1H2018 Performance Results Update

VIETNAM PROSPERITY BANK

July, Hanoi

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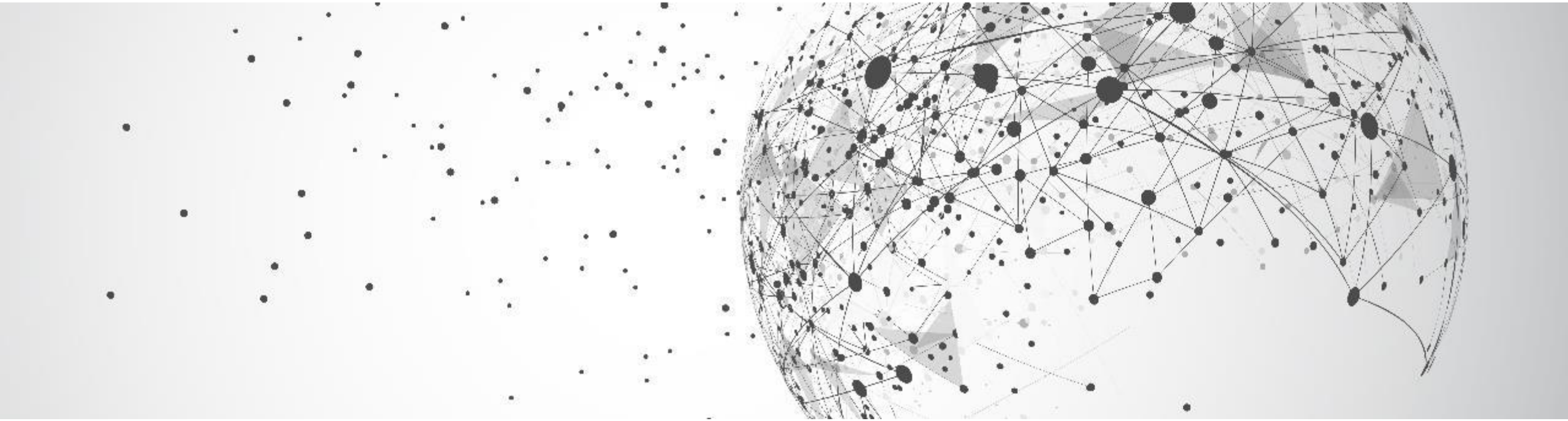
- OVERVIEW OF VPBANK
- 1H2018 BUSINESS UPDATE
- 1H2018 FINANCIAL PERFORMANCE
- Q2-2018 FINANCIAL PERFORMANCE FE CREDIT

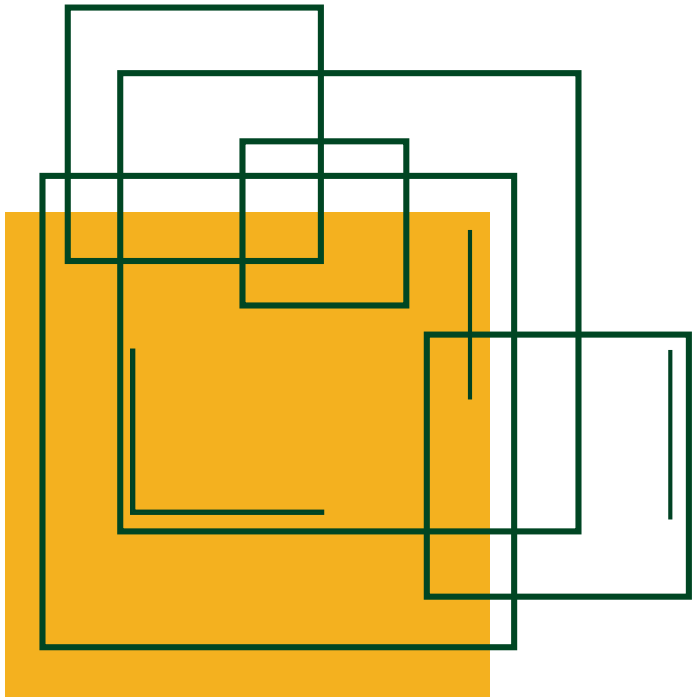


OVERVIEW OF VPBANK

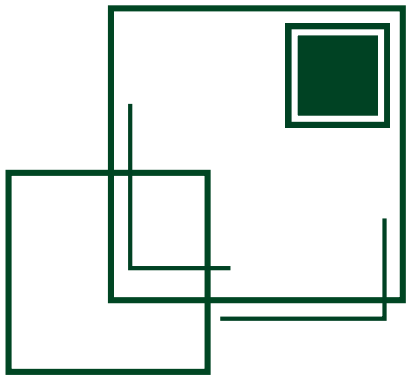
VPBANK AT A GLANCE

Accumulated as at 30.06.2018

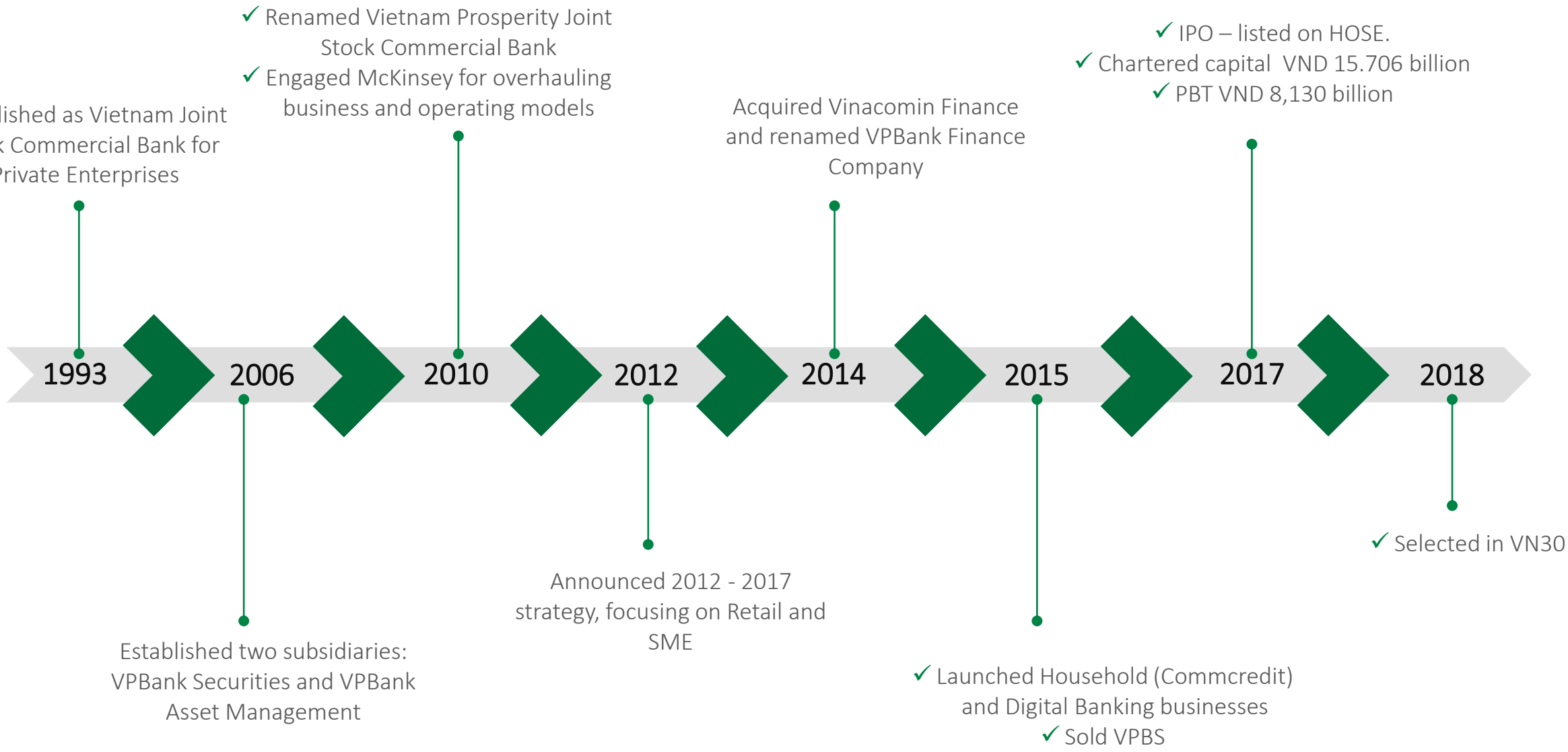
- ✓ Selected into **VN30** from Jul 2018 to Jan 2019
- ✓ VND **293 trillion** total assets
- ✓ Around **5.4 million** active customers
- ✓ VND **14,511 billion** TOI and **4,375 billion** PBT



- ✓ **2** subsidiaries, **9** business segments
- ✓ Full coverage of all banking segments
- ✓ Highly centralized and specialized organization model
- ✓ Strong risk management system with three-lines-of defense
- ✓ Pioneering in digitalization and data management



DEVELOPMENT HISTORY



EXPERIENCED LEADERSHIP TEAM

BOARD OF MANAGEMENT

BANK

Mr. Nguyen Duc Vinh
CEO, Member of BOD

Mr. Sanjeev Nanavati
Standing DCEO,
Senior Executive
Managing Director

In charge of all revenue generating business units including RB/SME/HHB/CMB/CIB/FM/FITB/DBS and related functions of SPM & Marcom

Mrs. Luu Thi Thao
Standing DCEO,
Senior Executive
Managing Director

In charge of VPBank supporting business units including FIN/IT/OPS/RM/CM/HR/LC/BICC

SUBSIDIARIES

Mr. Kalidas Ghose
Director of VPB FC

Mr. Hoang Anh Tuan
Director of VPB AMC

BUSINESS SEGMENTS

VPBANK

4 Pillar strategic segments

1 Consumer Finance (FE Credit)

- ✓ Key products: cash loans, two-wheeler loans, consumer durables loans, credit card

2 Retail Banking

- ✓ Core focus on retail bank lending and deposit products and services
- ✓ Key loan products: home loan, auto loan, consumption loan, business loan, UPL, credit card
- ✓ Promote Affluent Banking & Credit Card, Digital channel

3 Household Banking (Comm credit)

- ✓ Division formed in July 2015 to target the self-employed mass segment
- ✓ Launched Commcredit to emphasize its focus on serving local communities

4 SME Banking

- ✓ Targets micro companies and SMEs through a network of SME centers
- ✓ Offers a full suite of banking products

5 Digital Banking Services

- ✓ Launched digital banking as a separate business segment in 2015 to digitize existing banking process and services
- ✓ Offers standard banking products through e-banking system accessible from the web and mobile apps
- ✓ Partnerships with FinTech companies

6 VP Direct

- ✓ Started in March 2017 and planned to go live in 2nd half 2018
- ✓ Aims to become a digital bank operated to international standards

7 Commercial Banking (CMB)

- ✓ Serves VPBank's corporate customers with annual revenues ranging from VND400bn to VND1,600bn
- ✓ Customers include private and local enterprises as well as medium-scale State-owned enterprises

8 Corporate and Investment Banking (CIB)

- ✓ Targets enterprises with annual revenues above VND1,600 billion
- ✓ Focuses on expanding corporate deposits and selectively growing its loan portfolio

9 Financial Markets / FI & Transaction Banking

- ✓ VPBank's capital markets division performs FX, monetary and bond market transactions
- ✓ Handles primarily transaction banking services for domestic and international financial institutions

1H 2018 BUSINESS UPDATE

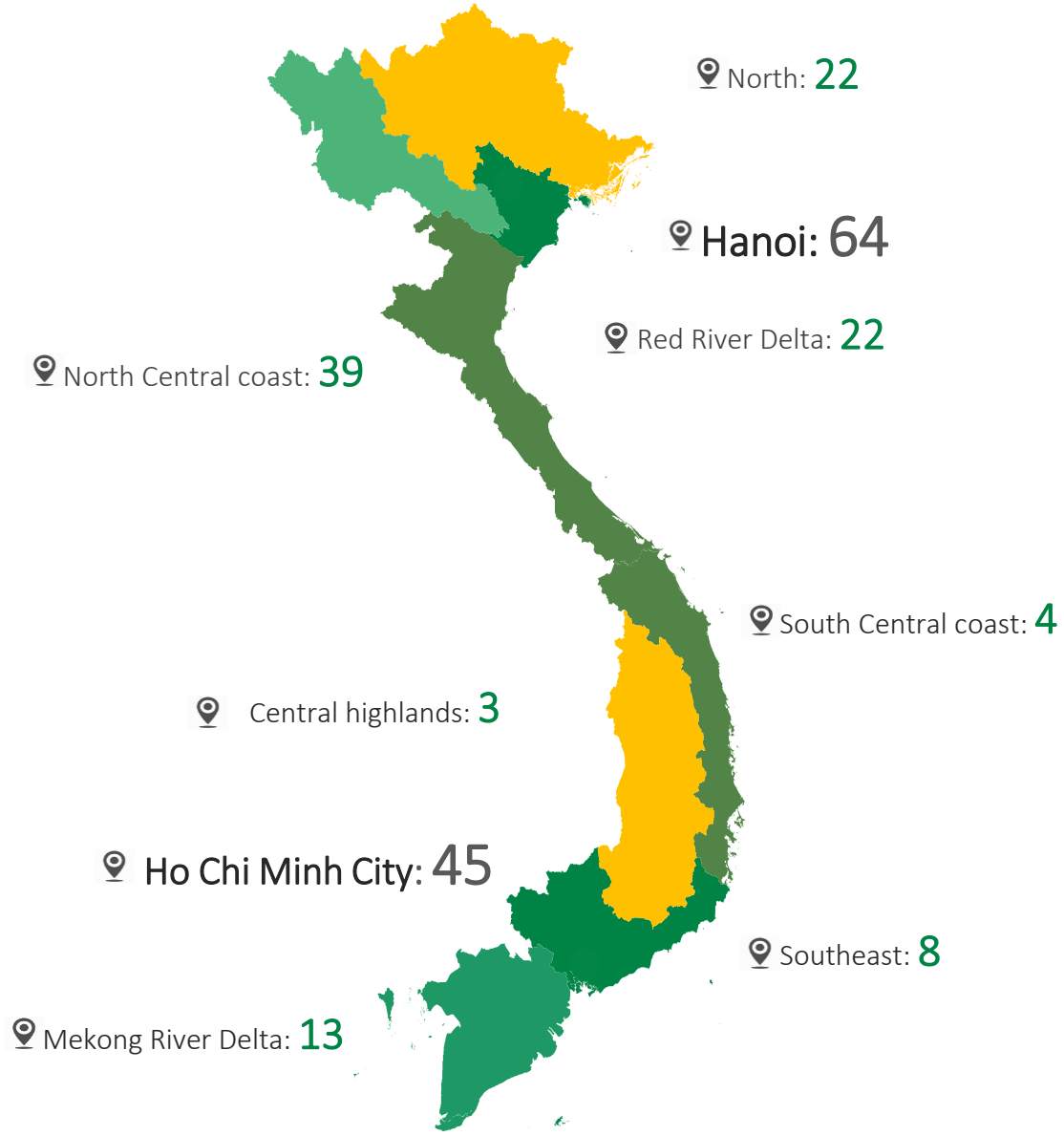
NETWORK DISTRIBUTION

Physical distribution channels

- Around 25,200 employees
- 220 branches and 81 SME centers & hubs, approved by SBV to open 14 branches in 2018
- Nearly 650 branded ATMs/CDMs

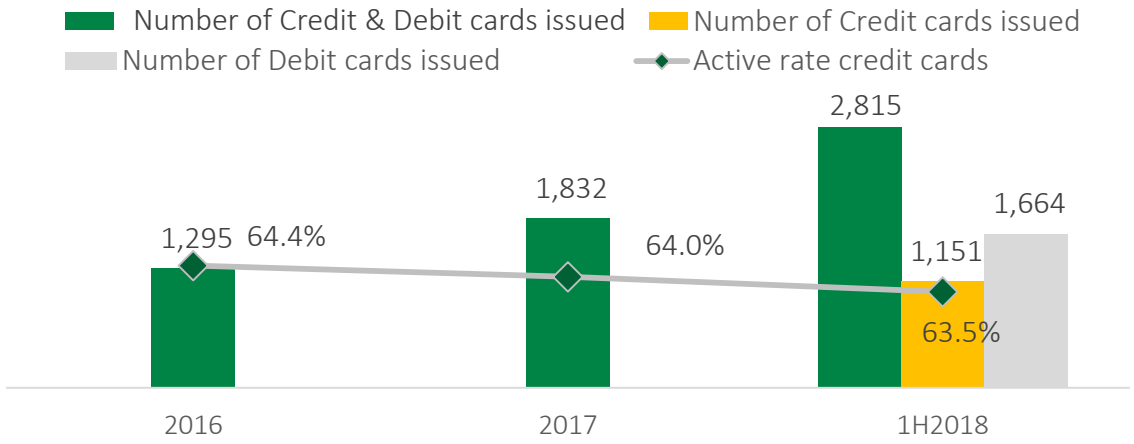
Channels	Transaction points at 31.12.2017	Transaction points at 30.06.2018	Number of Sales Staff + sales agents
Retail branches	217	220	4,290
SME centers and hubs	77	81	1,154
Household centers (Commcredit)	236	189	1,382
Corporate banking branches	4	4	138
Consumer finance (FE Credit)	>11,000	>11,000	>10,000
ATM/CDM	474/105	484/149	

Distribution network - bank branches



CUSTOMER BASE GROWTH

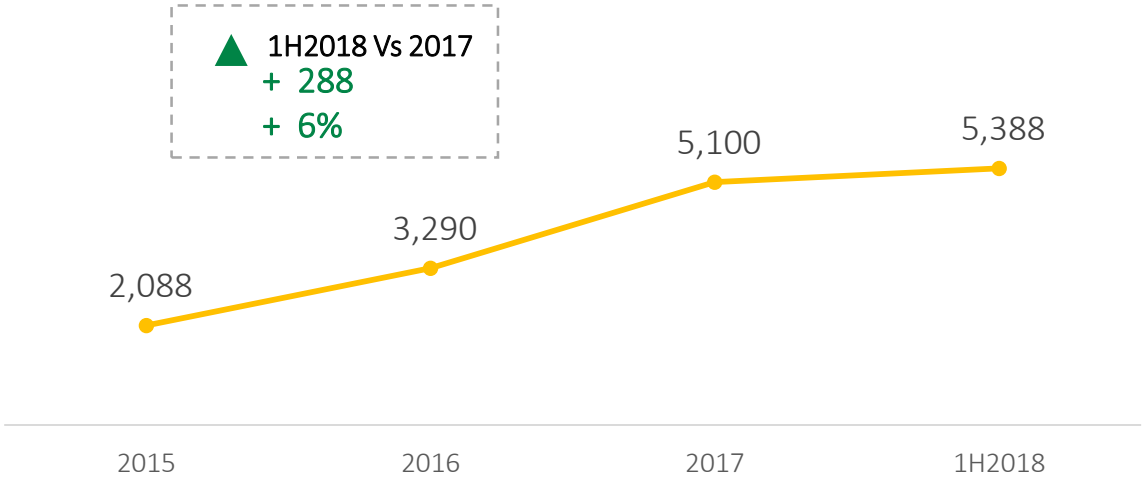
Number of cards issued, active rate(*),(**) (thousands,%)



** 2016,2017: standalone figures; 2018: consolidated figures include: SME – 28k cards FE – 603k cards*

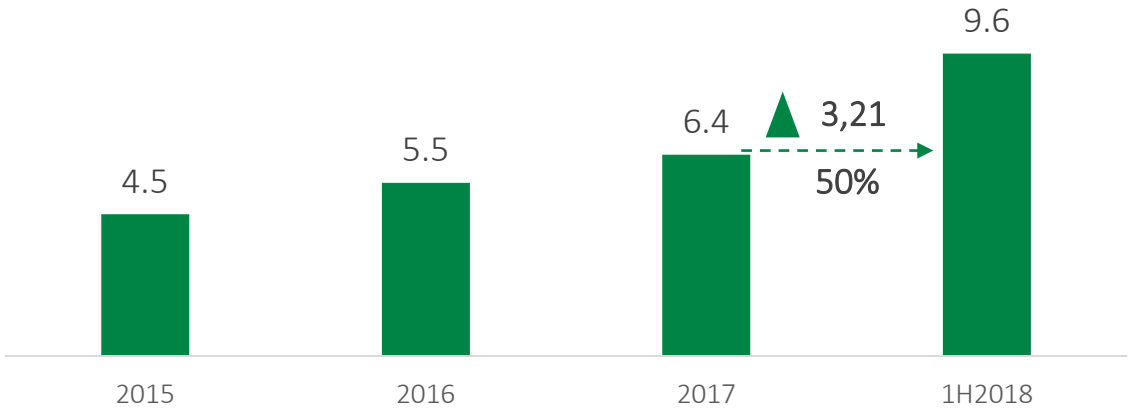
*** Active rate of retail customers*

Active customers (*) (thousands)



** Consolidated figures*

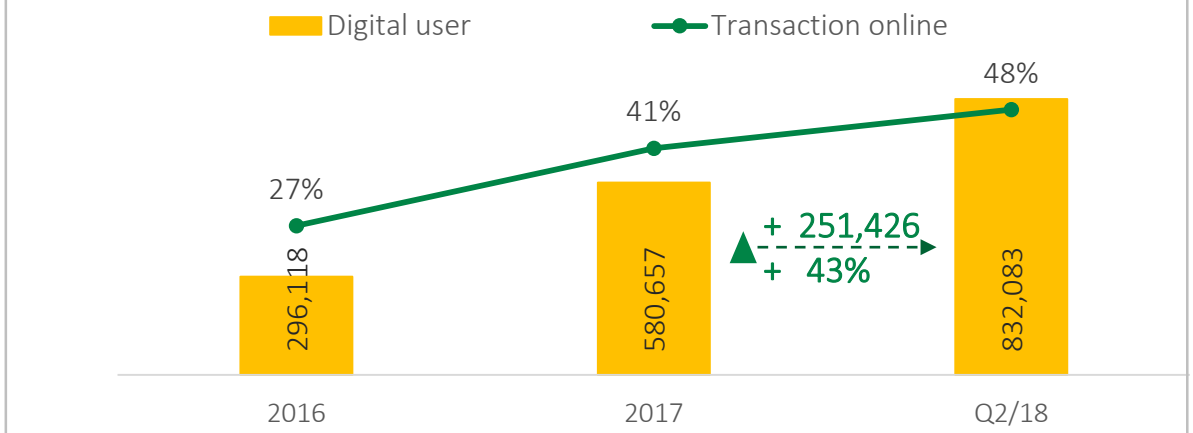
Spending per active card per month (*),(**) (mil VND)



** Standalone figures*

*** Spending per active card per month of retail customers*

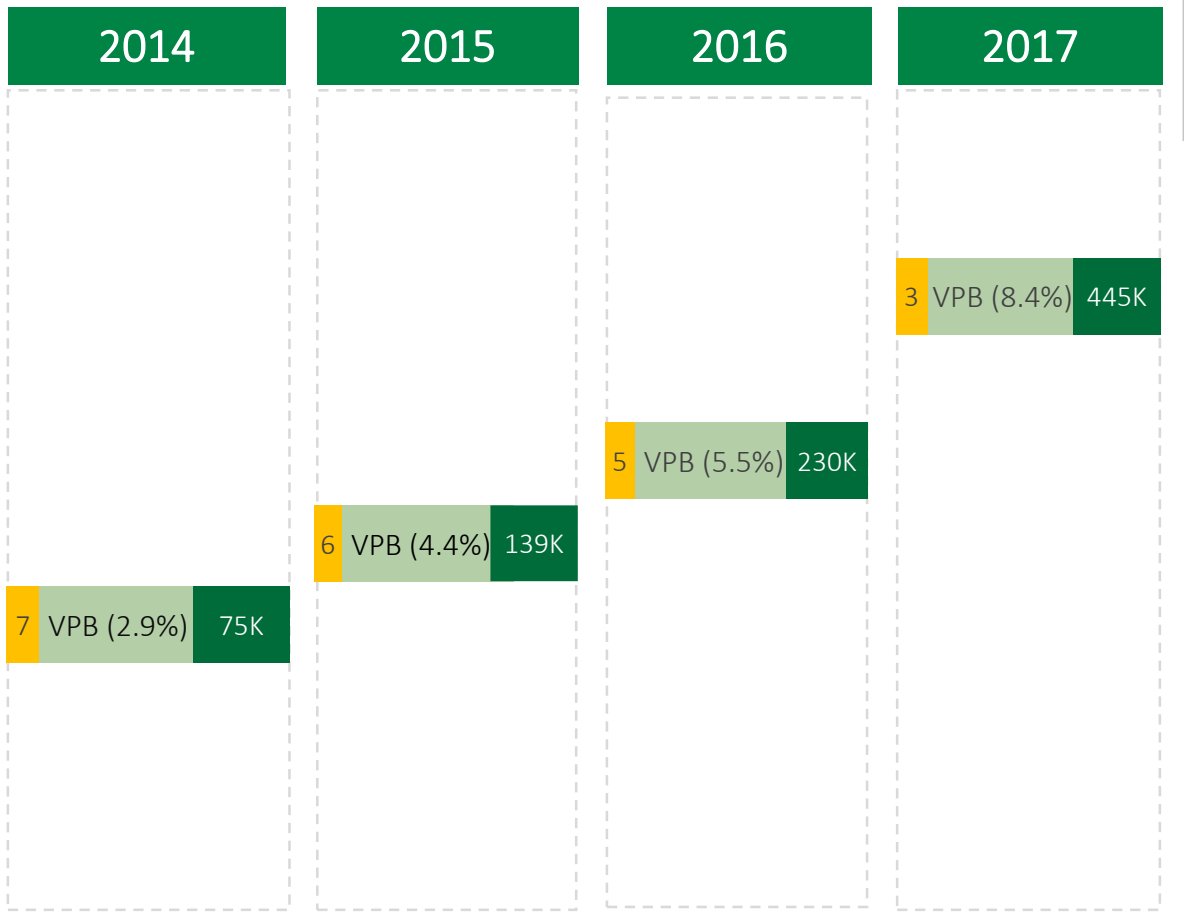
Digital users and online transaction (*) (user, %)



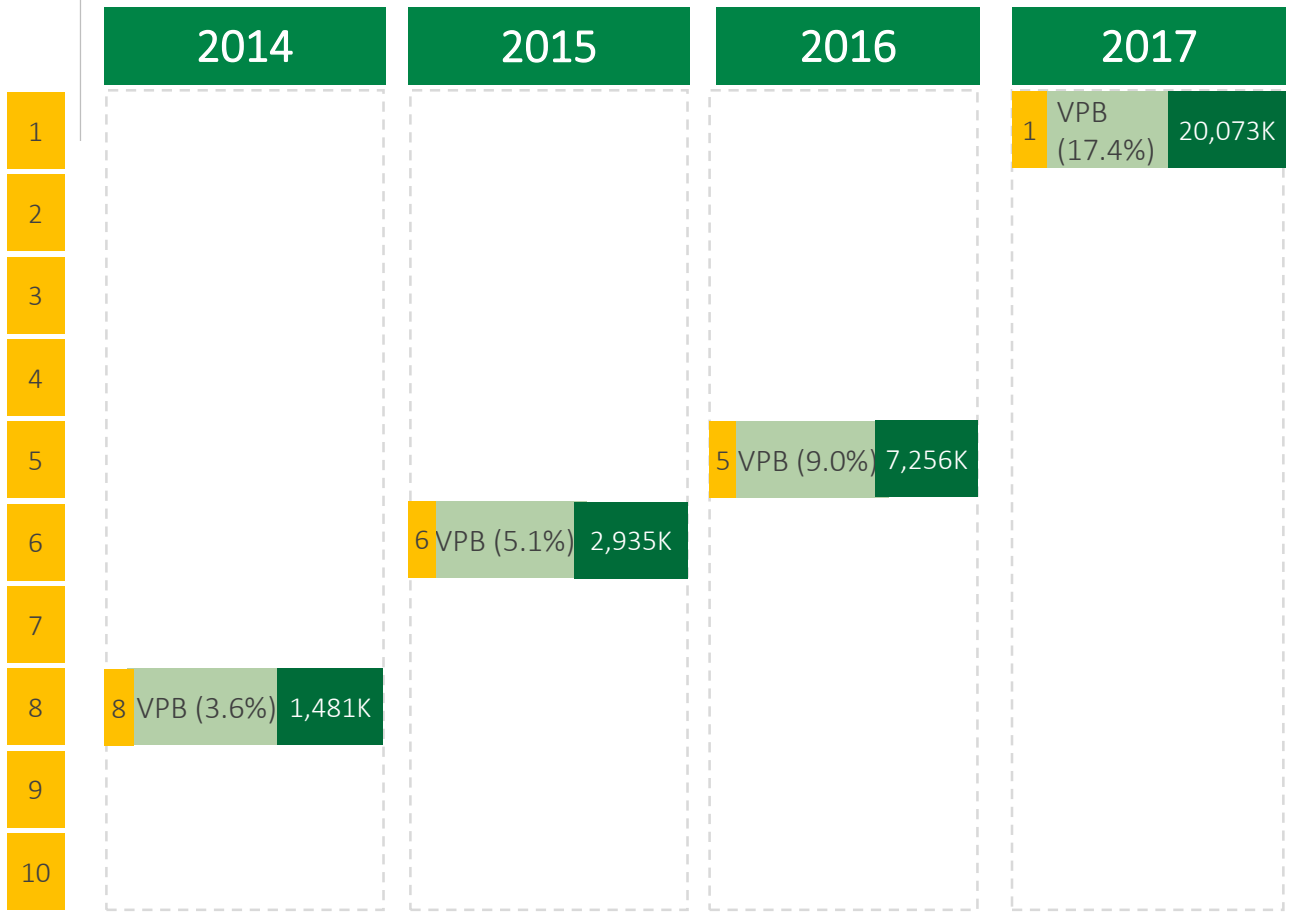
** Standalone figures*

MARKET SHARE OF CREDIT CARD (1)

Bank Ranking by Accumulated Number of Card



Top Banks by Purchase Volume



Data was provided by Vietnam Bank Card Association, combining all payment associations (VISA, MasterCard , JCB , Union pay , Amex) for all Vietnamese banks

MARKET SHARE OF CREDIT CARD (2)

The strong momentum continues to grow in Q1.2018

MasterCard & VISA for Consumer credit card market in Vietnam

1. VPBank & FE Credit share in **credit card in force** accounted for **27.6%** of MasterCard & VISA combined base.
2. VP Bank & FE Credit share in **usage volume** accounted for **21.1%** of MasterCard & VISA combined volume.

#1 position in the market in term of GDV & New Card Issued.

	Indicators	2017 Q2	2017 Q3	2017 Q4	2018 Q1
Mastercard	No of card	1.18	1.43	1.61	1.77
	GDV	413	537	670	739
Visa	No of Card	1.67	1.71	1.74	1.79
	GDV	876	937	1100	1041
Market	No of card	2.9	3.1	3.4	3.56
	GDV	1289	1474	1770	1780
VPBank	No of card	0.225	0.287	0.344	0.405
	GDV	179	246	283	318
FE Credit	No of card	0.279	0.414	0.516	0.578
	GDV	30	44	60	57
Share of VPBank in Vietnam	No of card	7.8%	9.3%	10.1%	11.4%
	GDV	13.9%	16.7%	16.0%	17.9%
Share of FE Credit in Vietnam	No of card	9.6%	13.4%	15.2%	16.2%
	GDV	2.3%	3.0%	3.4%	3.2%

GDV = Gross dollar value

All of GDV numbers are in million USD / All of card numbers are in million

INITIATIVES LAUNCH

- RETAIL
- SME
- OPERATION

INITIATIVES LAUNCH

- RETAIL
  - Affluent Banking
  - Digital Journey
    - VPBank Dream Project
    - Credit Card Onboarding Project
    - UPL Onboarding Project

AFFLUENT BANKING

Officially Launched on 30 June 2018

AFFLUENT BANKING

BUSINESS STRATEGY

1. Target Client Segments & Needs

Business Owners

- Efficiency
- Family Care

Senior Salaried

- Wealth creation
- Efficient service

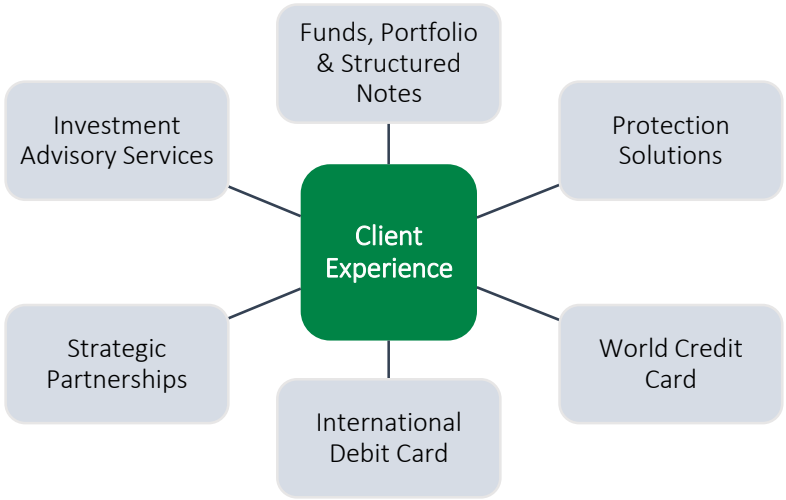
Retired Rich

- Stable earning
- Recognition

2. Crafted Client Value Proposition

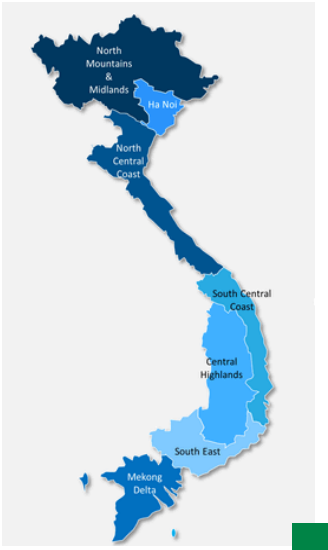
Expertise	Responsiveness	Privileges
•Bespoke Wealth Management Solutions •Open Architecture	•Team based delivery •Dedicated 24X7 hotline	•Premium pricing • Exclusive lounges •High-end lifestyle offers

3. Best-in-class Product Suite



4. Clear Market Strategy

- Invest in Affluent centers in ~20 branches, contributing 40% in TOI. Gain market share.
- •Grow in next ~25 'critical' branches, contributing 25% of TOI.
- •Deepen in rest of the branches to nurture 'hidden affluent'.



DIGITAL JOURNEY

VPBANK DREAM PROJECT

DREAM is a platform and acquisition tool for all Retail Banking digital journeys

Key focus of the platform :

- Acquisition of New to bank Mass Affluent and Upper Mass customer segments (DREAM serves as a new acquisition channel)
- Digital UI/UX - majority of processes are executed digitally with no dependency on branch network
- Reduction of acquisition cost
- Improvement of sales productivity
- Available via WEB and Mobile APP

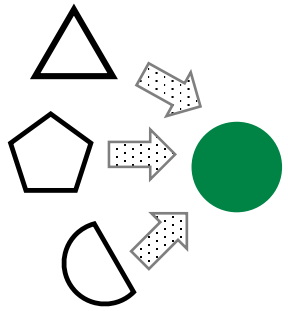
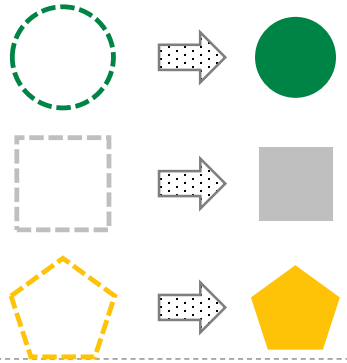
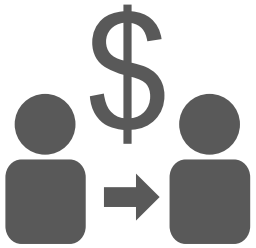
https://dream.vpbank.com.vn

INITIATIVES LAUNCH

- SME
  - Micro SME Models
  - Digital Journey
    - SME Connect Project
    - Women Entrepreneur
    - Business Matching

MICRO SME MODELS

Conducting a project with Inspiring Development to transform Micro SME Model

	"AS IS" MODEL	"TO BE" MODEL
Sales Orientation	 ▪ Legal entities ▪ Develop various products to cater for many needs of enterprises	 ▪ Legal Entities + Upper Household ▪ Customized credit granting to be suitable with client's demand and payment capacity
Method of approaching customer	▪ Call leads or relationship of CH/sales ▪ Set appointment ▪ Visit client ▪ Close the deal	 ▪ Direct sales at client's location ▪ Discuss with client to understand his needs and payment capacity ▪ Client either agrees or disgrees to borrow
Approval model	▪ Submit application as per product checklist to CPC UW ▪ CO checks and compares with product checklist to make decision	▪ BRO underwrites and analyzes client's FS; then BRO makes credit proposal; ▪ Local Credit Council makes lending decision.

IN TEST MODE, PRODUCTIVITY 3 TIMES HIGHER

INITIATIVES LAUNCH

OPERATION

Operation automation

OPERATION AUTOMATION

Automate underwriting and approving process

- Apply for unsecured personal loan and credit card.

- Description: using new Loan originating system with support of enhanced score card and big data (trusting social, social network data…) to automate underwriting and approval process. Machine with data enrichment will provide credit assessment results within seconds instead of 30 minutes if processing by credit officer

- Expected Result: new process significantly improve
  - Processing productivity (60%)
  - Turnaround time
  - Quality/accuracy
- Target:
  - 90% of unsecured portfolio (current figure: 75%) will be executed through auto-underwriting process, this in return will reduce unit cost and improve credit quality

Robotic Process Automation - RPA

- Applying RPA in all repeated and manual process which are currently conducted by staff.
  Area: back office processing: account opening/maintenance, data entry and other area

- Description: deploy RPA with support of document recognition/data capturing and language processing will relate all manual activities done by human such as: downloading document, reading, data entry, document processing…etc

- Two key areas to be applied with RPA in 2018: account opening/maintenance and data entry

- Expected results:
  - Cut at least 80% of work-force currently handling those activities
  - Improve data quality to 100%
  - Improve SLA/TAT significantly as robot can work 24 hours/7 days

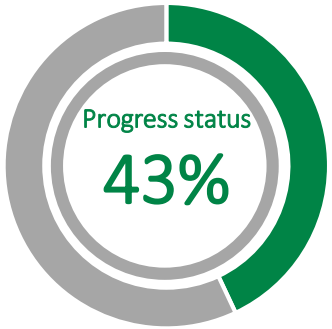
1H2018 FINANCIAL PERFORMANCE

Unit: bil VND

1H2018 - PERFORMANCE INDICATOR HIGHLIGTS

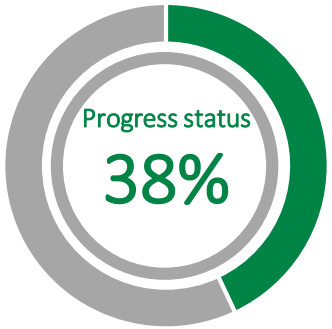
Balance Sheet	1H2017	FY2017	1H2018	Vs.1H2017	Vs.FY2017
Loans to customers (including corporate bonds)	176,650	196,673	210,048	19%	7%
Total assets	248,714	277,752	293,141	18%	6%
Deposits from customers (including valuable papers)	195,443	199,655	215,613	10%	8%
CAR Cir 36	12.2%	14.6%	15.0%		
CAR Basell II	9.6%	12.6%	12.4%		

TOI (bil VND)



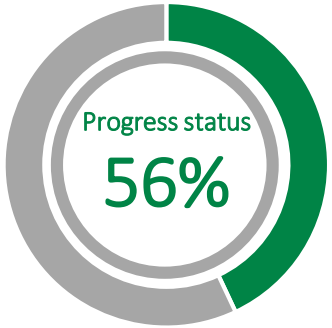
1H.18	14,511
Y-o-Y growth	28%

OPEX (bil VND)



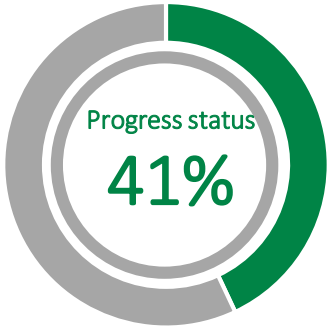
1H.18	4,689
Y-o-Y growth	16%

Provision expense (bil VND)



1H.18	5,446
Y-o-Y growth	36%

PBT (bil VND)



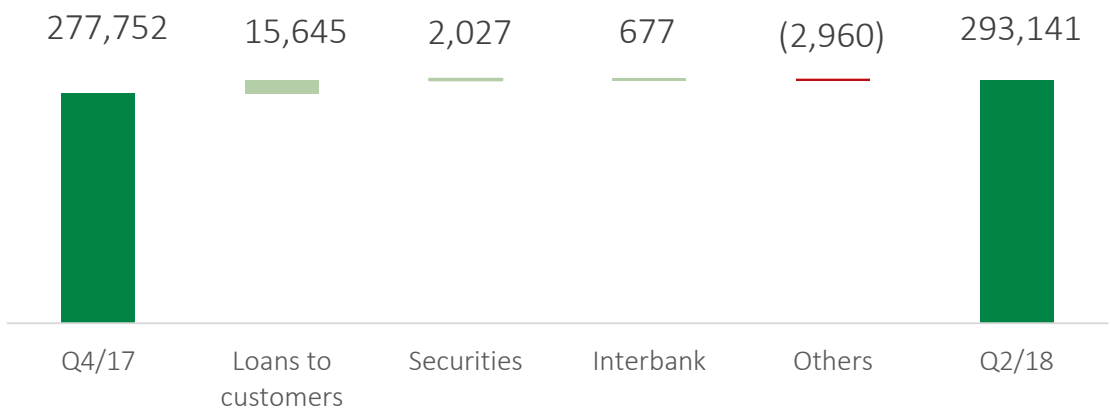
1H.18	4,375
Y-o-Y growth	34%

Source: Unaudited Consolidated FS at 30.06.2018

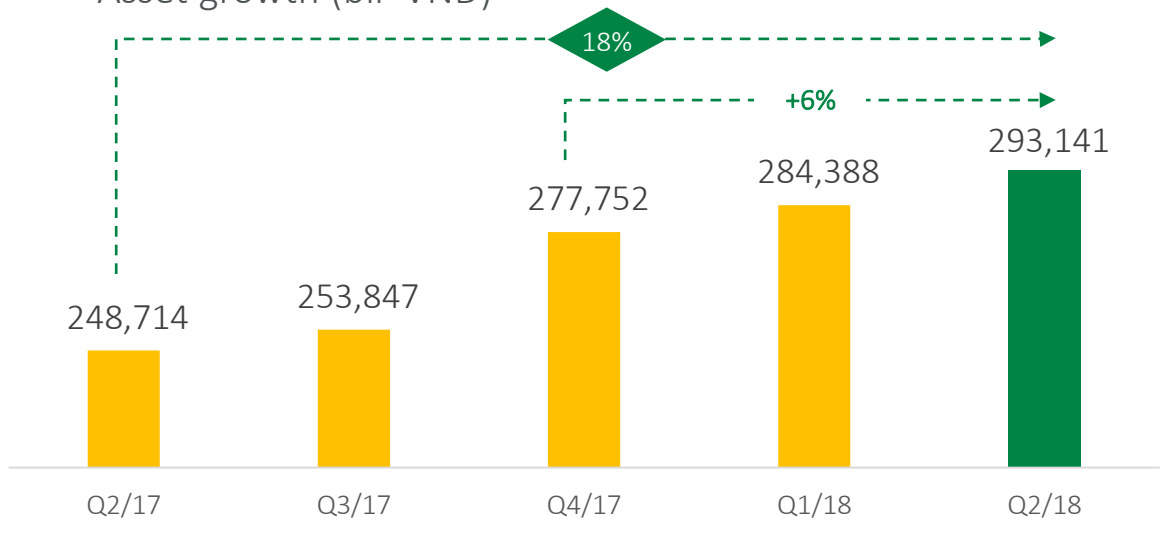
SOLID ASSET GROWTH DYNAMIC

Summary (*) (bil VND)

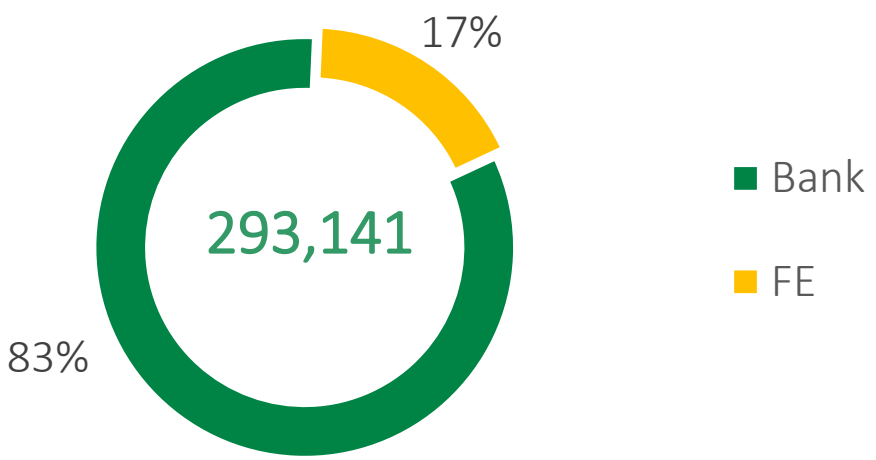
** Outstanding is calculated as net after provision*



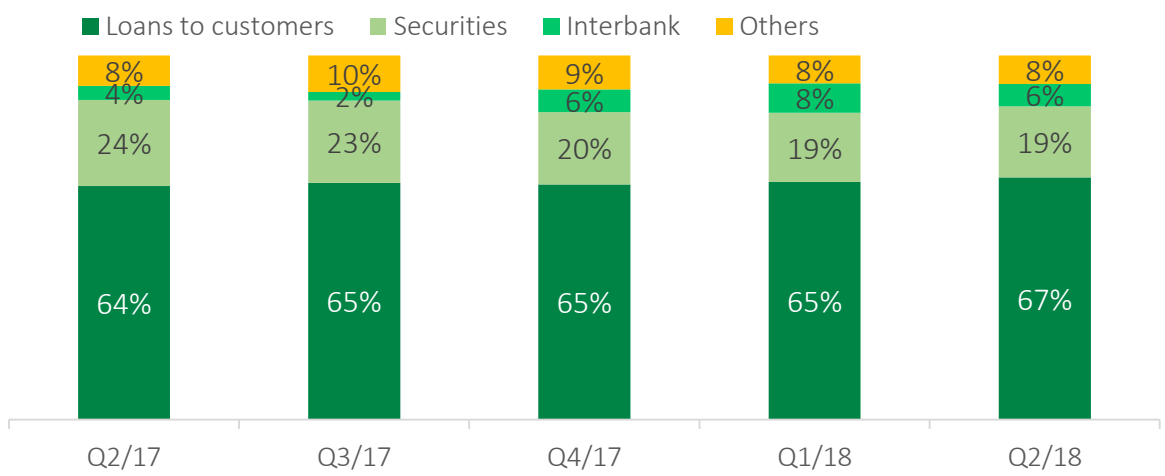
Asset growth (bil VND)



Asset proportion (bil VND)



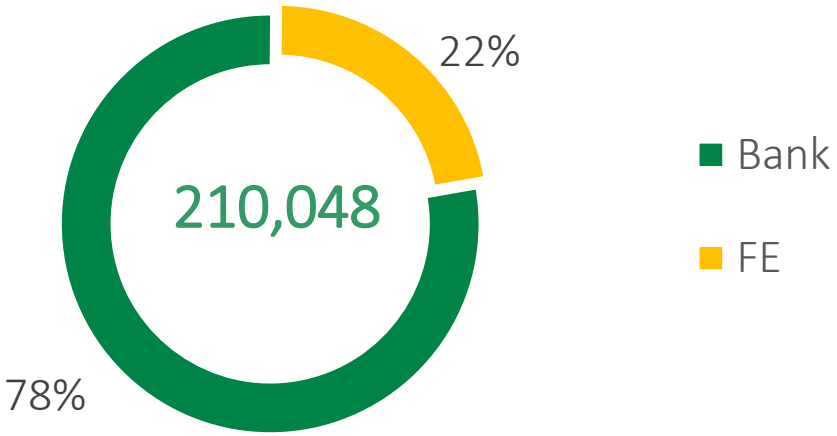
Asset mix (%)



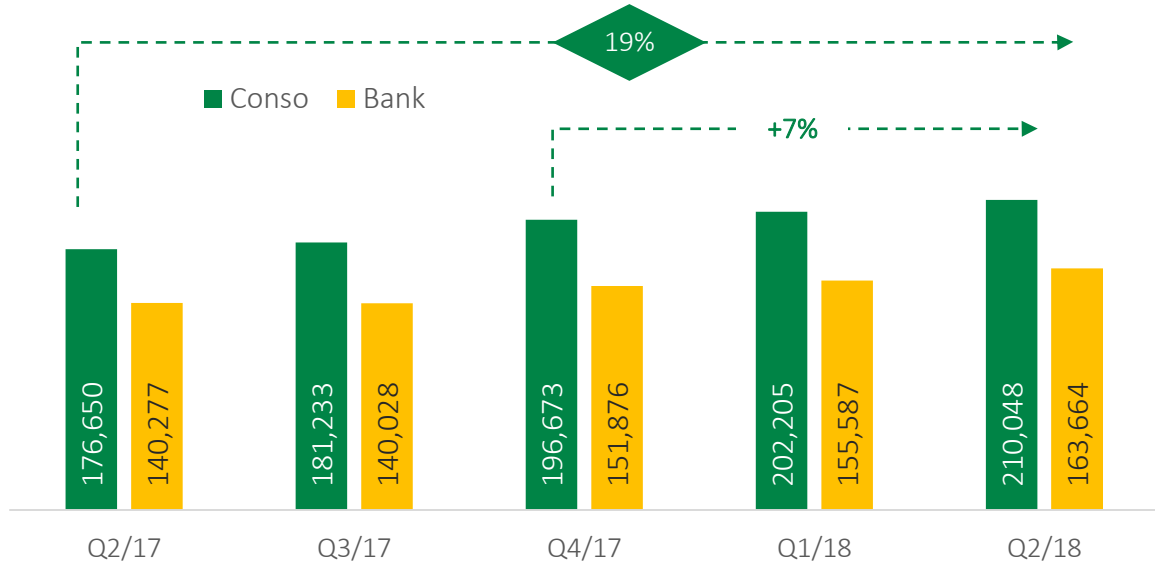
Source: Unaudited Consolidated FS at 30.06.2018

LOAN PORTFOLIO BREAKDOWN (*)

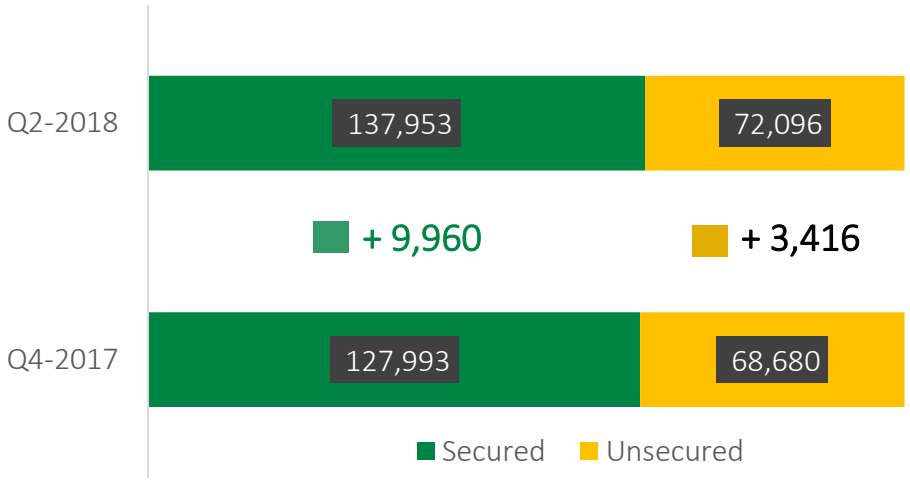
Summary (bil VND)



Credit growth (bil VND)



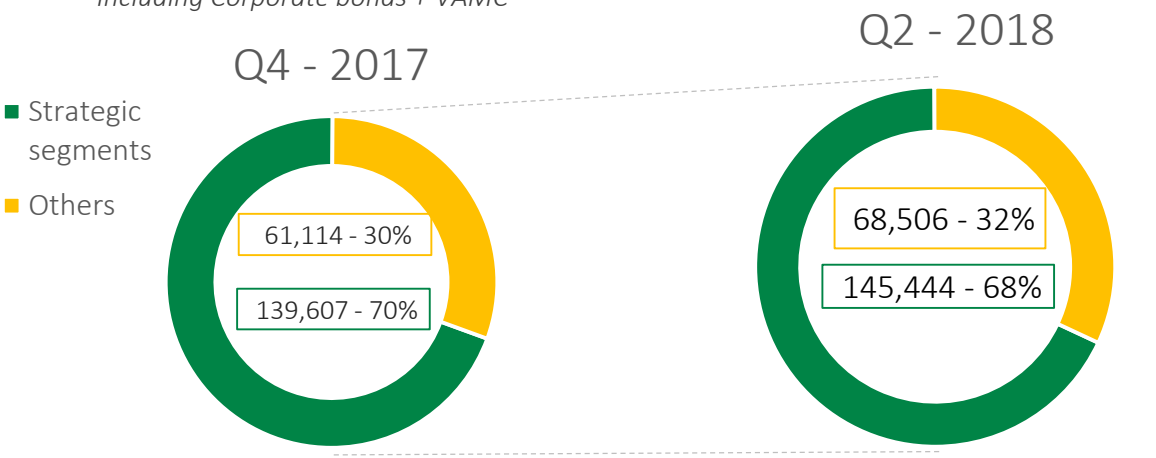
By type (bil VND)



** Including Corporate bonds*

By segments (*) (bil VND)

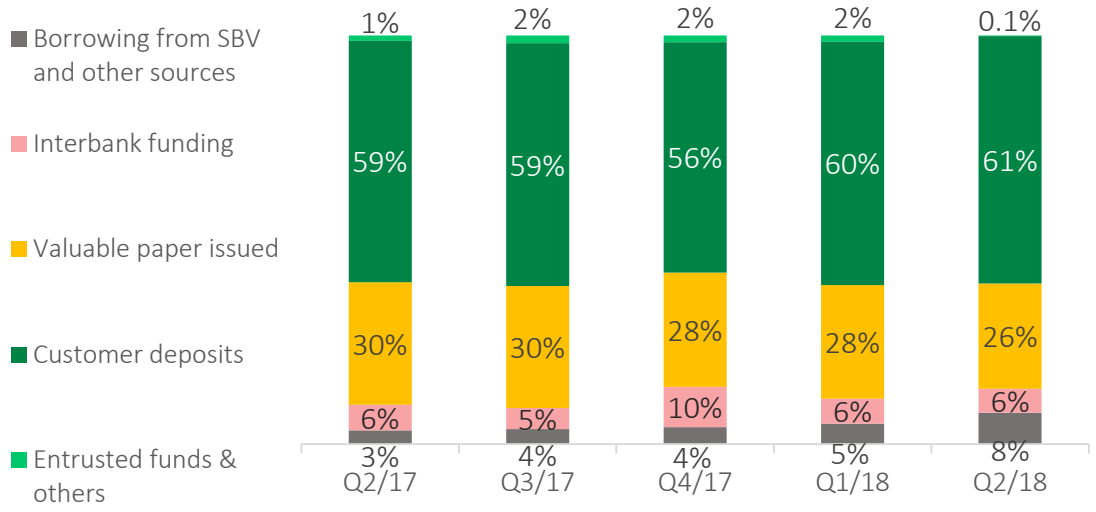
** Including Corporate bonds + VAMC*



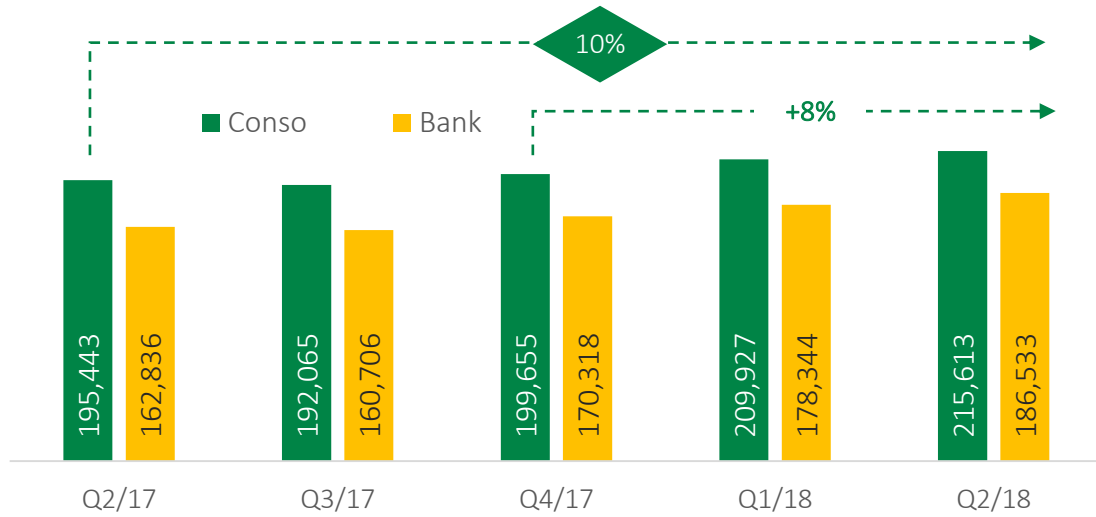
Source: Unaudited Consolidated & Single FS at 30.06.2018

FUNDING MIX

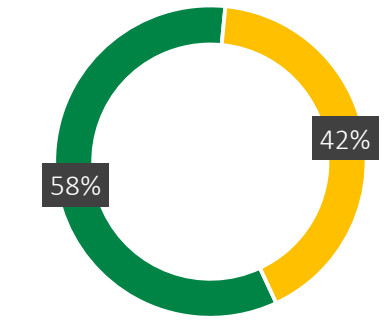
Funding mix

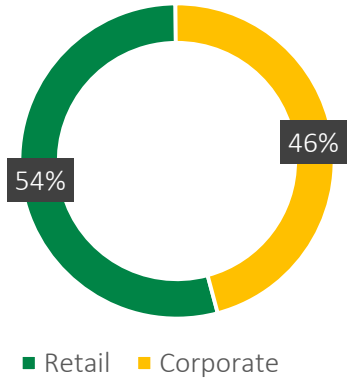


Deposit & valuable papers growth (bil VND)



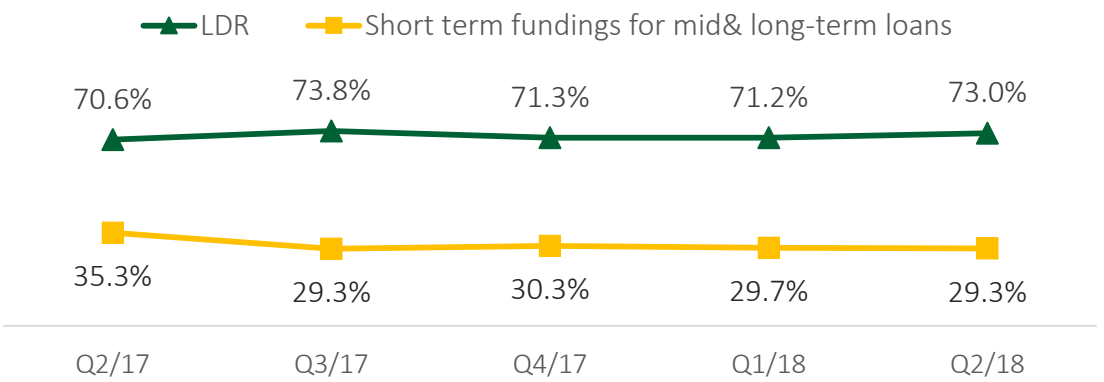
Deposits & valuable papers by term and customers at Q2.18





Figures of bank: Retail-62%
Corporate-38%

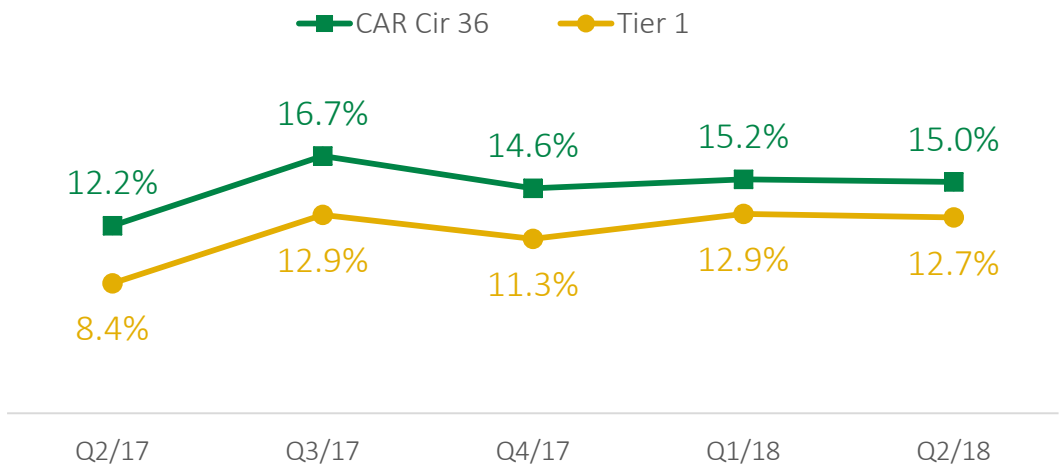
LDR (SBV requirement) & Short term funding for mid-long term loans (Bank)



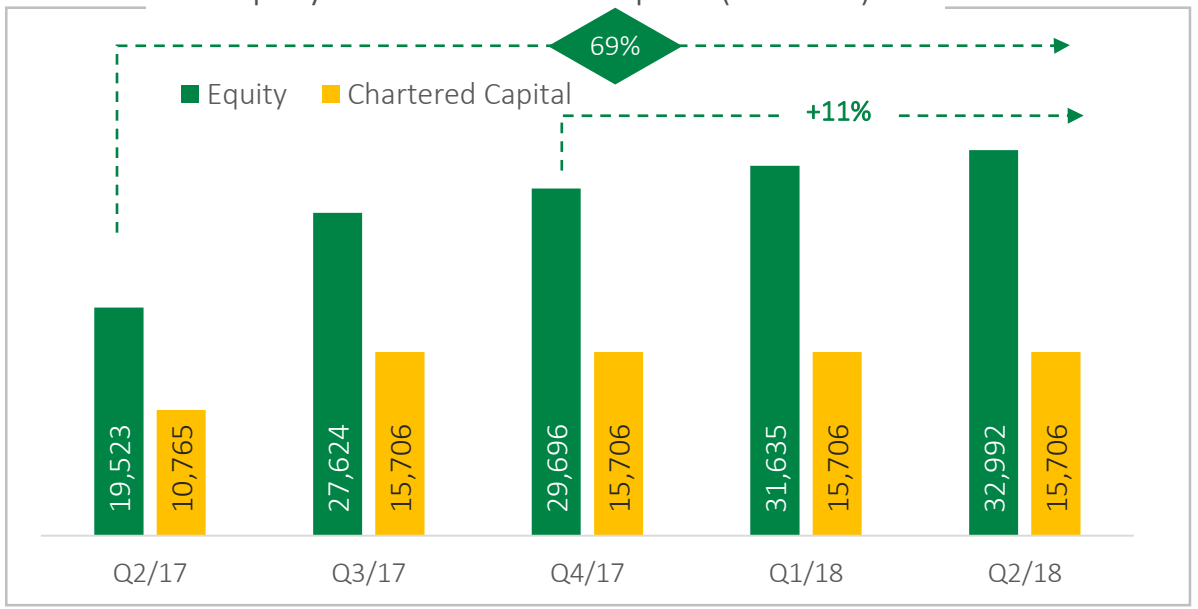
Source: Unaudited Consolidated & Single FS at 30.06.2018

STRONG CAPITAL BASE

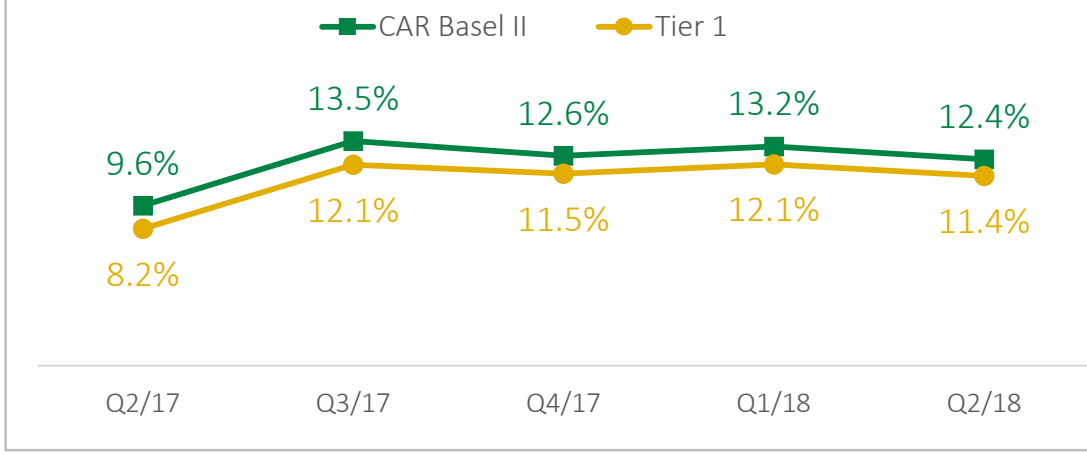
Capital Adequacy Ratios under Cir 36



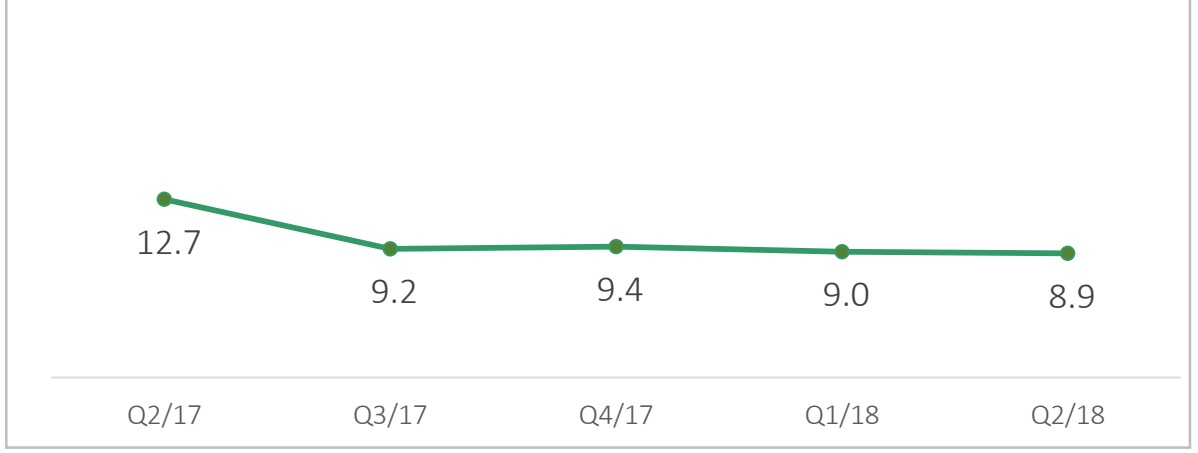
Equity and Chartered Capital (Bil VND)



Capital Adequacy Ratios under Basel II



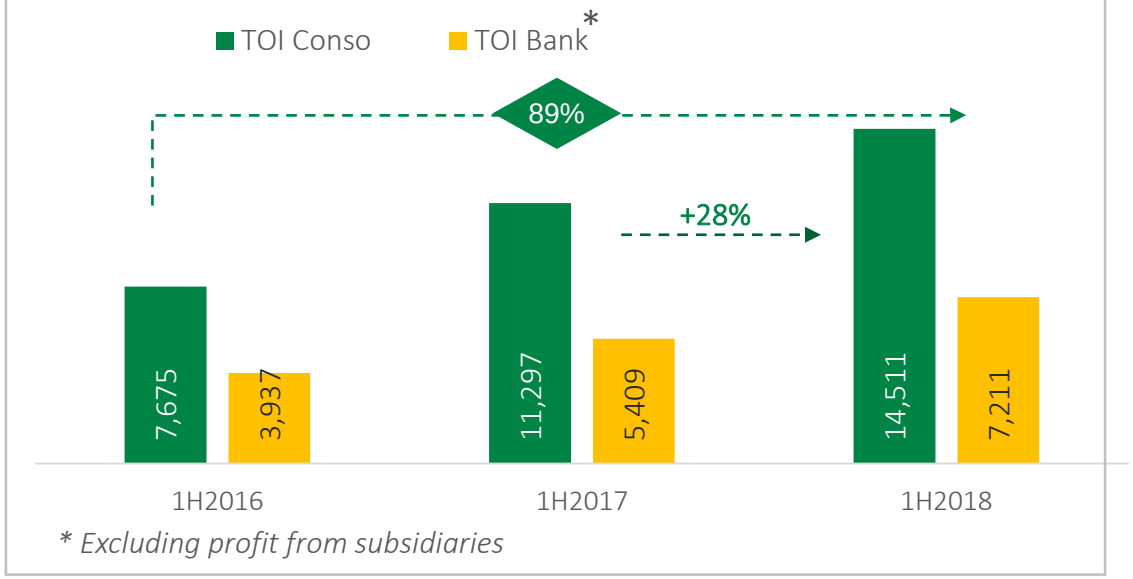
Equity multiplier (Asset/Owner's equity)



Source: Unaudited Consolidated & Single FS at 30.06.2018

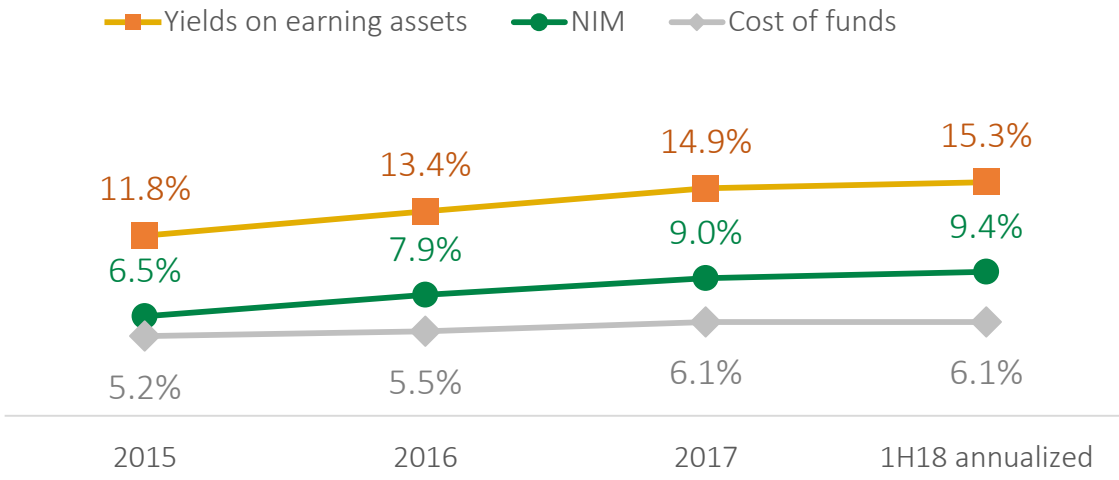
TOI, NII, NFI

Y-o-Y growth TOI (bil VND)

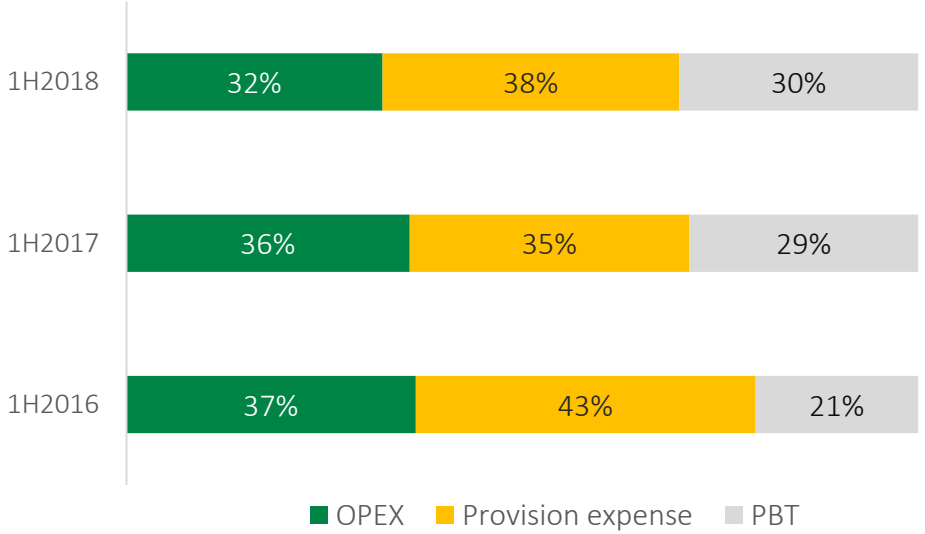


* *Excluding profit from subsidiaries*

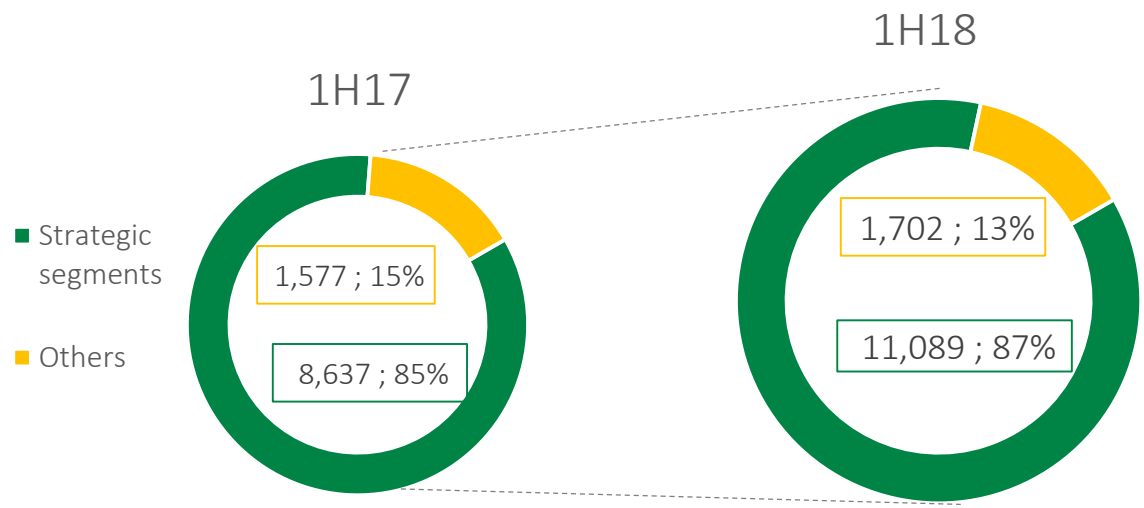
NIM



OPEX, Provision expense & PBT over TOI



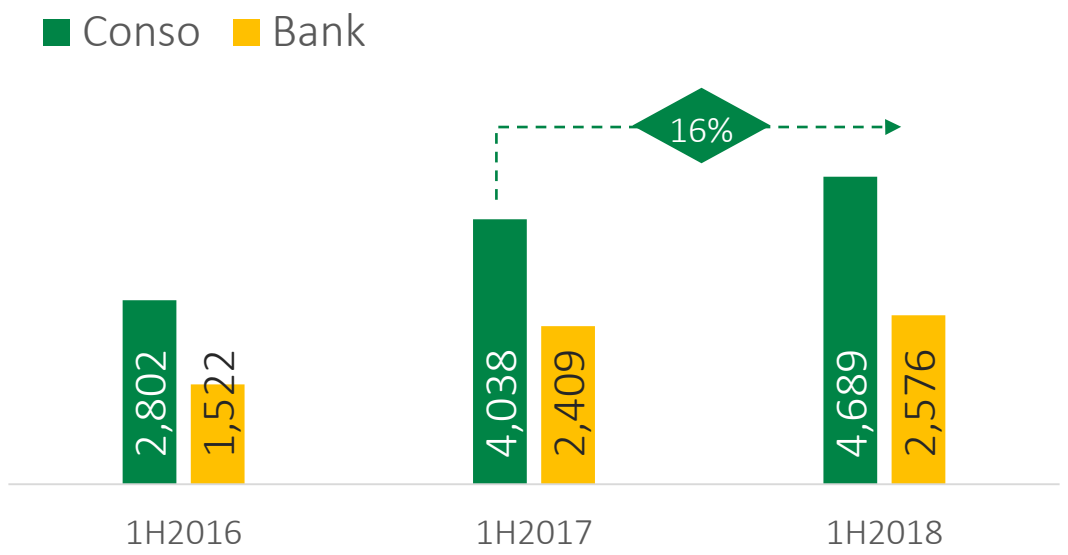
NII & NFI by segments (bil VND)



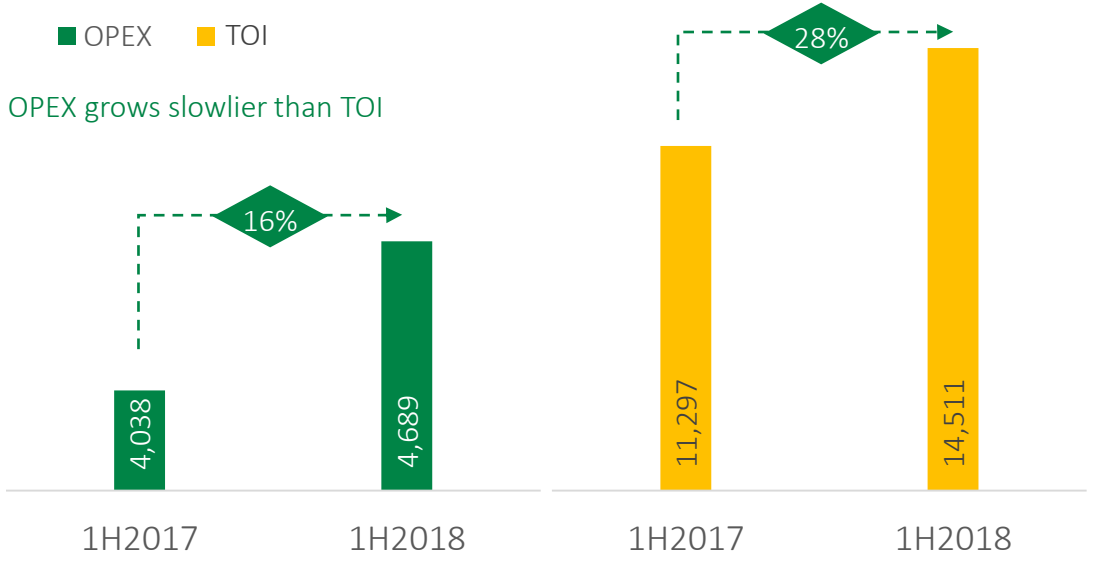
Source: Unaudited Consolidated & Single FS at 30.06.2018

OPEX

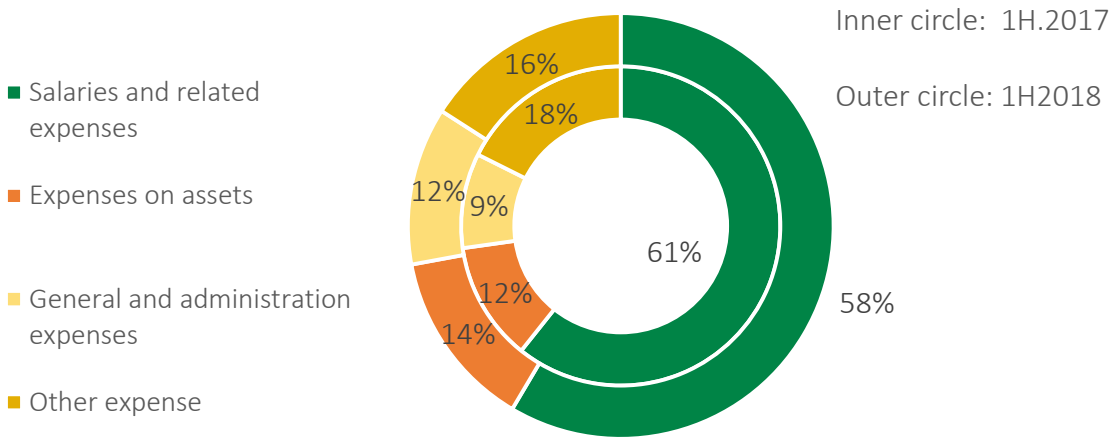
Y-o-Y growth OPEX (bill VND)



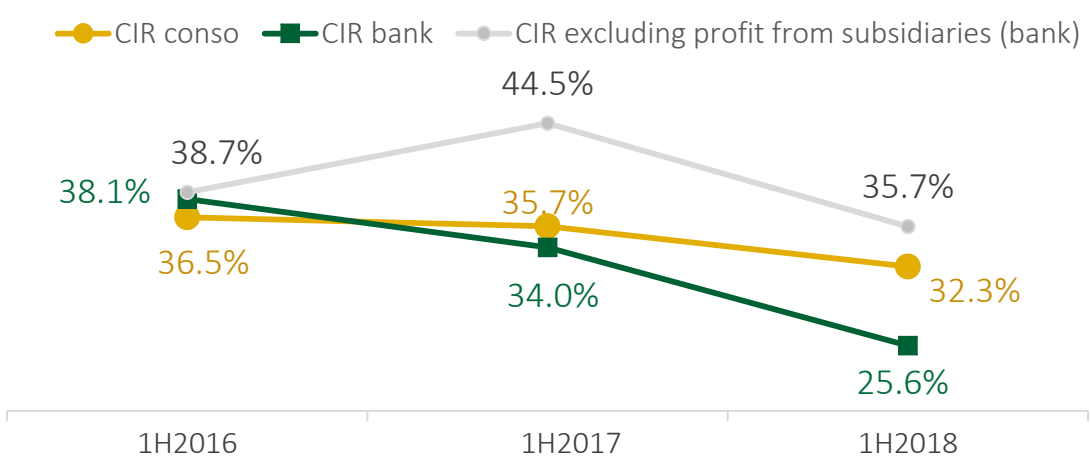
OPEX growth vs TOI growth



OPEX Structure



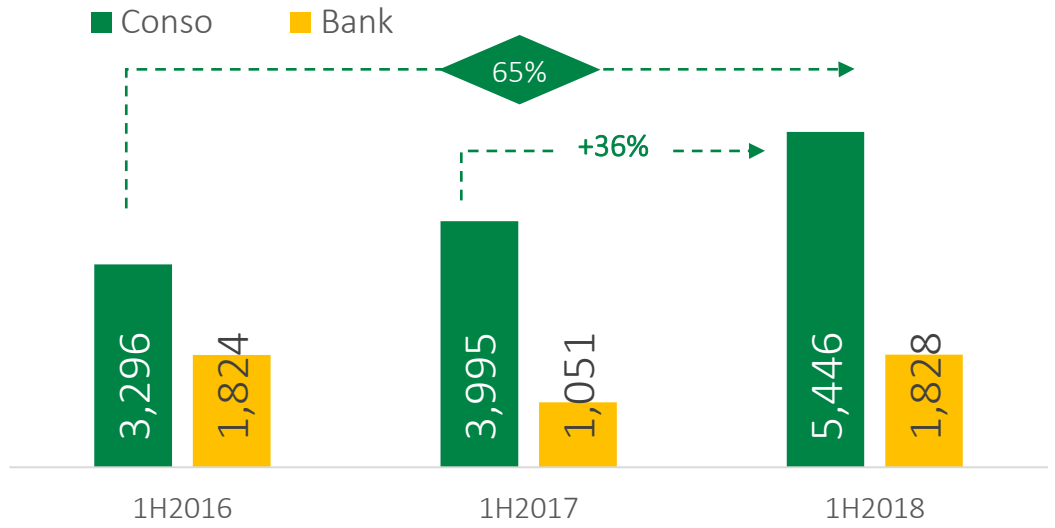
CIR



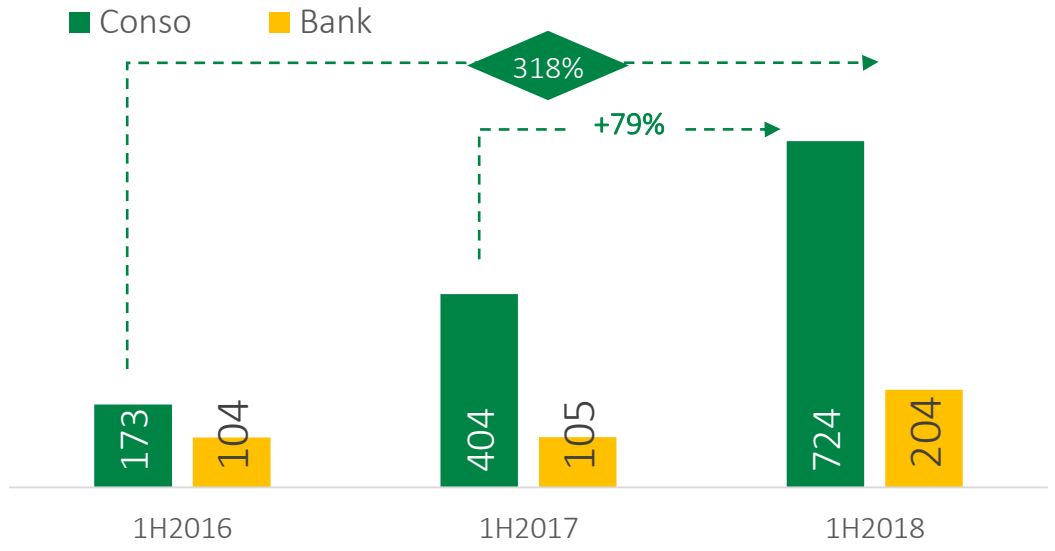
Source: Unaudited Consolidated & Single FS at 30.06.2018

PROVISION EXPENSE

Y-o-Y growth Provision expense (bill VND)



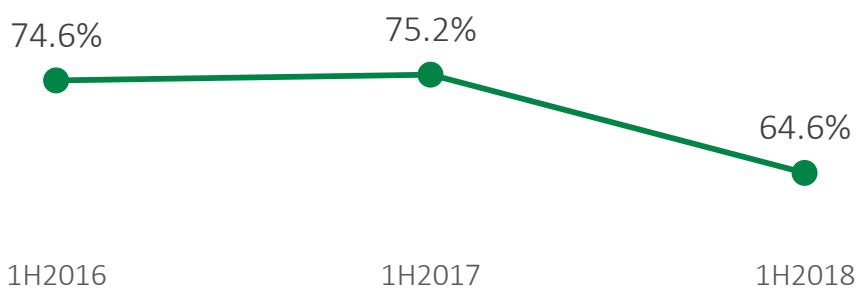
Income from bad debt recovery (bil VND)



NPL in accordance with Cir 02

	FY17	1H18
Conso	2.89%	3.47%
Bank	2.33%	2.71%

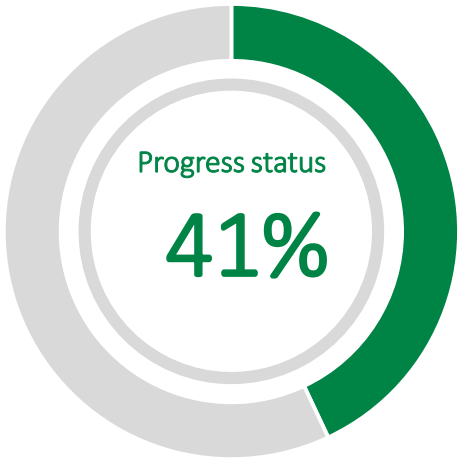
LLR adding back write-off (%)



Source: Unaudited Consolidated & Single FS at 30.06.2018

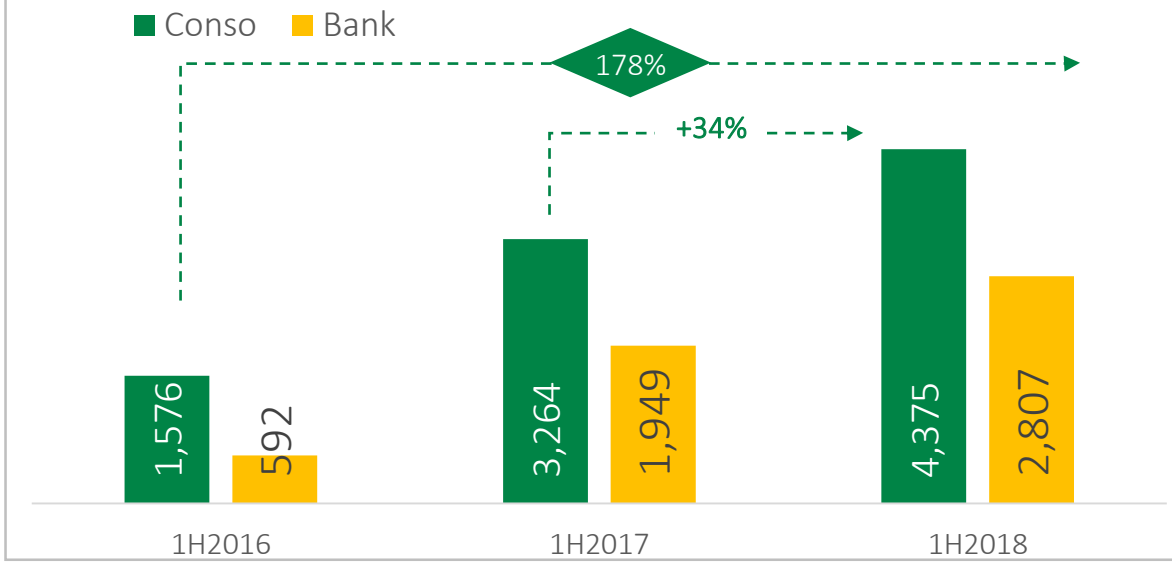
PBT

Progress status (bil VND, %)

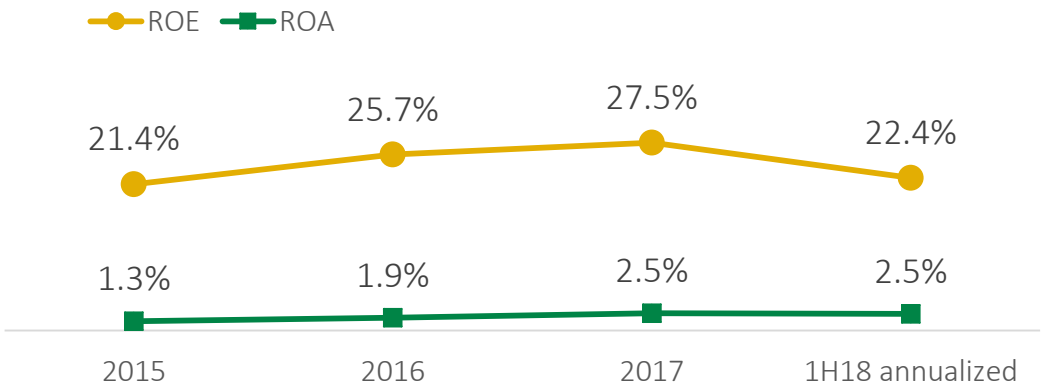


1H.18	4,375
Y-o-Y growth	34%

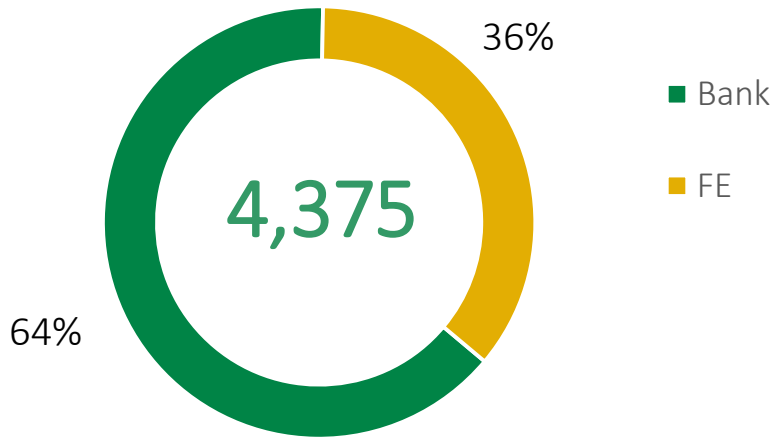
Y-o-Y growth (bil VND)



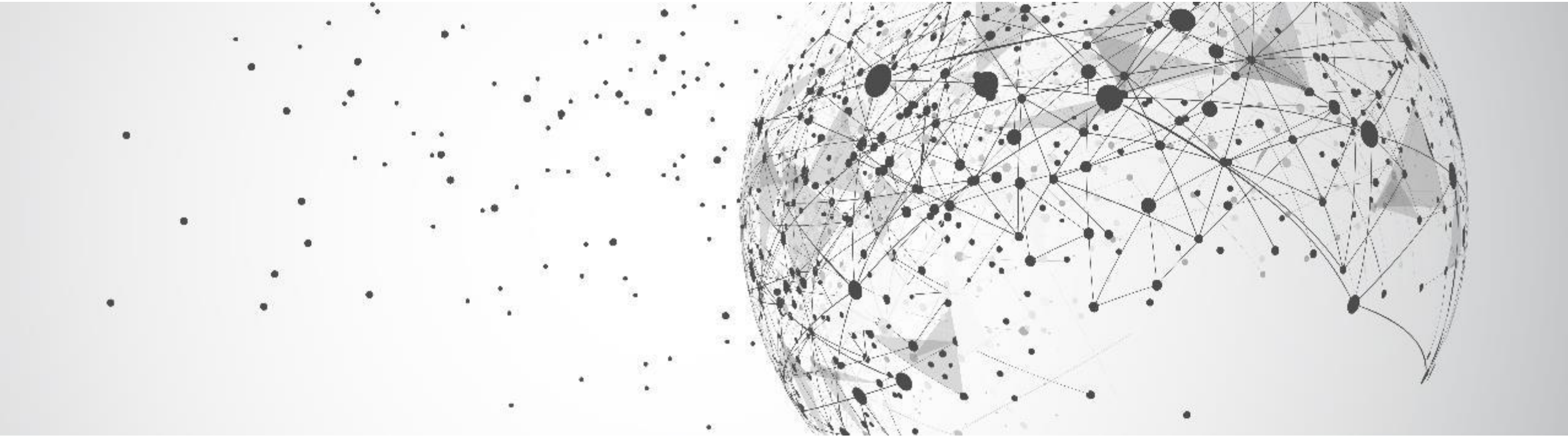
ROA, ROE annualized



PBT by Bank & FE



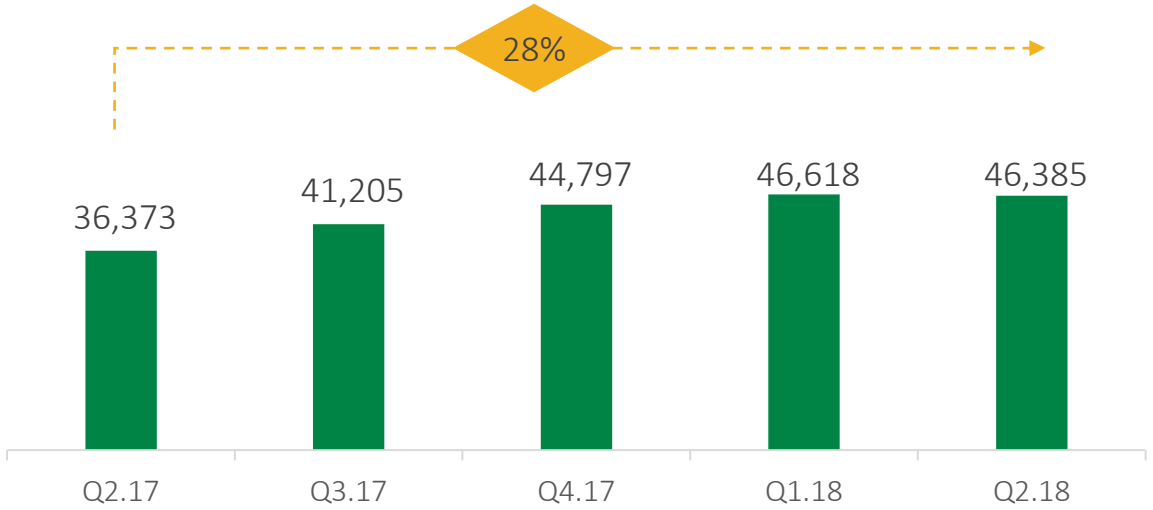
Source: Unaudited Consolidated & Single FS at 30.06.2018



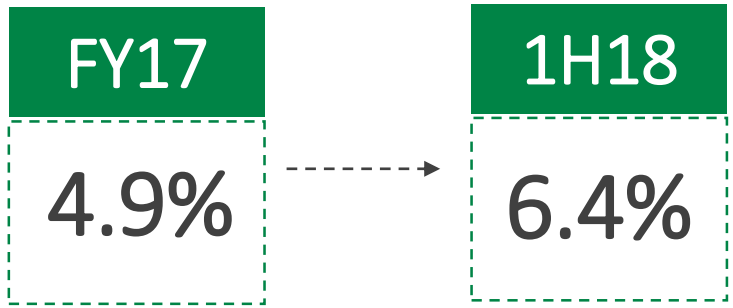
Q2-2018 FINANCIAL PERFORMANCE – FE CREDIT

BUSINESS PERFORMANCE – FE CREDIT

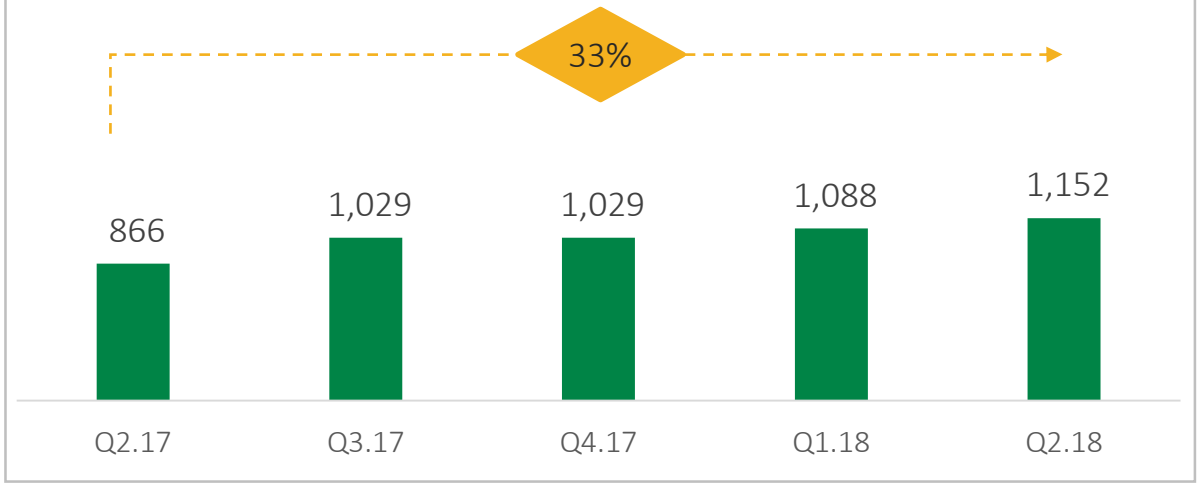
ENR (bil VND)



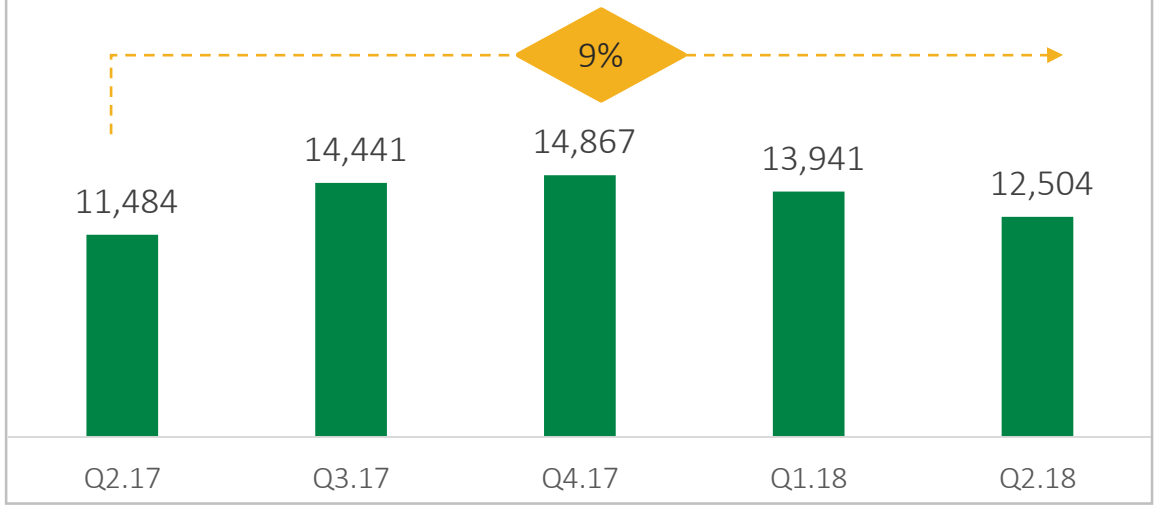
NPL cir 02 (%)



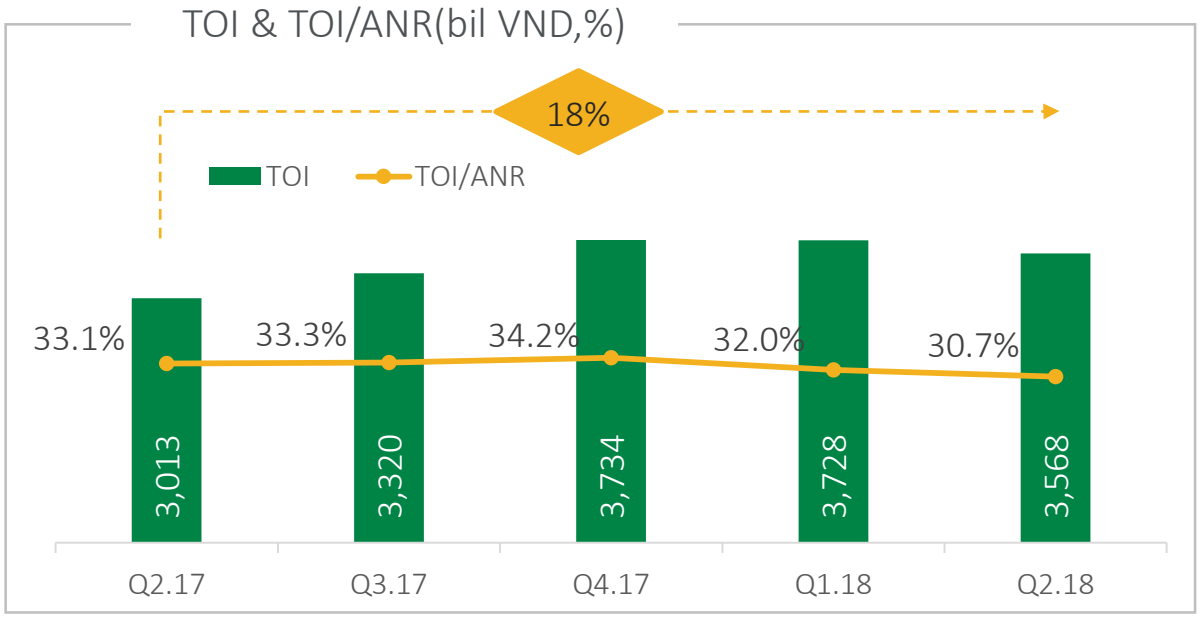
Sales volume (thousands)

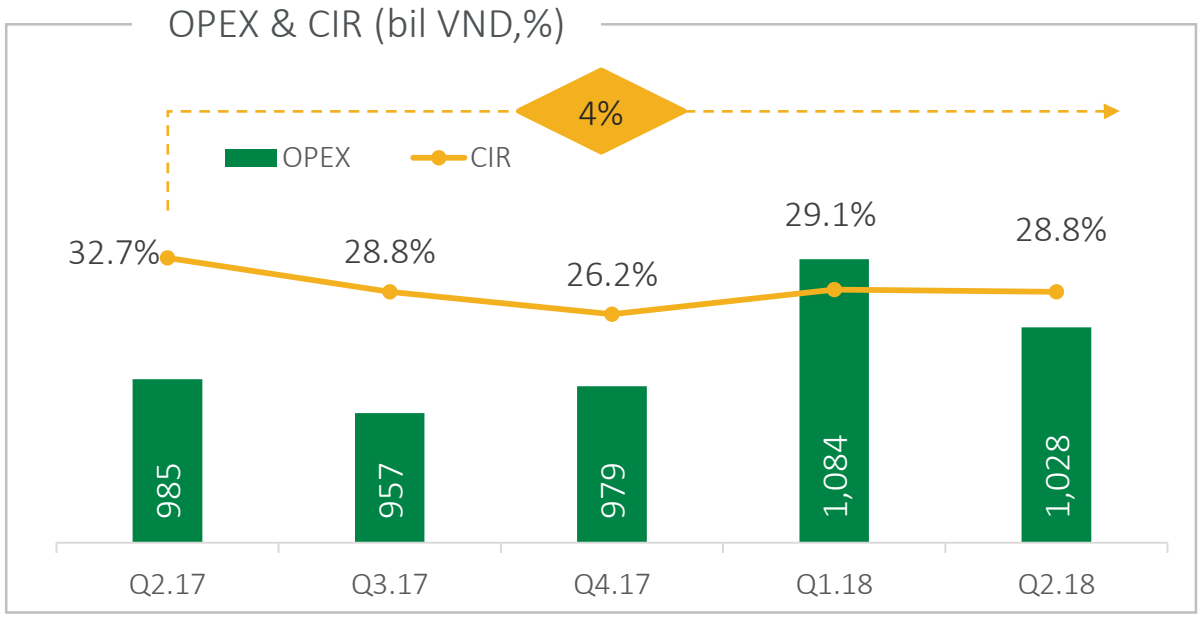


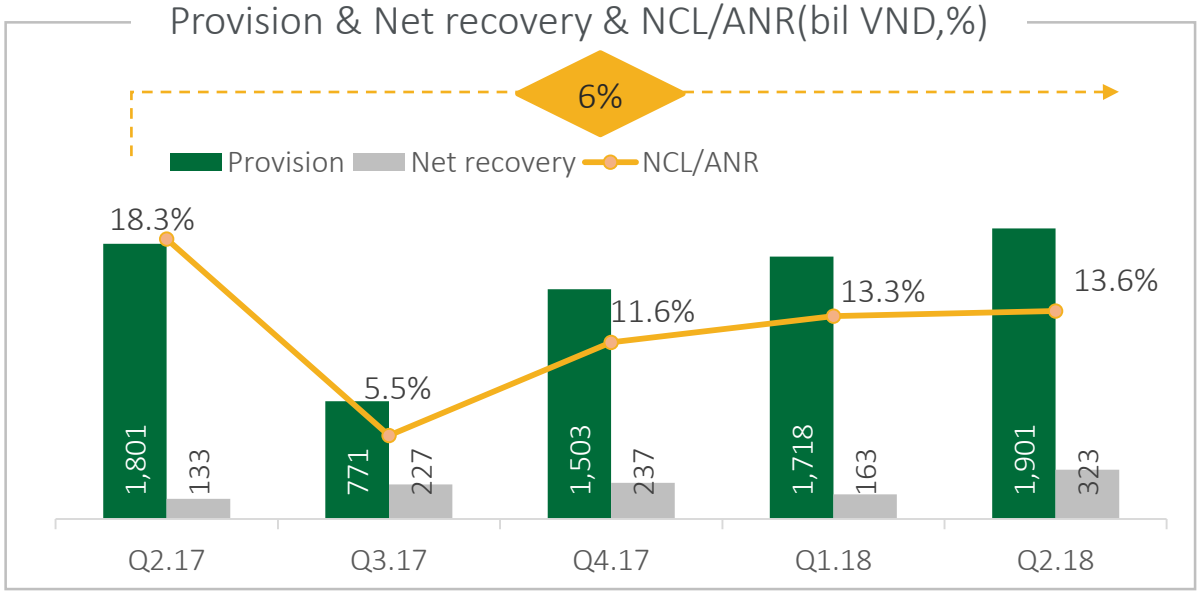
Disbursement amount (bil VND)

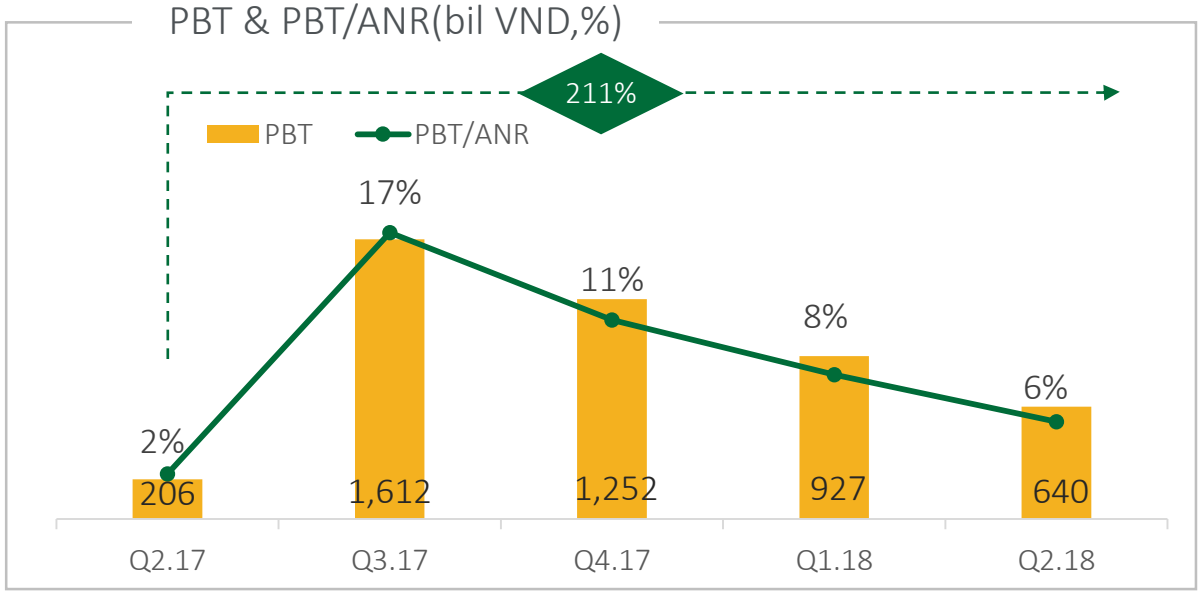


FINANCIAL PERFORMANCE – FE CREDIT



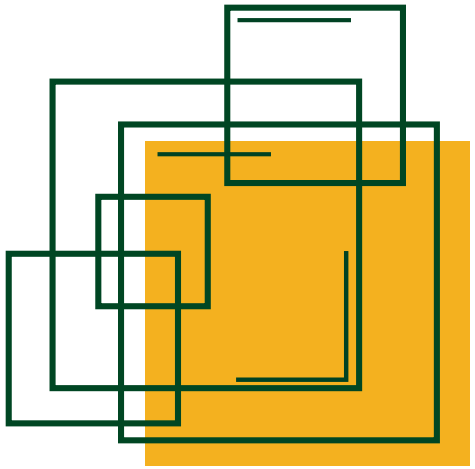






GLOSSARY

AMC	Asset Management Company
ANR	Average Net Receivable
CAR	Capital Adequacy Ratio
CASA	Current Account Savings Account
CCR	Credit Card
CIC	Credit Information Center
CIR	Cost-to-Income Ratio
ENR	Ending Net Receivables
HHB	Household Banking
LLR	Loan Loss Reserve
NCL	Net collect lost
NFI	Net Fee Income
NIM	Net Interest Margin
NII	Net Interest Income
NPL	Non-Performing Loan
PL NTB	Personal loans New to Bank
OPEX	Operating expense
ROE	Return on Equity
ROA	Return on Asset
SBV	State Bank of Vietnam
SME	Small and Medium-Sized Enterprises
TOI	Total Operating Income
UPL	Unsecured Personal Loan



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