expand into international markets.

- Continuing to promote low-capital, multi-service business models: (i) Developing multi-service business models, focusing on marketing activities, implementing effective customer policies, diversifying products and services for customers, especially emphasizing payment activities, and increasing the share of non-credit income in total income; (ii) Effectively leveraging technology by developing high-tech products and product groups to enhance competitiveness and provide diverse product options; (iii) Accelerating the development of IT infrastructure, with a particular focus on modern security solutions to reduce transaction costs, mitigate risks, and enhance professionalism in providing financial services.

- Modernizing Banking Technology and Payment Systems: (i) Continuing to upgrade the wide area network and IT infrastructure with technical solutions that match the development level of the Vietnamese banking system and international standards and practices; (ii) Enhancing information security; (iii) Developing suitable payment models; (iv) Completing and standardizing operational processes and banking management, especially basic banking operations, towards automation; (v) Improving

organizational structure and IT management, and developing high-quality IT human resources to enhance IT operational efficiency and meet BIDV's business development and digital transformation needs.

1.3. Develop a digital banking model, effectively deploy the Banking Industry Digital Transformation Plan; develop non-cash payments

- Building a modern branch model Based on the foundation of the Industrial Revolution 4.0 oriented towards automation and intelligence. Strengthen cooperation between banks and Fintech companies as well as connect with e-commerce businesses to offer innovative, creative, safe, convenient, and reasonable cost payment and financial solutions, aiming to exploit the strengths and promote the advantages of each party, creating synergy from cooperation towards increasing benefits and bringing satisfaction to consumers.

- Optimize product distribution channels, develop modern distribution channels via mobile phones and the internet with appropriate strategies, take advantage of database sources to analyze customers, design products with great customization more responsive to each customer's needs.

- Invest in digital technology to serve systematic digital transformation and implement it synchronously with changes in governance, operations, processes and organizational culture. Prioritizing investment in developing IT infrastructure, with special attention to modern security solutions to reduce transaction costs, prevent risks, and improve expertise in providing digital banking products and services.

- Accelerate data capacity along with analytical capacity and deploy specific analytical problems to provide appropriate products and services over time, at the right time, cooperate with financial and telecommunications companies, e-wallets along with using residential databases and credit information systems to properly serve customer needs.

- Proactively research, build or select reliable partners in outsourcing software solutions from reputable technology companies, paying more attention to customer data security, safety, Cyber Security and preventing money laundering and terrorist financing.

1.4. Continue to apply and deploy Basel II and Basel III appropriately

- Review, updating models, operational system, refine the calculation system for

risk assets using the basic internal rating method (FIRB) to calculate capital for credit risk, once the SBV issues relevant guidelines/regulations. Continue to review models to ensure they meet the SBV's requirements and start applying the results from Internal Ratings-Based (IRB) models in the bank's business operations.

- Review methods and tools for calculating LCR and NSFR ratios and developing measures to adjust liabilities to meet the required ratios according to the detailed guidelines of SBV.

- Review and developing a roadmap for implementing Basel III that aligns with BIDV's operational status following guidance from SBV.

1.5. About network development

- Continue to complete Branch, Transaction offices management tools to promptly update data to serve management and improve the operational efficiency of Branches and Transaction Offices.

- Continue to consolidate and arrange the transaction office network to ensure network allocation consistent with the development potential of each area and the management capabilities of the branches. Develop a network of transaction offices in agricultural - rural areas and industrial parks, based on market principles, ensuring adherence to and contributing to the implementation of policies and orientations of the Government and SBV in each period.

- Consider replicating the large-scale transaction office model in Hanoi and Ho Chi Minh City, in order to optimally exploit available facilities and increase competitiveness in the area.

- Continue to promote multi-channel distribution, upgrade and modernize e-banking distribution channels, continue to maintain and focus on quality and frequency of customer service, and minimize customer complaints and grievances about ATM; Develop smart transaction points using modern technology (livebank) concentrated in big cities.

1.6. Improve the efficiency of credit capital allocation; Promote green credit, green banking, and investment in low-carbon production and consumption industries

- BIDV aims to integrate Environment - Society - Governance (ESG) into its

strategy, business activities and products provided to customers, in which Sustainable Finance is the focus and priority of the Bank to achieve sustainable goals through financial products and services.

- To deploy ESG and Sustainable Finance in the long term, BIDV focuses on three aspects: (i) Deploying specific Sustainable Finance products; (ii) Managing environmental and social risks in lending activities and (iii) Sustainable operations, through implementing solutions to promote green credit, green banking, and strengthening environmental risk management in credit granting activities according to regulations.

1.7. Develop non-credit service activities

- Continue to implement solutions to improve service quality, aiming to create uniformity in service quality throughout the system and make service quality one of BIDV competitive factors compared to other banks.

- Implement policy, pricing, and process solutions: (i) Simplify and streamline procedures and documentation to maximize support for customers; (ii) Revise pricing policies based on customer groups or individual needs, reflecting the benefits and contributions of customers to the bank; (iii) Develop pricing policies/packages (combos) tailored to specific customer segments, optimizing the overall benefits provided by the customer to create competitive advantages for the product bundle.

- Develop personalized services and expand customer base and build a comprehensive banking service ecosystem.

- Implement solutions for models, tools, and sales channels: (i) Study and redesign organizational models and transaction spaces to be customer-centric, streamline transaction flows, and create a friendly, convenient, and efficient transaction environment; (ii) Develop manuals and processes for selling products and services; enhance the use of technology in sales efforts, and improve and plan support programs for ongoing and future sales initiatives; (iii) Review, arrange, and optimize transaction points for convenience while promoting BIDV's brand and increasing its visibility through traditional distribution channels; (iv) Expand and develop modern distribution channels and non-physical network points based on digital platforms to differentiate and provide convenience for customers, optimize the customer journey at branches, and reduce operational tasks for modern distribution channels.

- Strengthen IT applications to create breakthroughs in service activities: Focus on prioritizing the construction, improvement, and development of digital banking products and services, sales support applications, and internal management to contribute increase labor productivity, increase BIDV service fee collection. Research and deploy new technology projects, develop multi-channel sales systems for individual and business customers.

2. Strengthen bad debt control; Solutions for handling bad debt

BIDV continue to implement tasks on handling bad debts under the direction of the SBV, and at the same time apply measures and policies specified in relevant legal regulations and regulations in the process of bad debt handling and recovery to effectively implement the goal of handling bad debt and improving operational quality:

- Enhance monitoring and supervision of business operations and the debt repayment capacity of customers.

- Develop and execute a roadmap, plan, and measures for handling/recovering debts, and identify high-risk debt areas to focus on with appropriate solutions.

- Implement solutions to handle bad debt in accordance with the provisions of regulations.

- Coordinate with local authorities and with local governments and competent state agencies, especially the Police, People's Courts, and Judgment Enforcement.

3. Solutions to improve the efficiency of capital investment activities

- Comply with regulations on safety limits in investment activities.

- Focus on improving financial capacity and operational efficiency for subsidiaries and affiliates, striving to gradually increase profitability rates from capital contribution and share purchase activities.

- Strengthen cooperation with partners in building and developing the BIDV Ecosystem. Continue to divest investments, research and propose new investment opportunities in accordance with the provisions of the Law on Credit Institutions and maximize BIDV benefits.