



VIETNAM PROSPERITY BANK

**1H2019**

**RESULTS ANNOUNCEMENT**

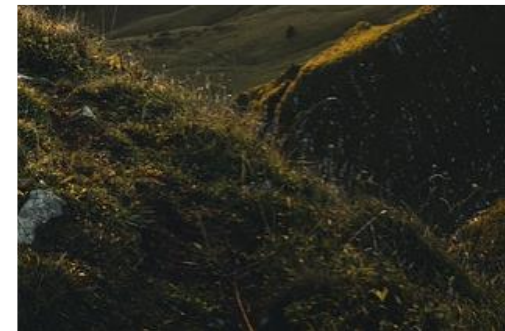
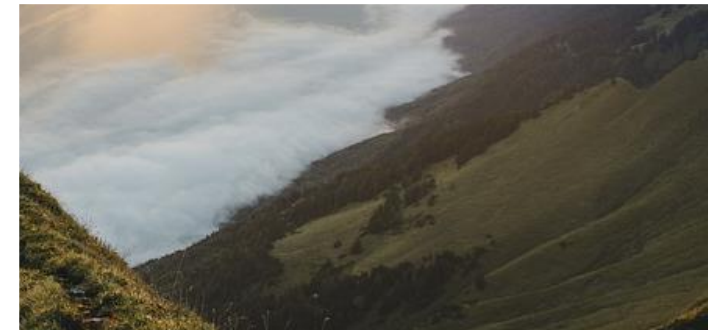
Hanoi, August 2019



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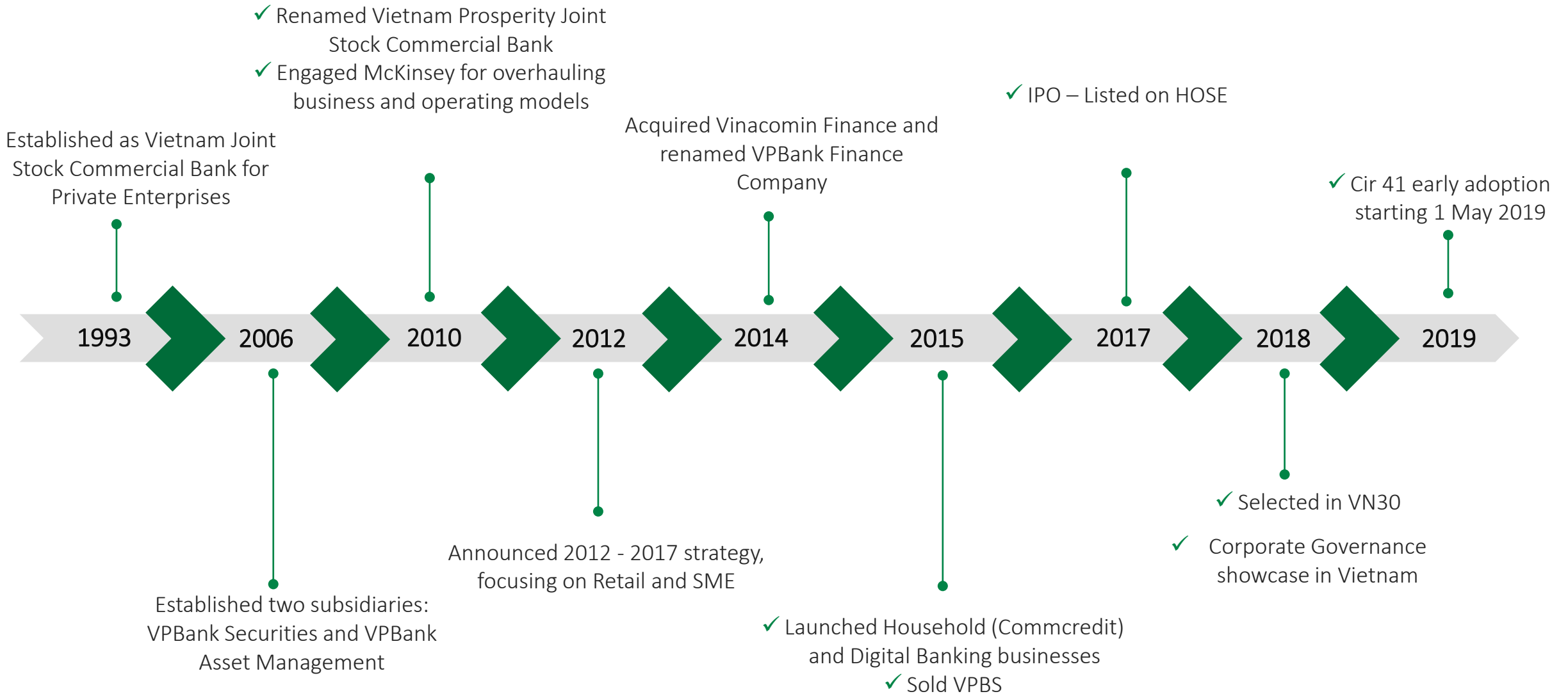


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# Overview of VPBank



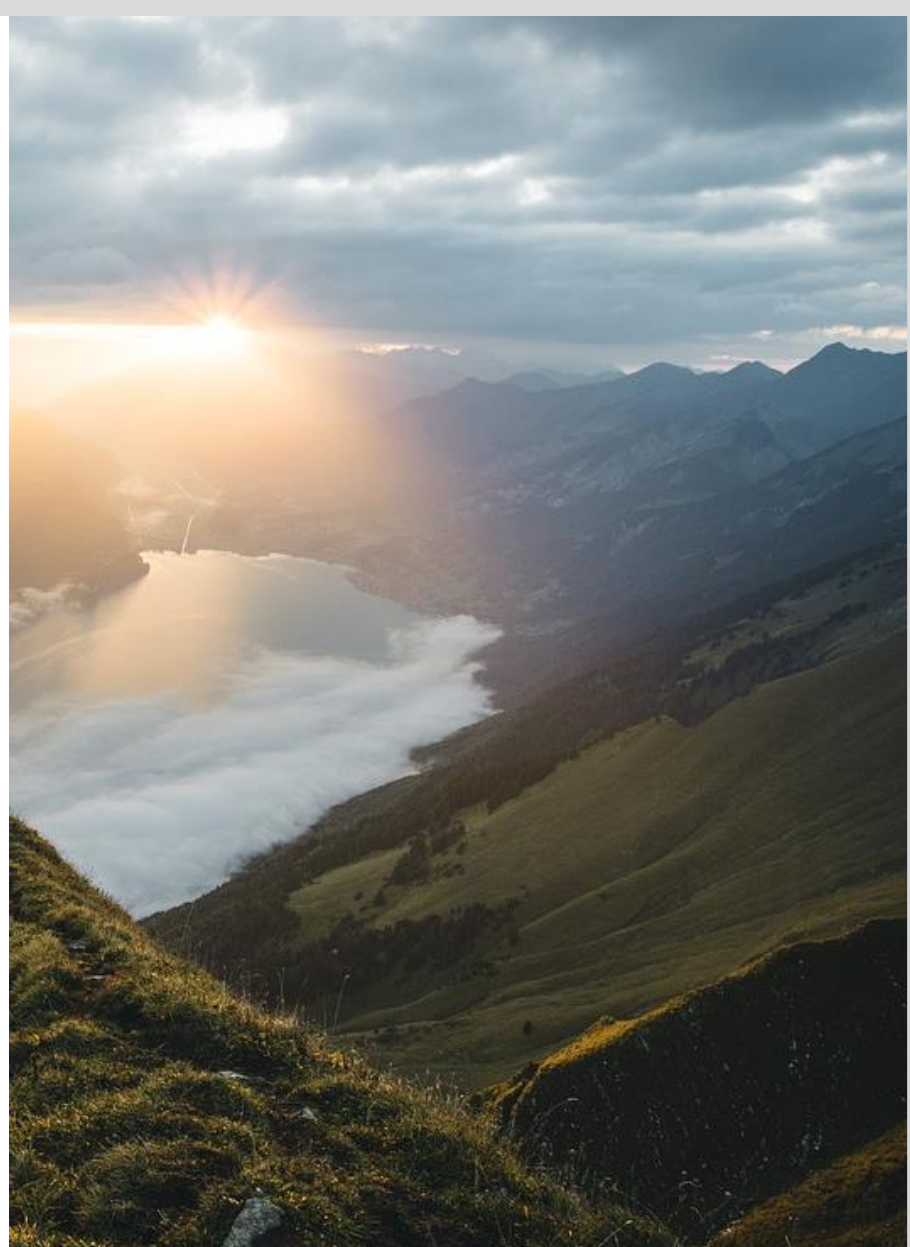
# DEVELOPMENT HISTORY



# VPBANK AT A GLANCE

Accumulated as at 30.06.2019

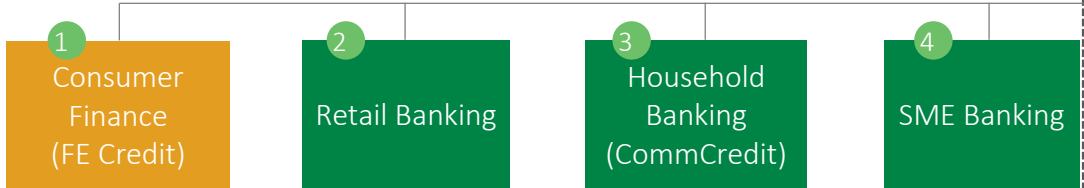
- ◇ VND **348,732 billion** total assets
- ◇ Around **6.1 million** active customers
- ◇ VND **16,832 billion** TOI and **4,343 billion** PBT
- ◇ Full coverage of all banking segments
- ◇ Highly centralized and specialized organization model
- ◇ Pioneering in digitalization, data management and security information
- ◇ Circular 41 (Basel II) approval for early adoption starting 01 May 2019



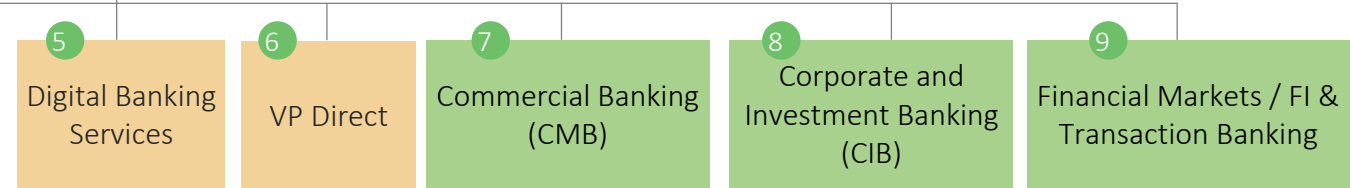
# BUSINESS SEGMENTS

## VPBANK

### 4 Pillar strategic segments



- ✓ Largest consumer finance company in Vietnam
  - ✓ Key products: cash loans & sales finance (two-wheeler & consumer durables loans) and credit card
  - ✓ Robotic Process Automation
- ✓ Core focus on lending and deposit products and services for retail customers
  - ✓ Key loan products: home loan, auto loan, consumption loan, business loan, UPL, credit card
  - ✓ Promote Affluent Banking & Digital channels
- ✓ Division formed in July 2015
  - ✓ Launched CommCredit to emphasize its focus on serving local communities and target at self-employed mass market
- ✓ Target micro companies and SMEs through a network of SME centers
  - ✓ Offer a full suite of banking products



- ✓ 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
- ✓ Started in March 2017 and went live in September 2018
  - ✓ Aim at becoming a digital bank operated to international standards
- ✓ Serve VPBank's corporate customers with annual revenues ranging from VND400bil to VND1,600bil
  - ✓ Customers include private and local enterprises as well as medium-scale State-owned enterprises
- ✓ Target enterprises with annual revenues above VND1,600 billion
  - ✓ Focus on expanding corporate deposits and selectively growing its loan portfolio
- ✓ VPBank's capital markets division performs FX, money market and bond market transactions
  - ✓ Handle primarily transaction banking services for domestic and international financial institutions

# BUSINESS HIGHLIGHTS

OPERATING ENVIROMENT

KEY FOOTPRINT METRICS

BUSINESS UPDATES



# OPERATING ENVIRONMENT

## REGULATORY UPDATES

1

**Directive 1178** was released by SBV on 3 June 2019 about the action plans to prevent illegal credit or “black credit”.

**Preventing of black lending** is a joint mission of various state units, not just SBV, such as the Ministry of Public Security, Ministry of Justice – to resolve the illegal behavior, Ministry of Education – to educate people about the financial knowledge and compliance.

SBV encourages the consumer to lend from banks and finance companies as reasonable alternative options to directly compete with black lending. FE Credit which known as the biggest finance company actively join in the mission. Besides, micro loans through system of people credit funds (PCF) are also developed aiming to the citizens who live in a remote and inaccessible areas where standard banking service cannot be reached.

2

VAMC has just announced its 5-year business plan for the period 2019 – 2023. Bad debt resolution target (VND billion) is as below

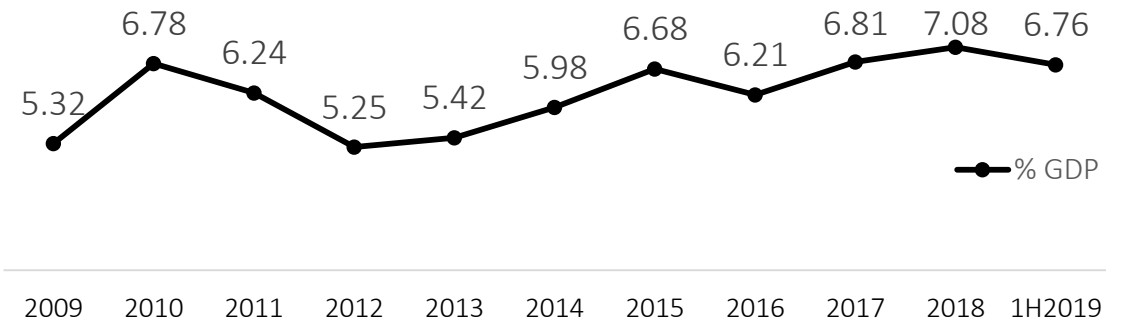
Year	2019	2020	2021	2022	2023
Debt acquired	4,500	8,400	9,500	10,500	N/A
Debt resolved	50,000	60,000	20,000	15,000	N/A

In 2019, VAMC proposes to build centralized bad debt market where VAMC act as market maker. There shall be a debt exchange platform to activate the market. VAMC wants to launch the official market in 2020.

Source: GSO, SBV

## GDP

GDP in the 1H2019 is estimated to **increase 6.76%** over the same period last year, in which, the second quarter growth was estimated at 6.71%. This figure is lower than 7.05% in the same period in 2018 but higher than the growth rate of the 6 months of 2011-2017. The year-end growth target of 6.6% -6.9% in 2019 is feasible.



## CREDIT GROWTH

**Credit growth** of banking sector in the 1H2019 was 7.33%, similar to that of corresponding period in 2018. The deposit and lending interest rates continued to be stable, short-term lending rates were popular at 6-9%/year, 9 - 11%/year for medium and long term. On balance sheet NPL ratio fell below 2%.

## OTHER INDICATORS

- **Purchasing Managers’ Index (PMI)** continued to increase at 52.5, while many economies in Asia, such as Japan, Korea, Malaysia and Taiwan, PMI fell below 50.
- **FDI** disbursement reached the highest level in recent years, estimated to reach 9.1 billion USD (up 8.1%).
- **Average CPI** of 1H2019 increased by 2.64% compare with corresponding period last year, and highest in the past 7 years.



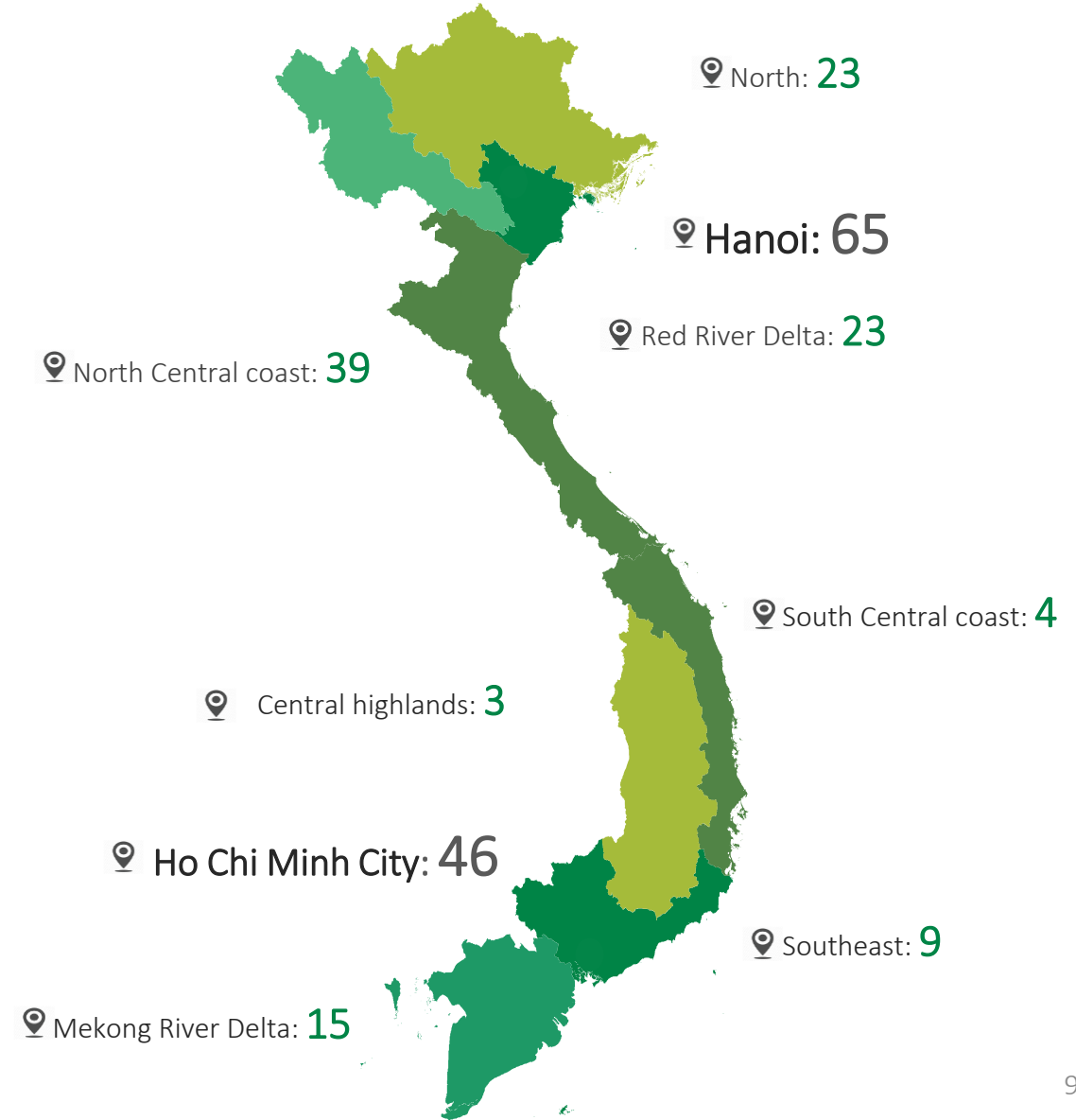
# KEY FOOTPRINT METRICS - NETWORK DISTRIBUTION

## Physical distribution channels

- Around **27,037** employees
- **226** branches and **84** SME centers & hubs
- Nearly **650** branded ATMs/CDMs

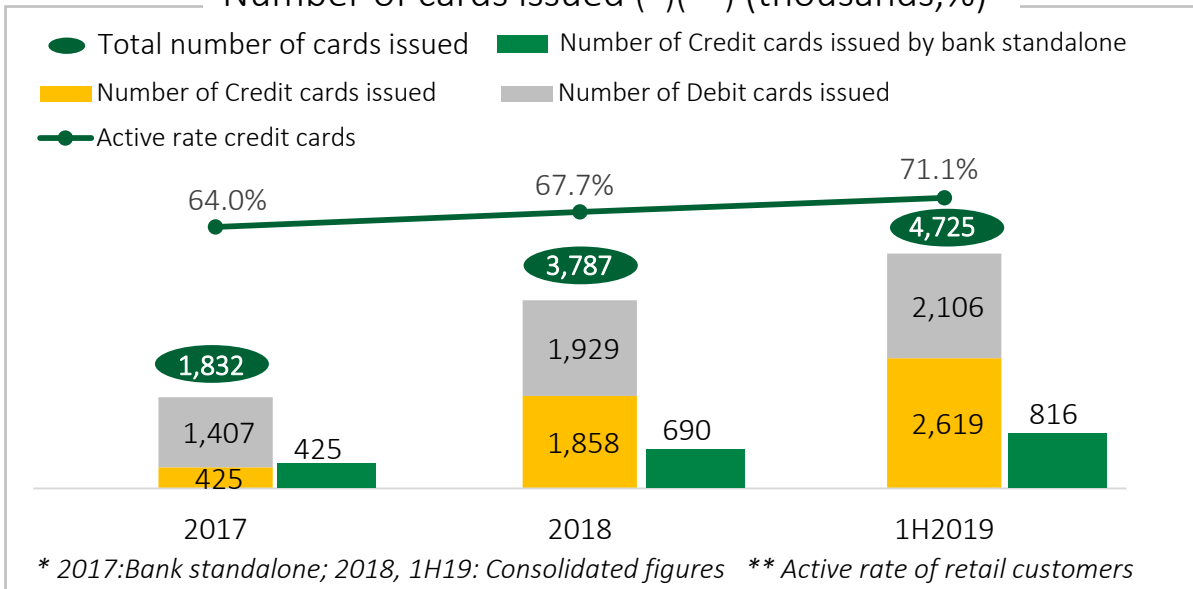
Channels	Transaction points at 31.12.2018	Transaction points at 30.06.2019
Retail branches	222	226
SME centers and hubs	83	84
Household centers (CommCredit)	171	137
Corporate banking branches	4	4
FE Credit	>12,000 POS >34,000 POC	>12,000 POS >34,000 POC
ATM/CDM/Timo CDM	480/154	470/179

## Distribution network - bank branches

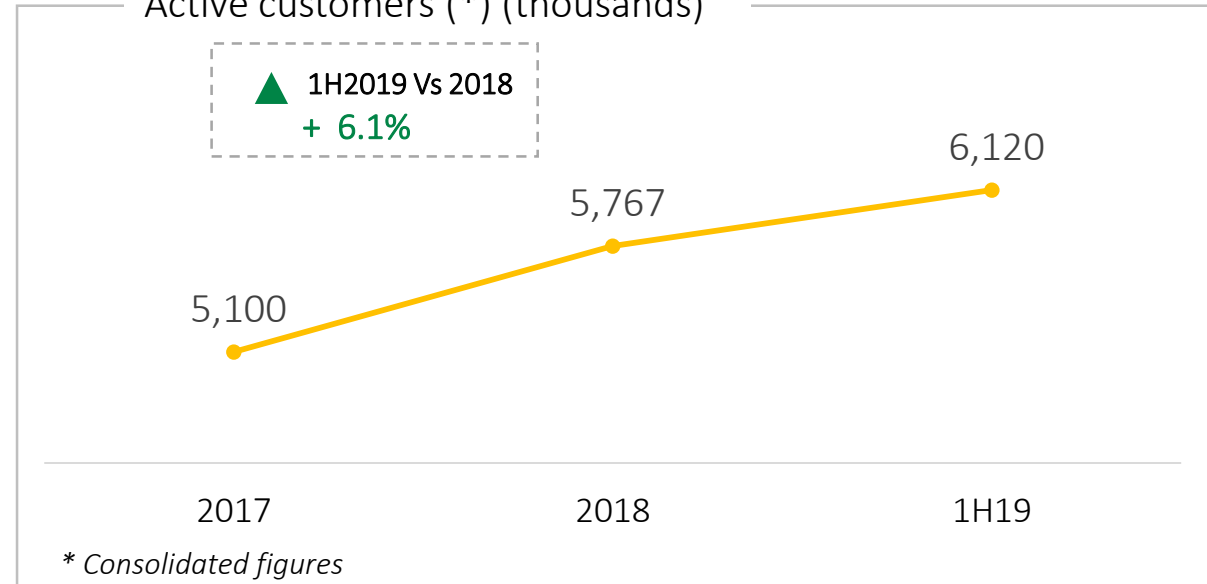


# KEY FOOTPRINT METRICS - CUSTOMER BASE

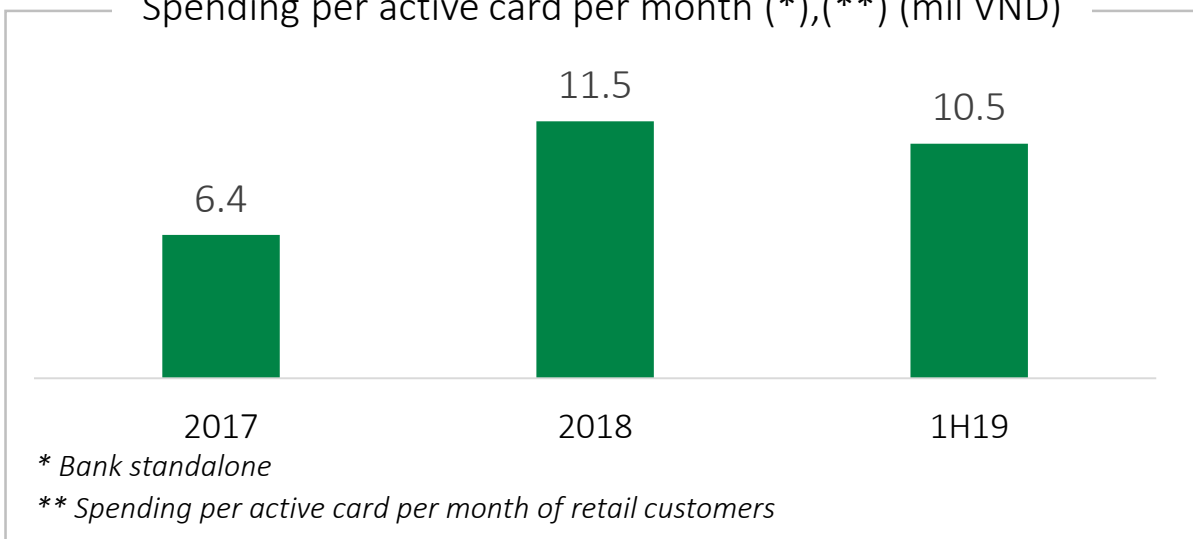
Number of cards issued (\*)(\*\*) (thousands,%)



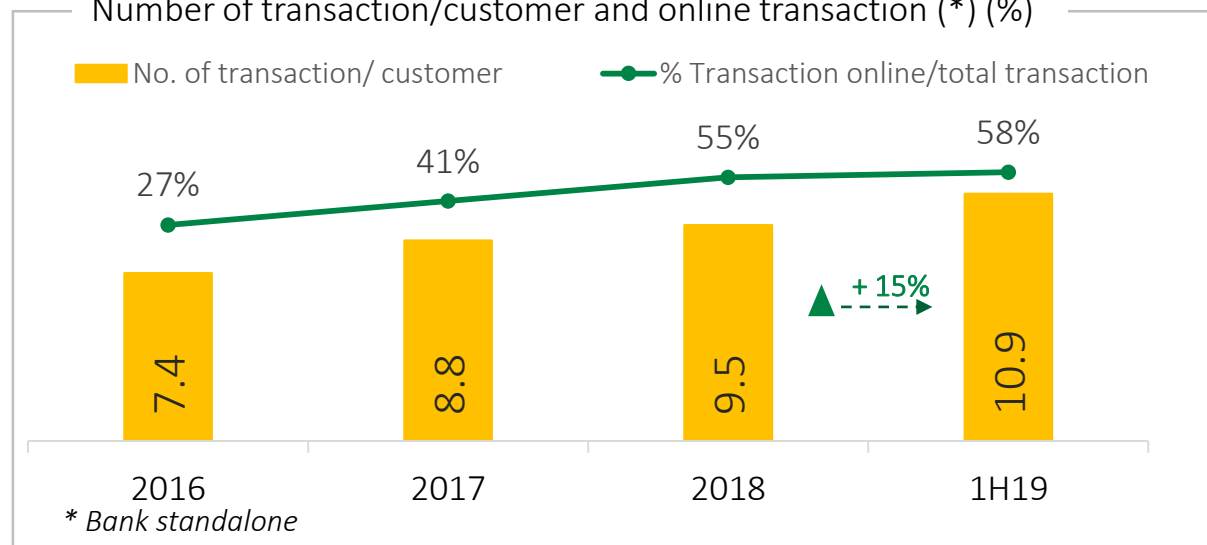
Active customers (\*) (thousands)



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




Number of transaction/customer and online transaction (\*) (%)



# INTERNATIONAL BOND ISSUANCE

- ◆ **First EMTN programme** established and drawdown by a Vietnamese Issuer
- ◆ **First international** capital markets USD issuance of a Vietnamese Issuer since 2014
- ◆ **First ever** USD Issuance by a non-state-owned Vietnamese Bank
- ◆ **Lowest ever** coupon attained by a non-sovereign Vietnamese Issuer
- ◆ **Largest** USD bond order book from a non-sovereign Vietnamese Issuer
- ◆ USD bond is **listed on the SGX** in July 2019

# RETAIL - MARKET SHARE OF CREDIT CARD

	INDICATOR	1Q 2018	31.12.2018	1Q 2019	1Q 2018 Vs. 1Q 2019
MARKET	Card in force ('000)	3,561	4,014	4,298	20.70%
	GDV (USD mil)	1,783	8,595	2,559	43.54%
	Card in force ('000)	405	416	443	9.38%
	GDV (USD mil)	318	1,548	521	63.65%
SHARE OF VPBANK	Card in force ('000)	11%	10%	10%	
	GDV (USD mil)	18%	18%	20%	

GDV = Gross dollar value

Card in force = Accumulated number of active cards



# RETAIL AFFLUENT BANKING

## Accelerations in Q2 – 2019

- **Financials:** Affluent Banking (AF) completed first half of 2019 ahead of the plan with key income grow lines:
  - ✓ CASA up 80% Y-o-Y
  - ✓ TD up 32% Y-o-Y
  - ✓ NFI up 34% Y-o-Y
- **Market expansion and client growth strategy:** AF has developed the segment with a wider range of on-boarding levers and respective programs by cooperating with partners in the bank's eco-system including fitness, education, investment, etc..
  - ✓ New client acquisition up 161% Y-o-Y
  - ✓ Total number of AF customers up 13% compared with year end 2018.
- **Wealth management:** Product sales showed significant growth in volume and scope of cooperation.
  - ✓ Investment sale volume in 1H2019 up 43% Y-o-Y.
  - ✓ Bancassurance sale up 108% Y-o-Y.
- **Net Promoter Score (NPS)** score has been maintained around 90% during 1H2019, while client attrition rate has been well-managed below 2.2%/month.

# DIGITAL JOURNEYS

Continue to be key initiatives

## Credit Card Onboarding

Digital contribution to total RB cards **57%**

Cards issued **\*4.1x**

## UPL Onboarding

Digital contribution to total UPL disbursed loans **(i) 47%**

Disbursed contract **(ii) 7.8x**

Disbursed amount **(iii) 5.6x**

## Overdraft

New opening online accounts **\*-14%**

YTD Balance Progress **116%**

## Dream CASA & TD

Accumulated Dream users **(iv) 4.5x**



\* 1H2019 vs. 1H2018

Source: data as at 30.06.2019

(i) 21% as at 31.03.2019

(ii) 6.2x as at 31.03.2019

(iii) 4.1x as at 31.03.2019

(iv) 3.5x as at 31.03.2019



YOLO is the cutting-edge utility digital banking for young generation

YOLO - The most outstanding mobile banking application of Vietnam Digital Awards from Vietnam Digital Communications Association

Best Digital Finance Ecosystem Initiative, Application or Program – “YOLO” from The Asian Bankers

Best Youth Centric Digital Banking Initiative - YOLO by VPBank Vietnam 2018 from Global Banking and Finance Review

YOLO is in the top 3 popular free banking and financial applications on Google play

Key figures	Users	Value of transactions	Transactions
➤ 30.06.2019	500,000+	VND 4,000 + bil	1+ mil
➤ 31.12.2018	200,000+	VND 3,000 + bil	471,000+
➤ % Growth	150%	33%	112%



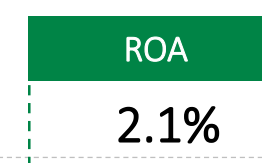
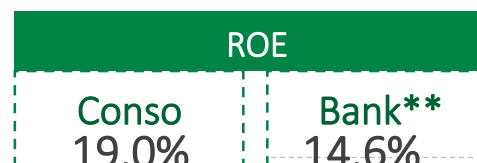
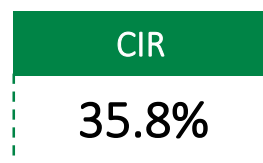
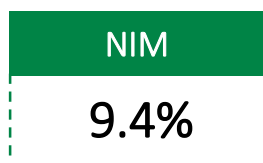
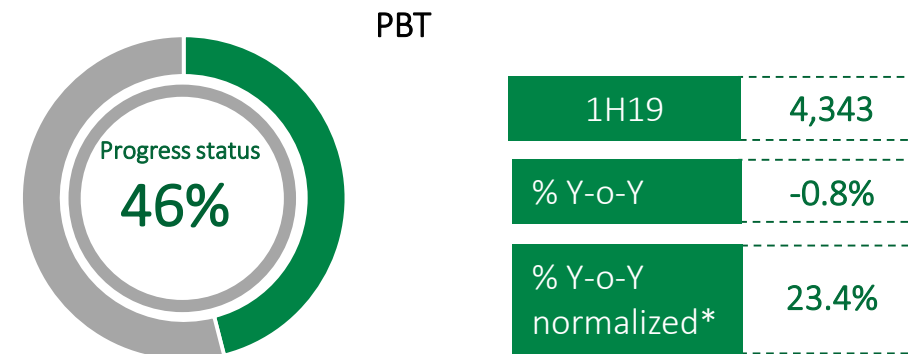
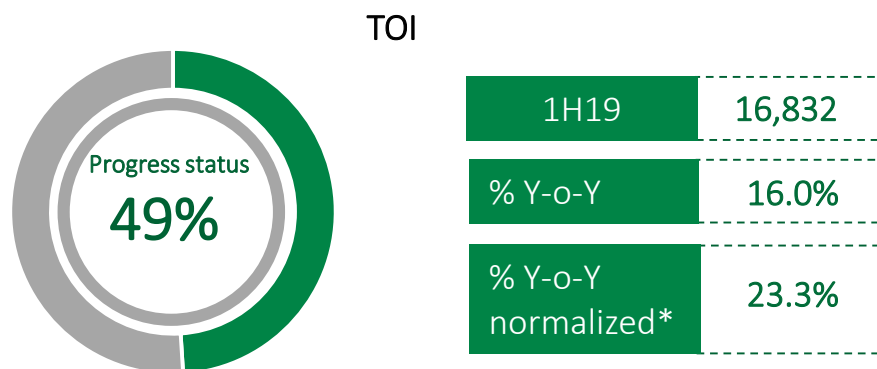
# 1H2019 **FINANCIAL** RESULTS



# 1H2019 – FINANCIAL HIGHLIGHTS

- ◆ Credit growth of VPBank of 11.1% outpaces the average market.
- ◆ Asset quality shows continued refinements due to strong risk governance framework and improved credit portfolio.
- ◆ Profit momentum is following the plan to reach the 2019 target. NIM surpasses the entire market.

Balance Sheet	1H2019	FY 2018	1H2018	% Y-o-Y	vs. 2018
Credit to customers	256,379	230,790	210,620	21.7%	11.1%
Total assets	348,732	323,291	293,112	19%	7.9%
Deposits from customers (including valuable papers)	251,118	219,509	215,613	16.5%	14.4%
CAR Cir 41 (Basel II)	11.2%	11.2%	12.4%		
CAR Cir 36	12.3%	12.3%	15.0%		



Unit: bil VND

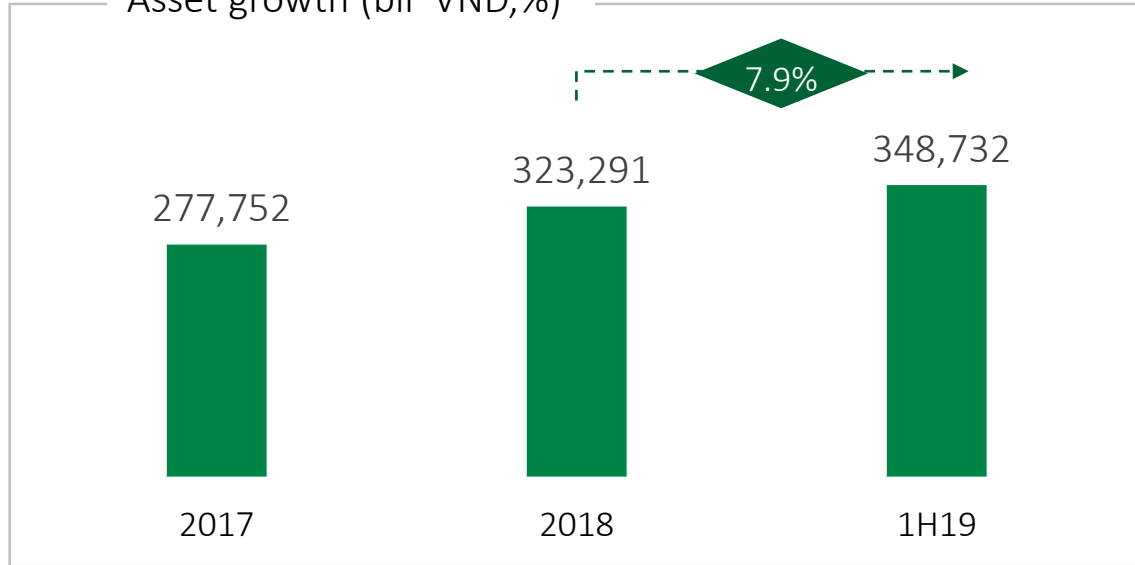
Source: Unaudited Consolidated FS at 30.06.2019

\* Exclude one-off income

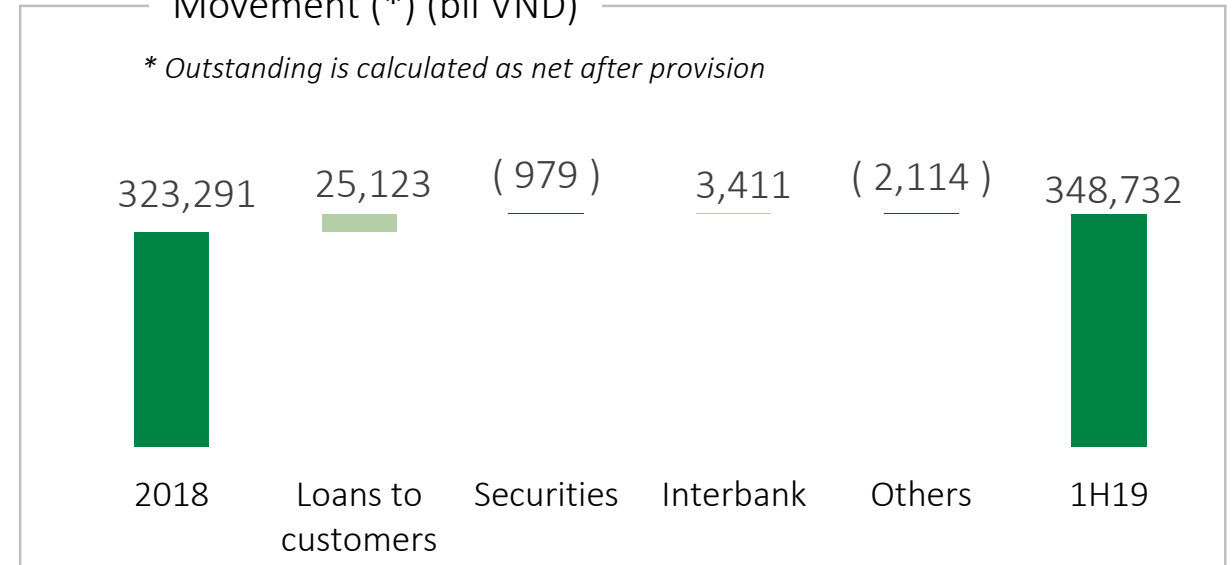
\*\*Exclude one-off income and income from subsidiaries

# ASSET GROWTH

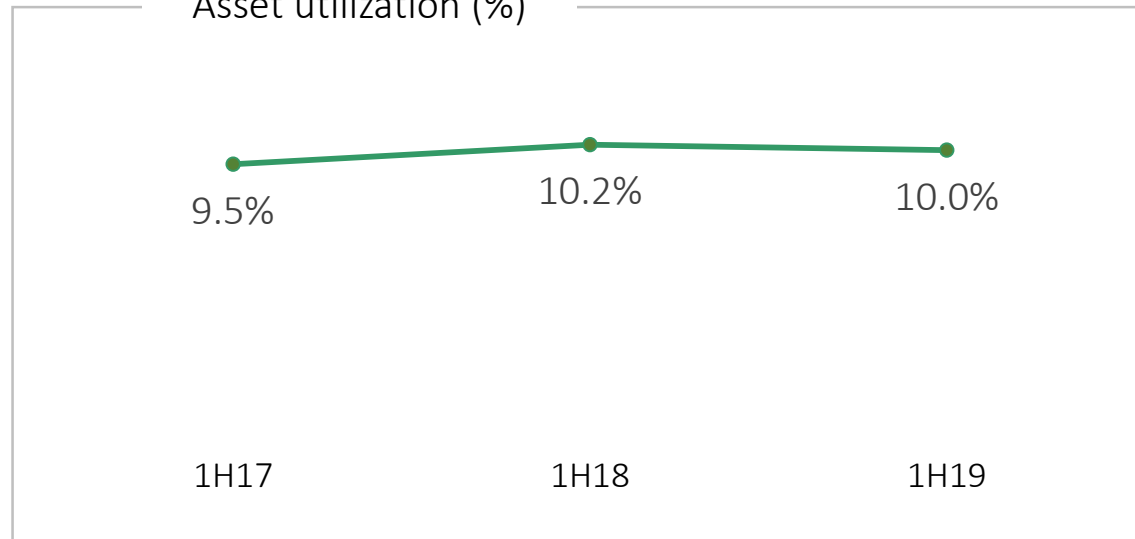
Asset growth (bil VND,%)



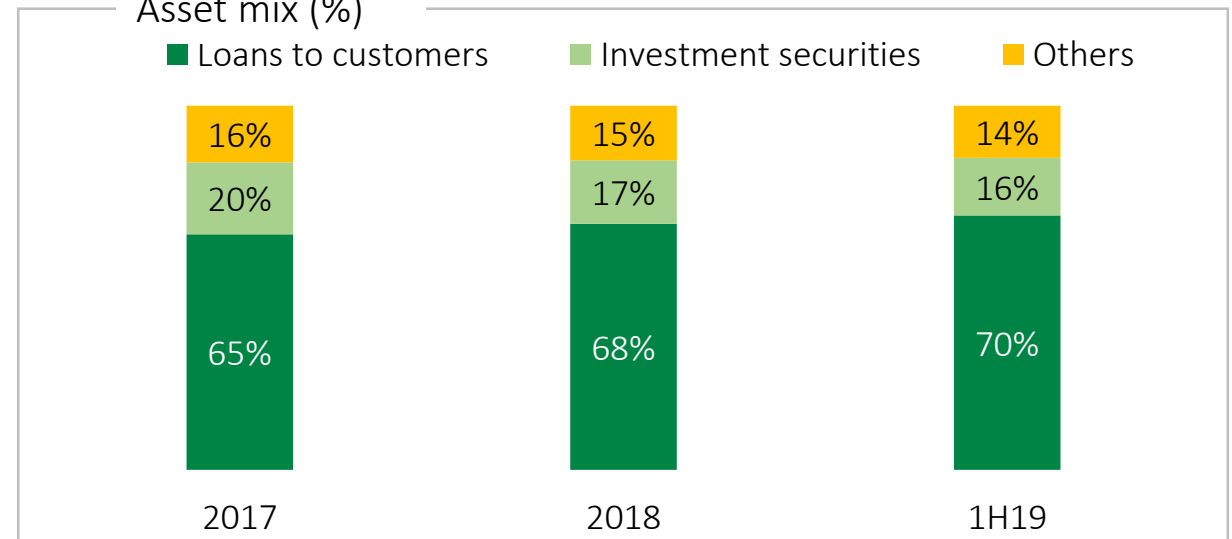
Movement (\*) (bil VND)



Asset utilization (%)

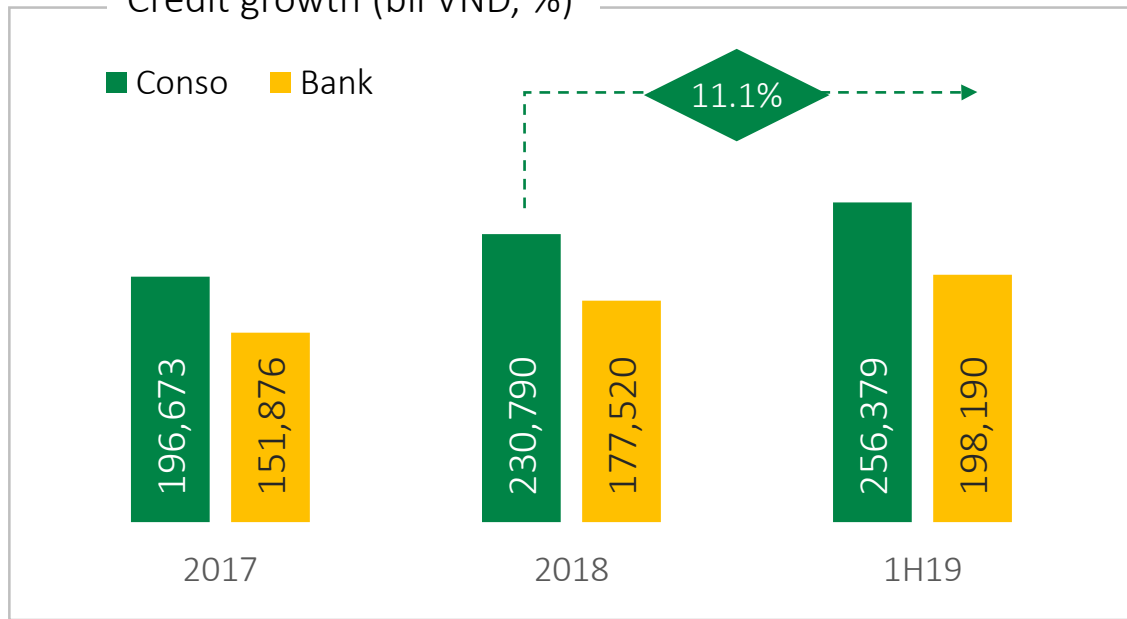


Asset mix (%)

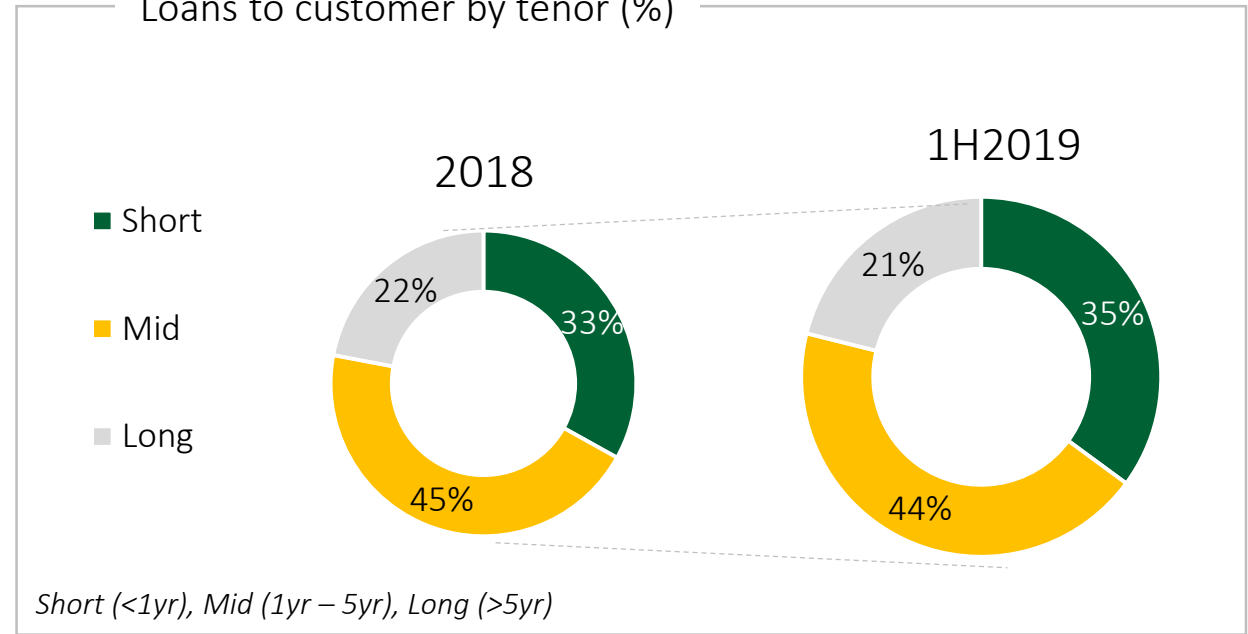


# CREDIT PORTFOLIO (\*)

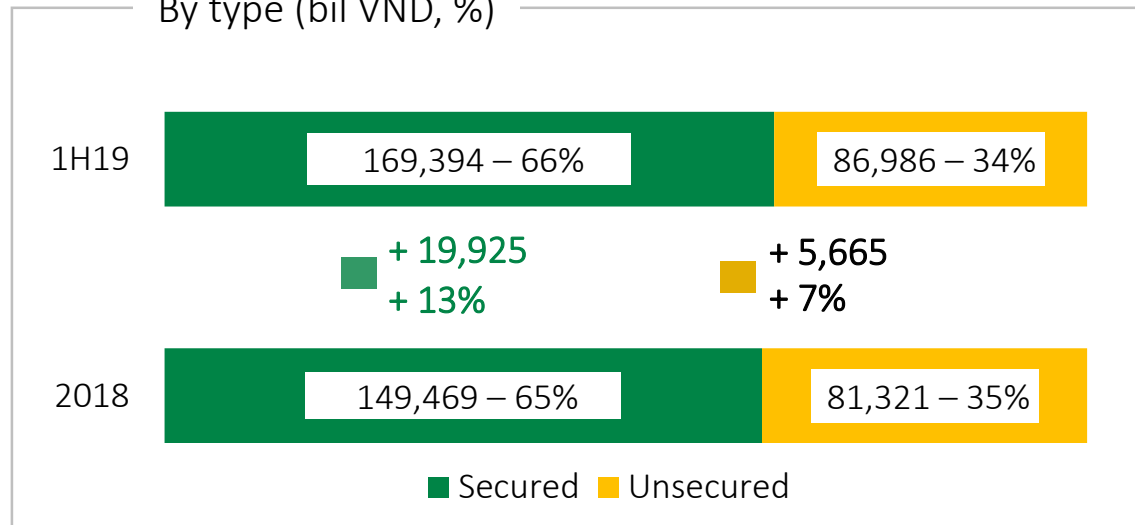
Credit growth (bil VND, %)



Loans to customer by tenor (%)

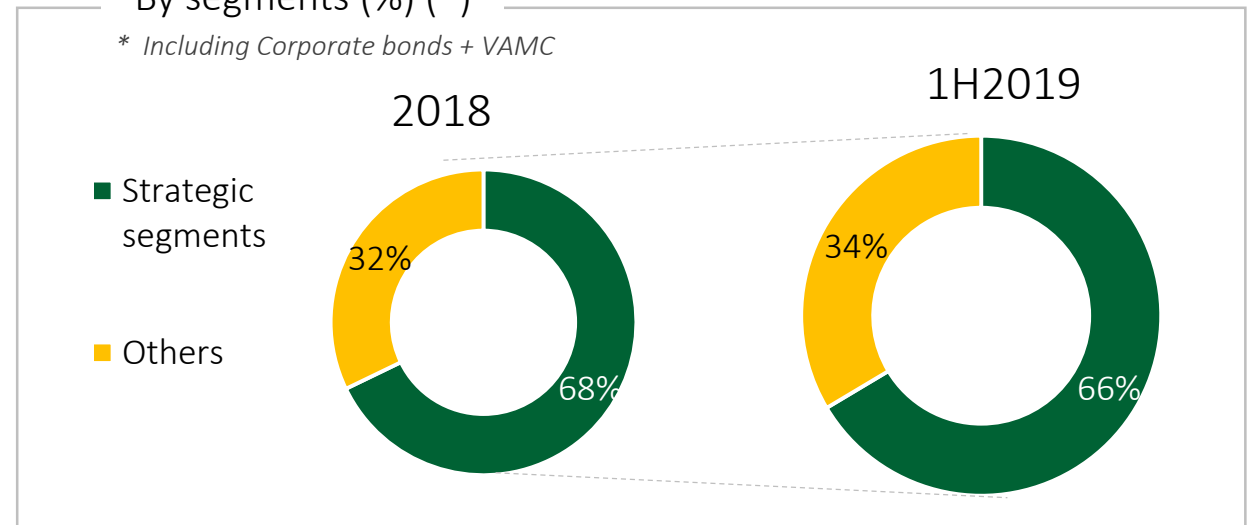


By type (bil VND, %)



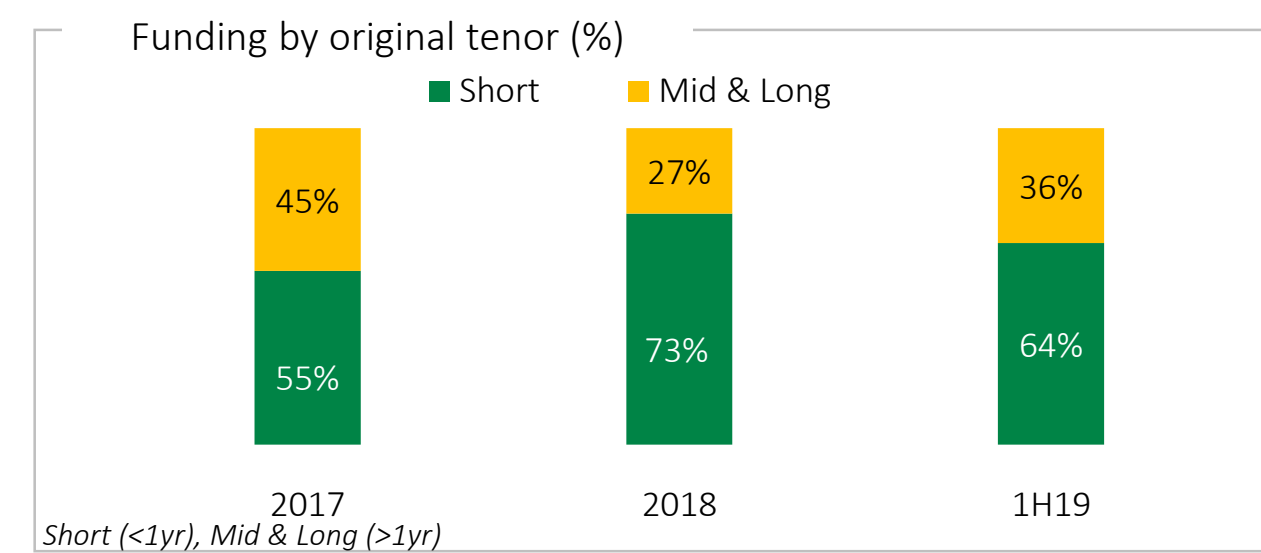
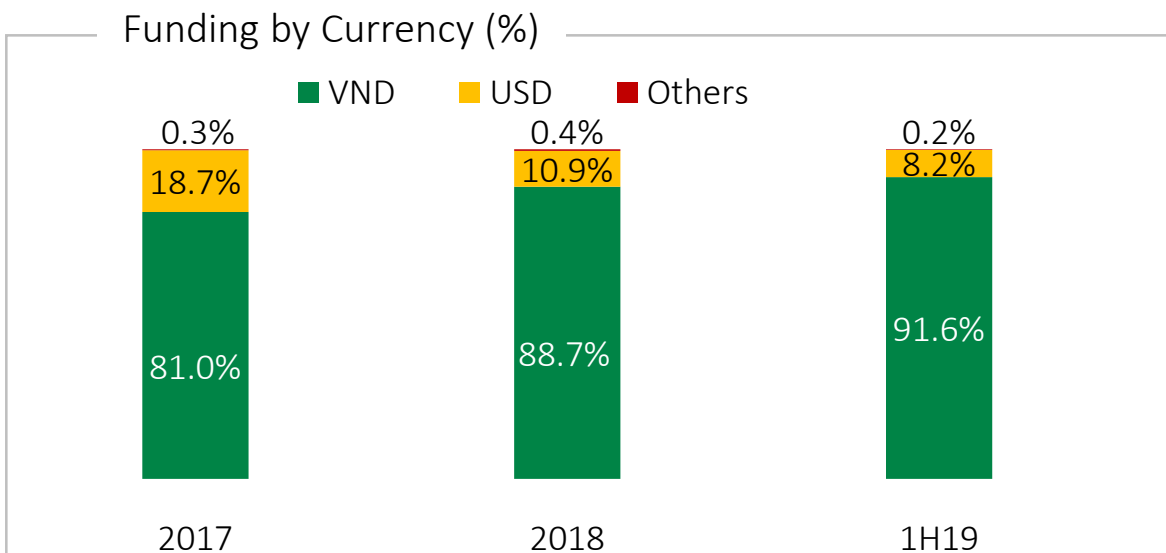
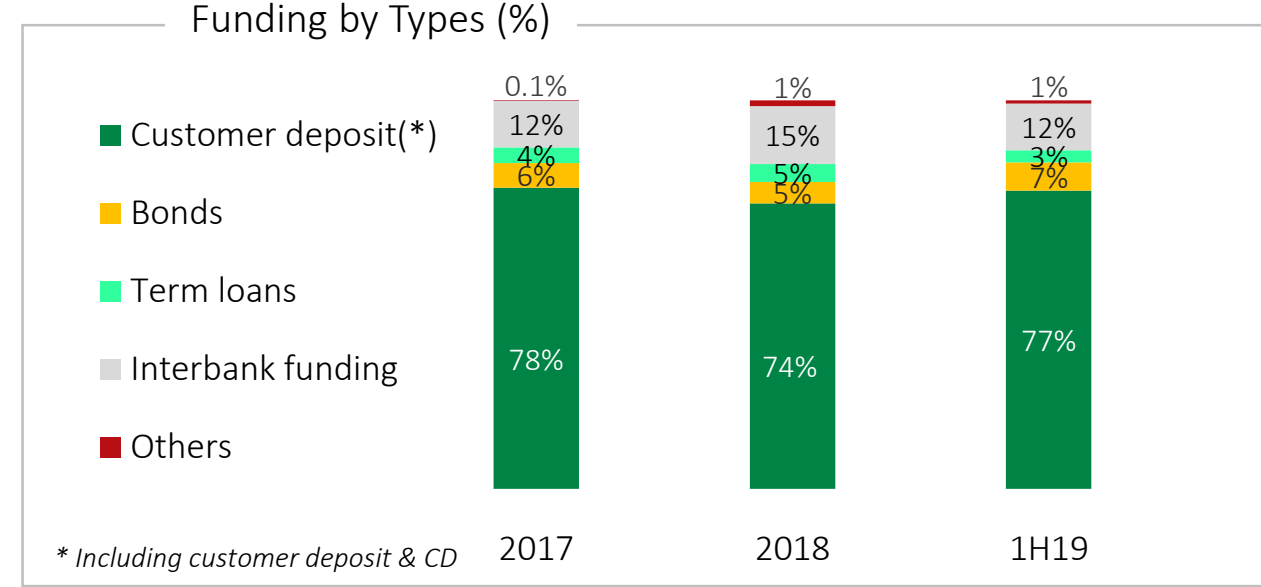
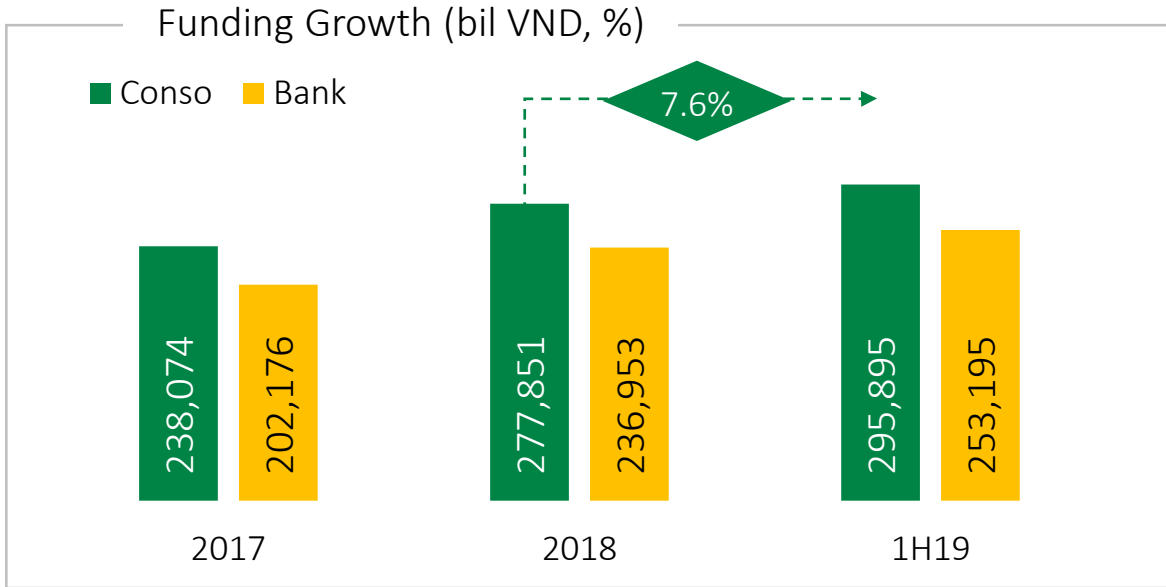
By segments (%) (\*)

\* Including Corporate bonds + VAMC



\* Including Corporate bonds

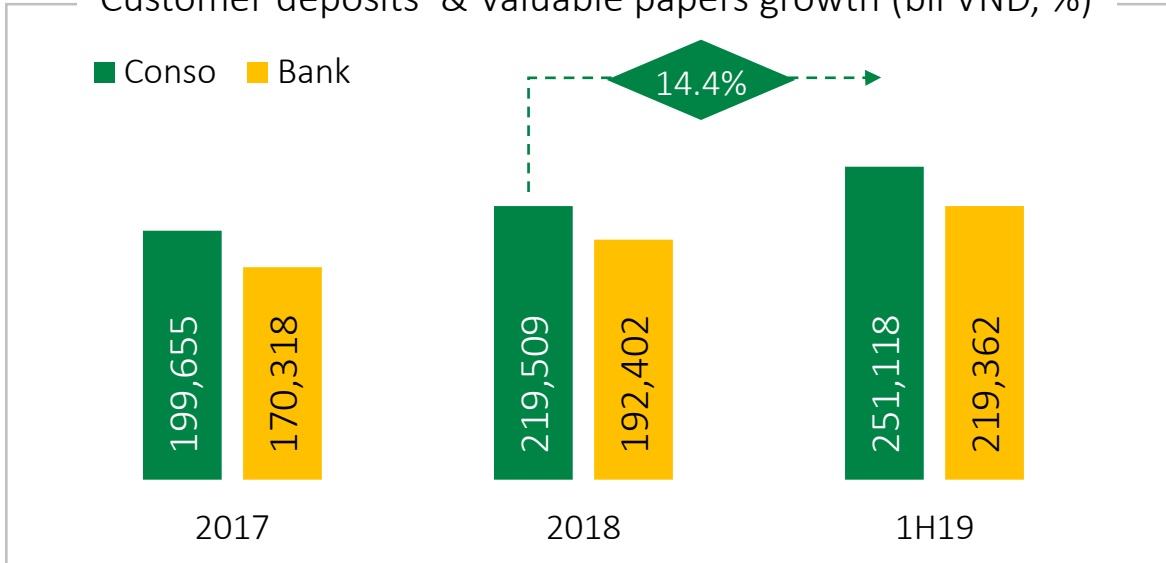
# FUNDING /1



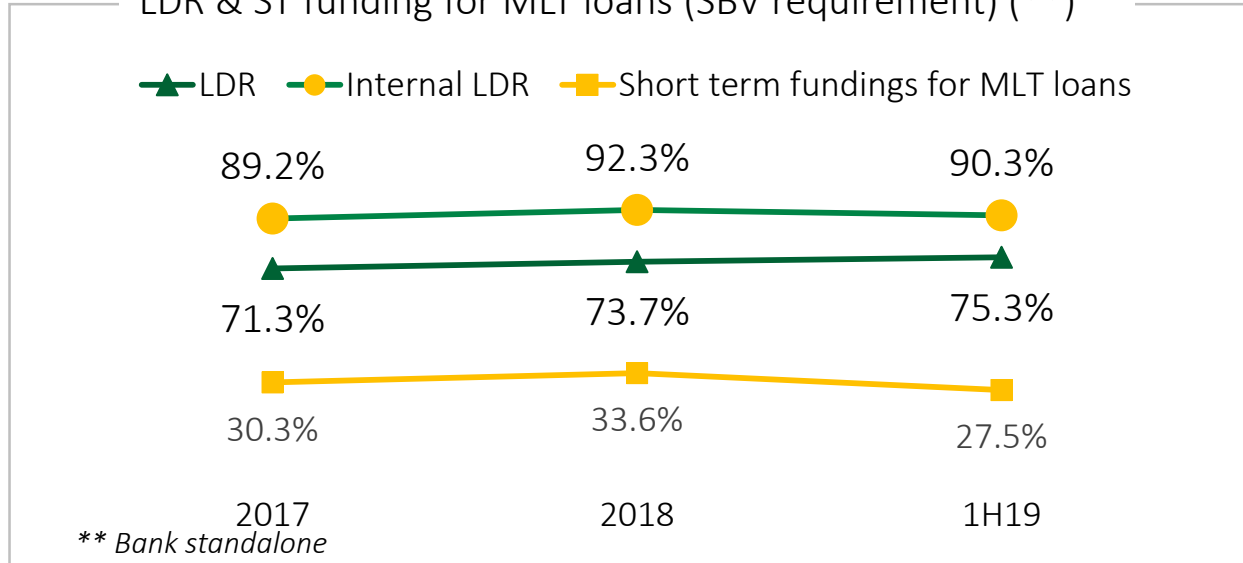


# FUNDING /2

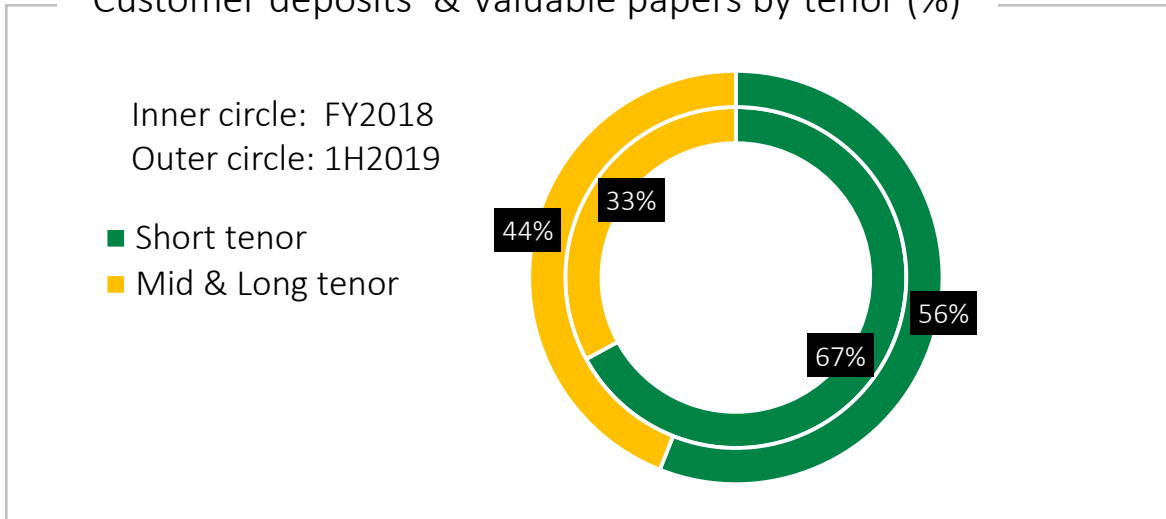
Customer deposits & Valuable papers growth (bil VND, %)



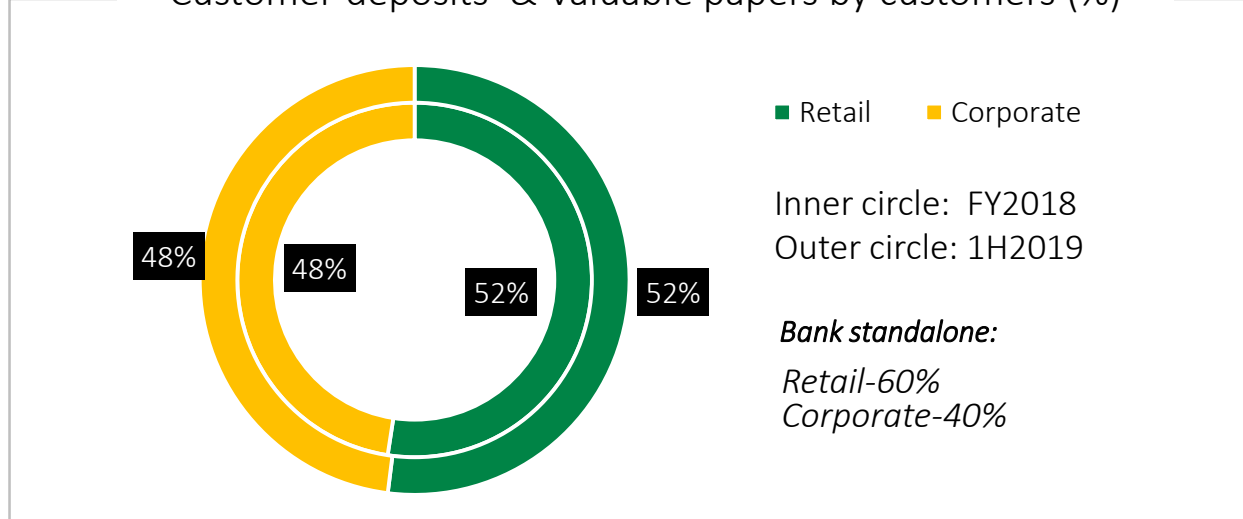
LDR & ST funding for MLT loans (SBV requirement) (\*\*)



Customer deposits & Valuable papers by tenor (%)

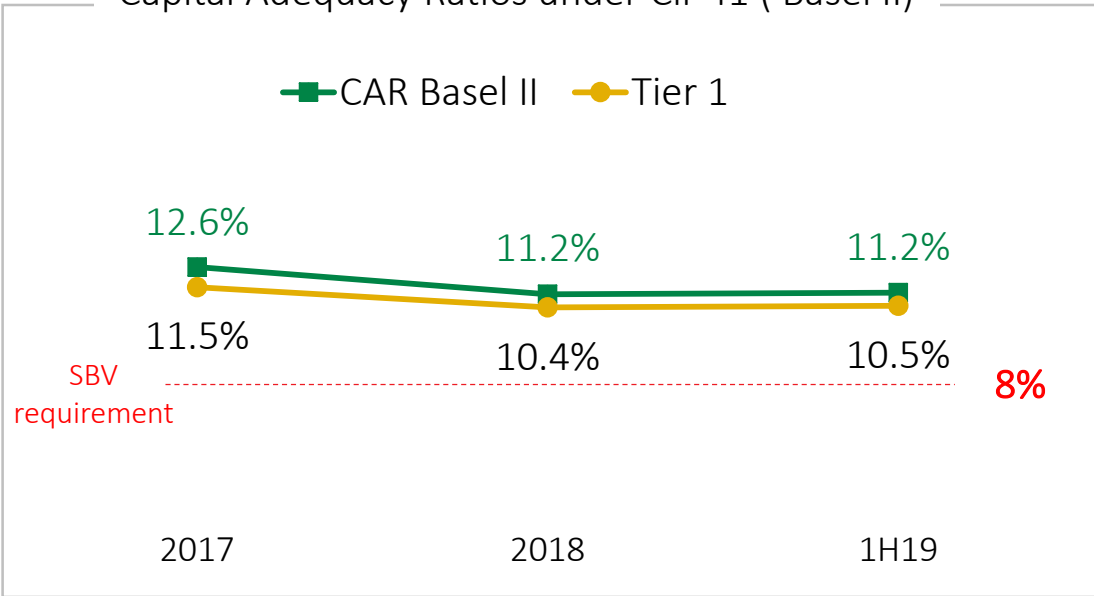


Customer deposits & Valuable papers by customers (%)

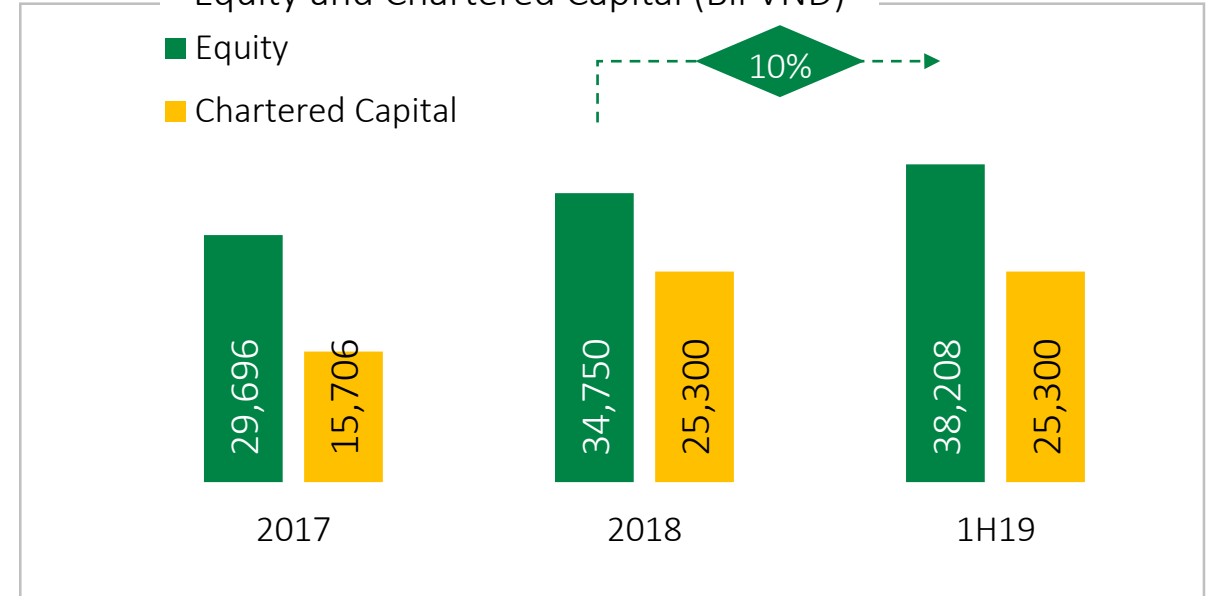


# CAPITAL BASE

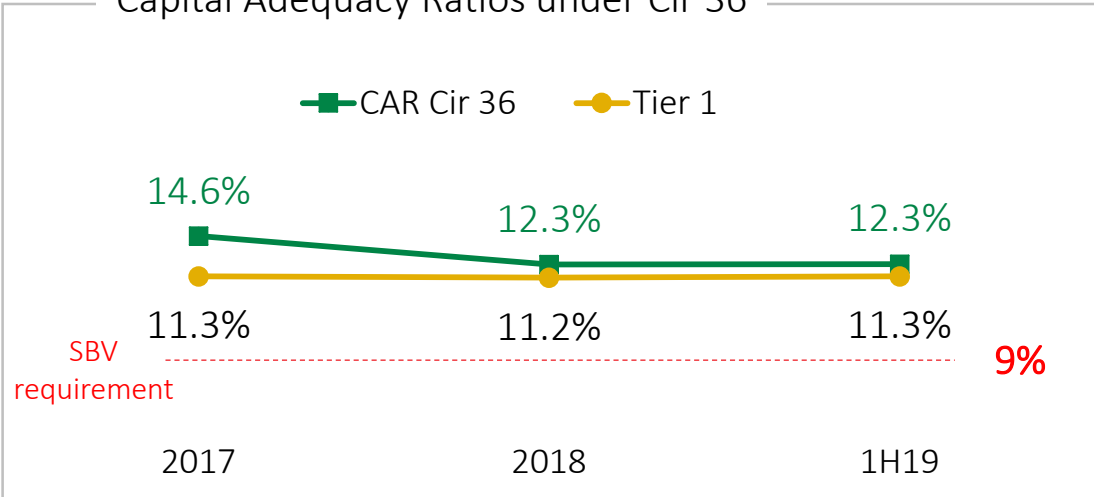
Capital Adequacy Ratios under Cir 41 ( Basel II)



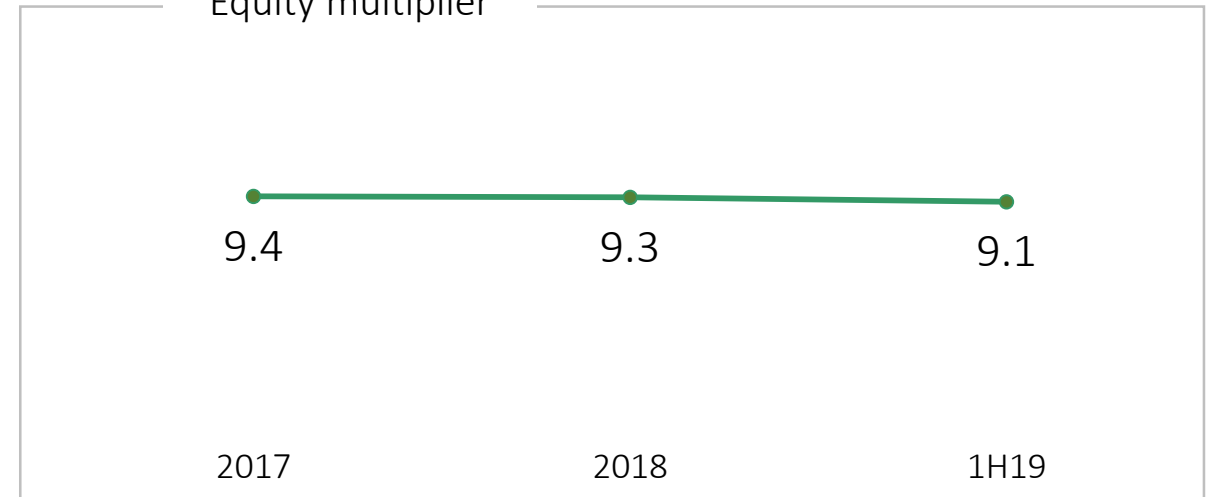
Equity and Chartered Capital (Bil VND)



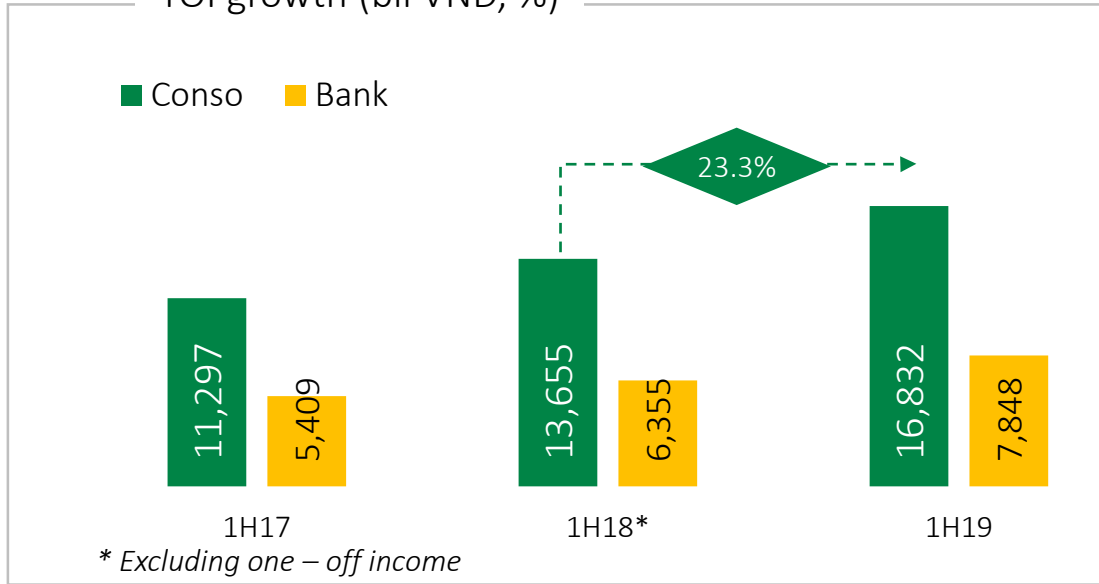
Capital Adequacy Ratios under Cir 36



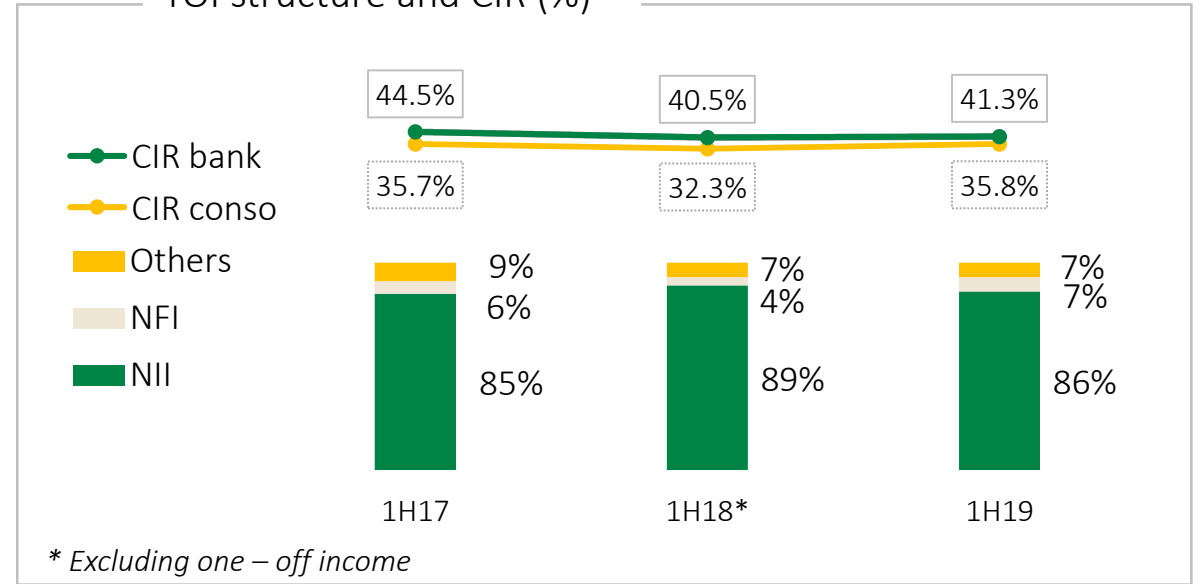
Equity multiplier



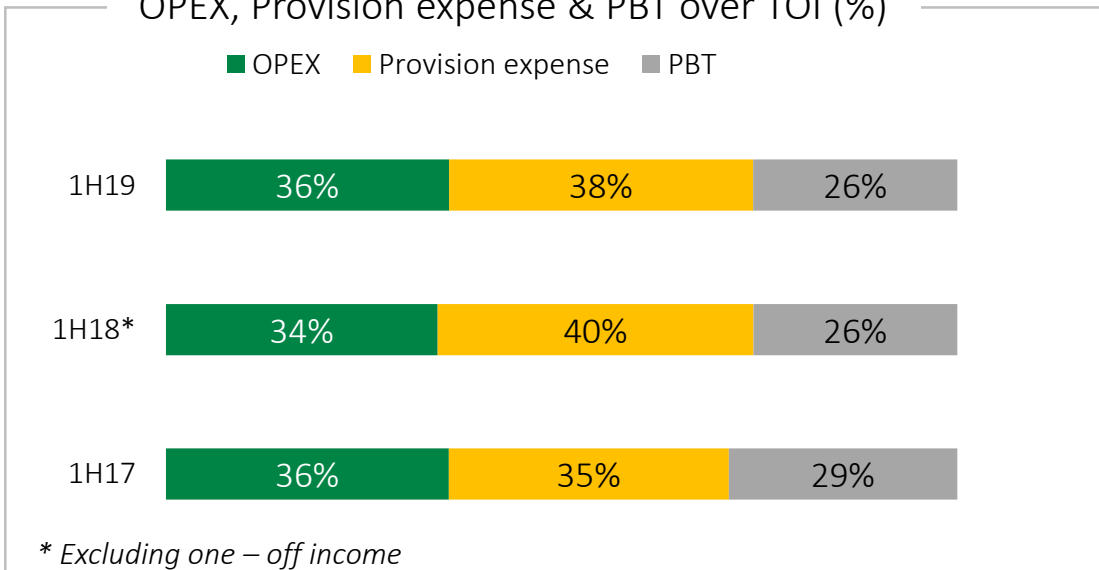
### TOI growth (bil VND, %)



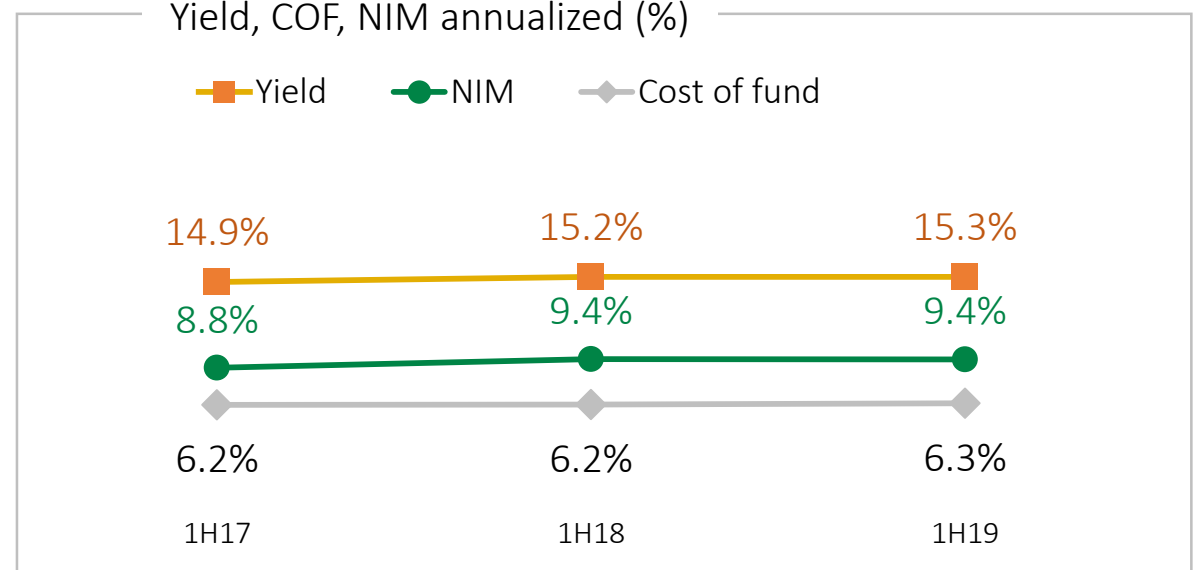
### TOI structure and CIR (%)



### OPEX, Provision expense & PBT over TOI (%)

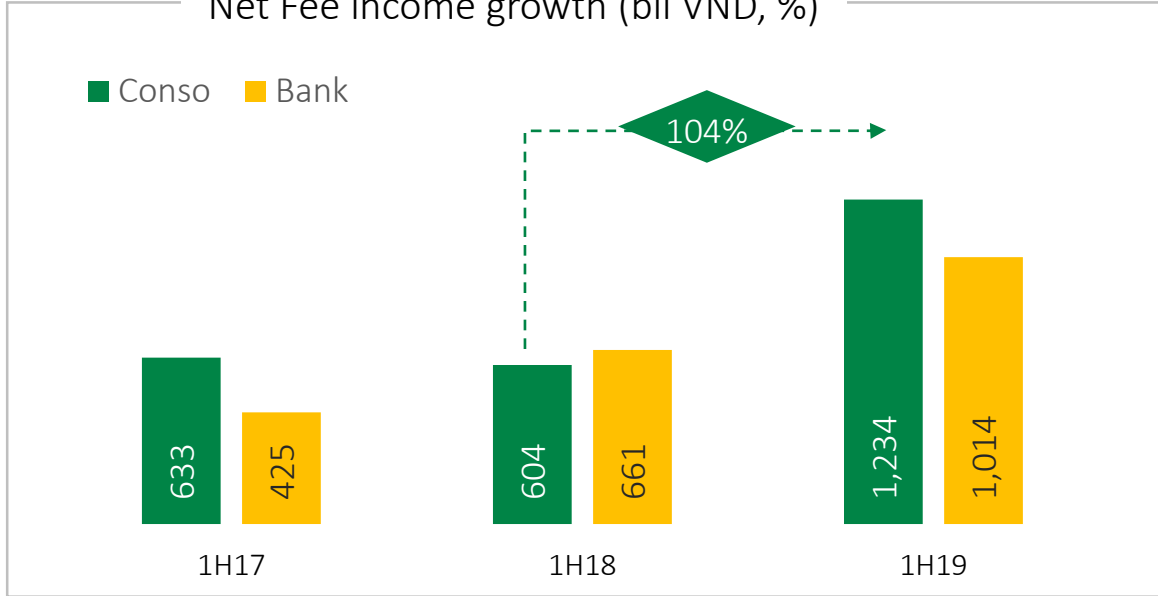


### Yield, COF, NIM annualized (%)

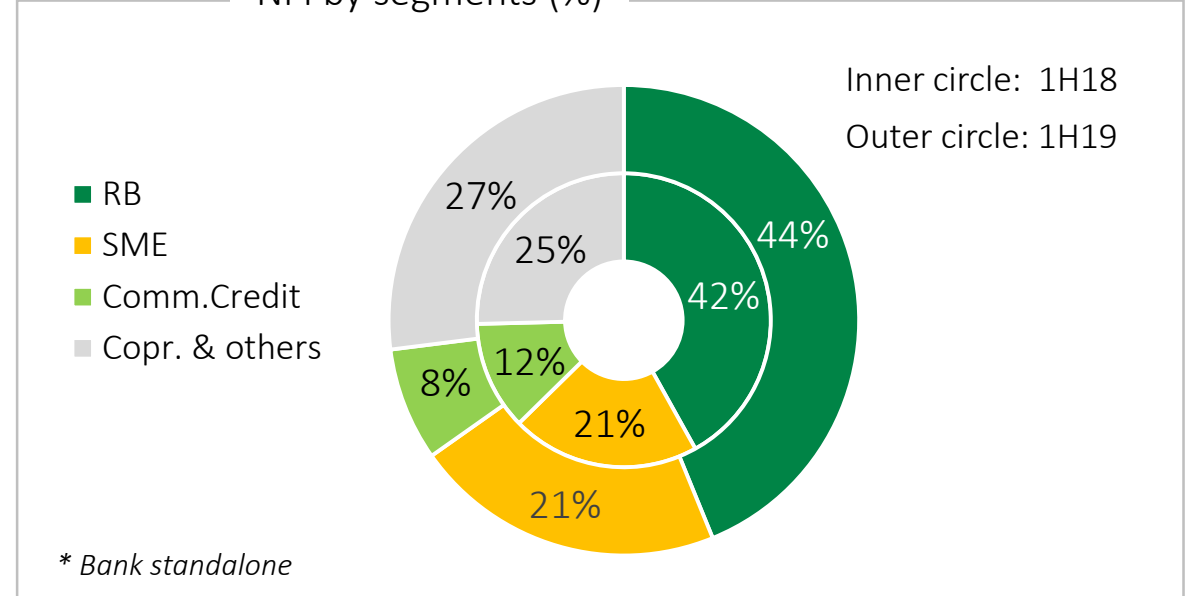


# FEE INCOME

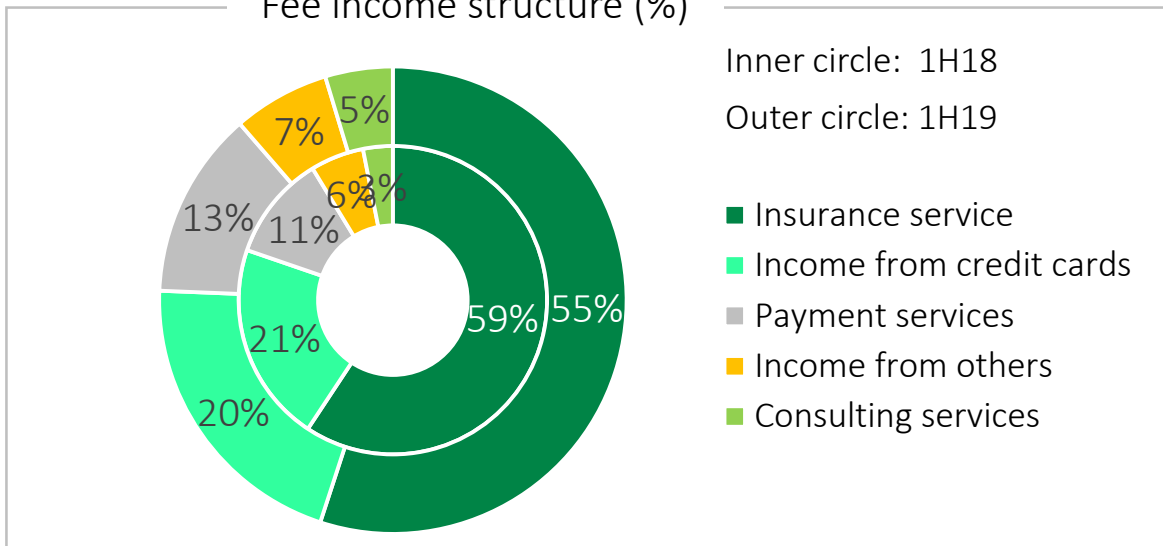
Net Fee income growth (bil VND, %)



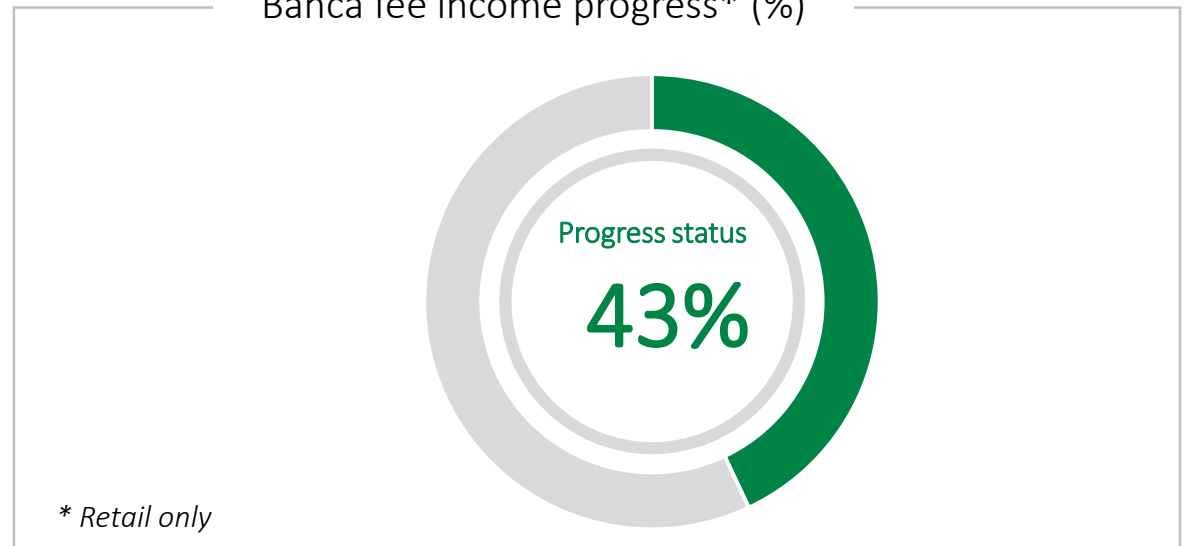
NFI by segments (%)



Fee income structure (%)

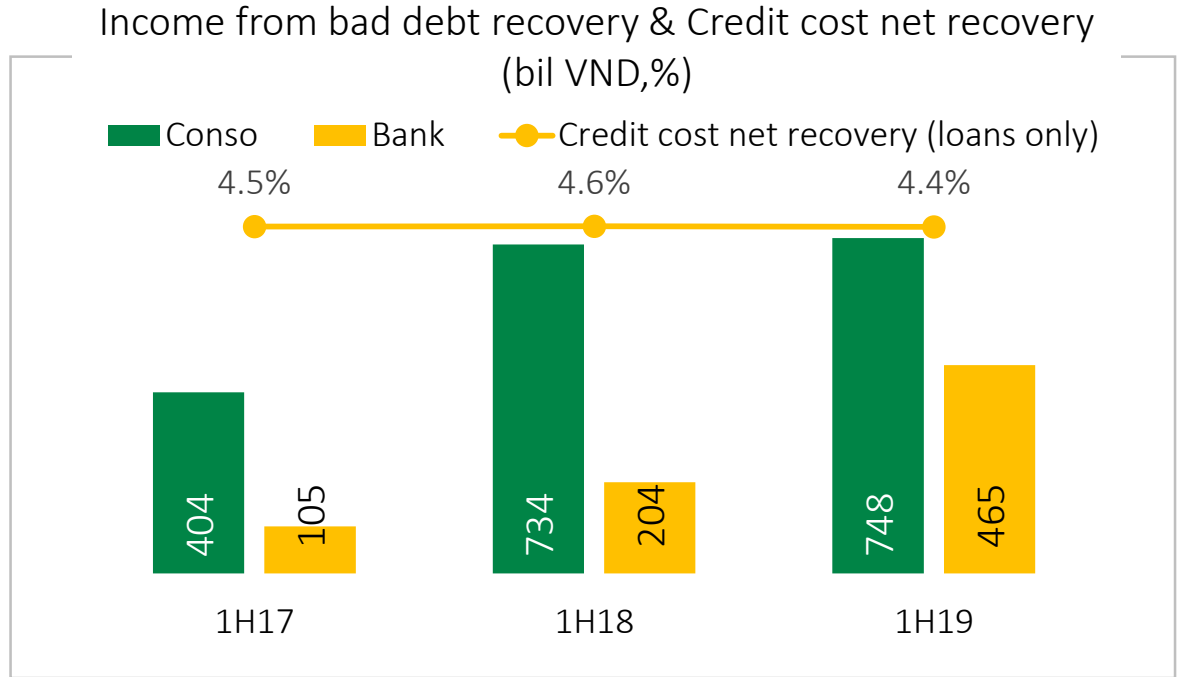
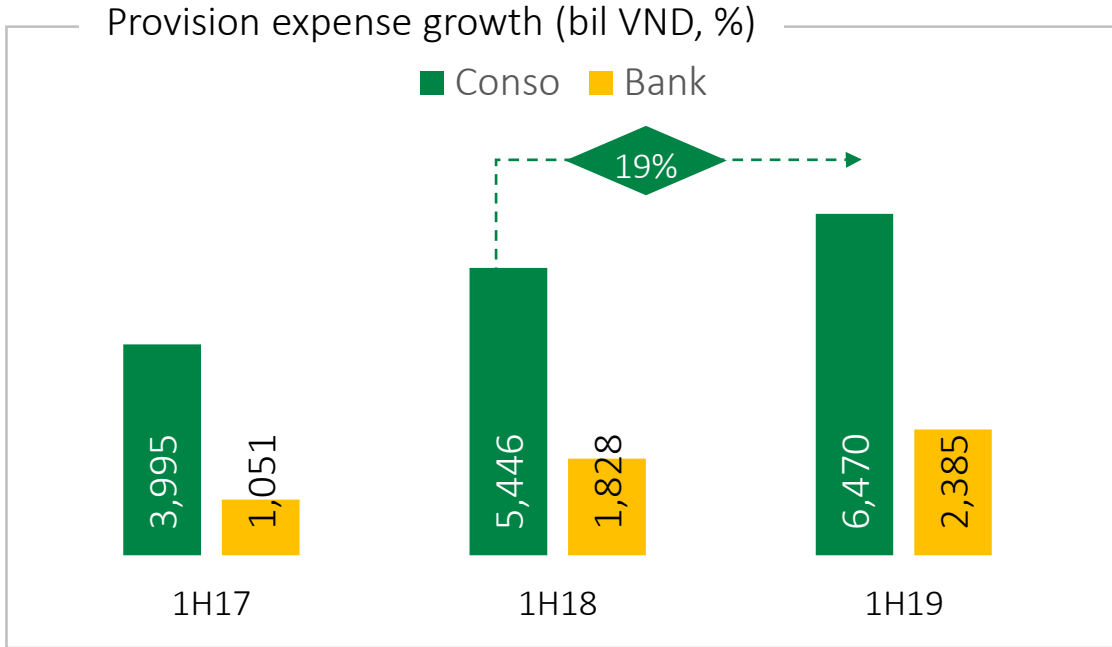


Banca fee income progress\* (%)



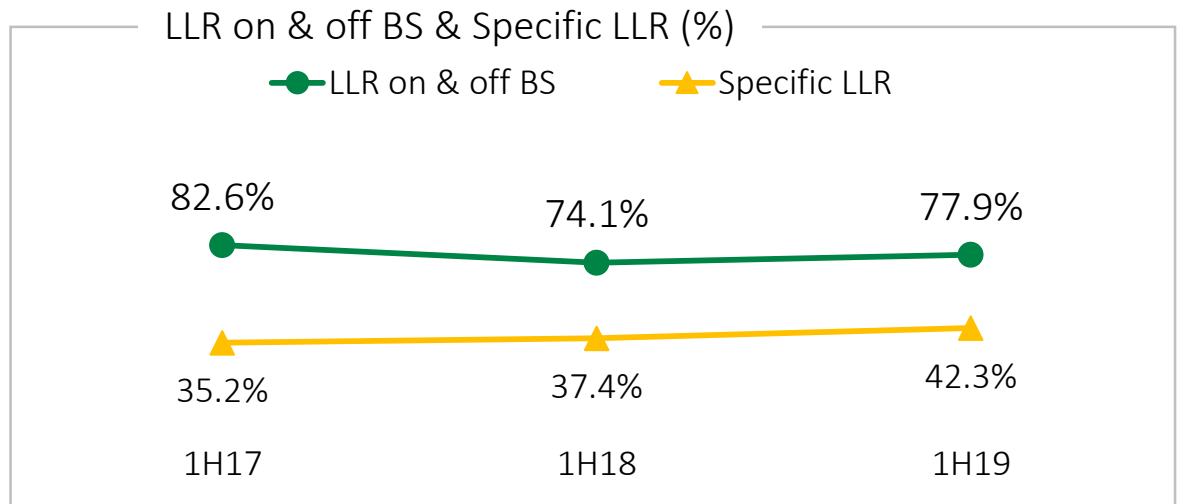


# ASSET QUALITY

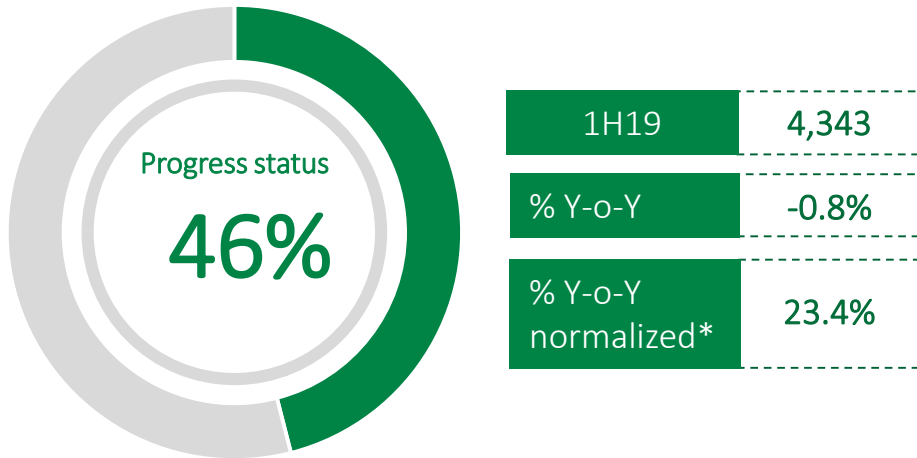


NPL in accordance with Cir 02 & VAMC (bil VND, %)

	1H2018	1H2019
NPL Cir 02 Conso	3.47%	3.01%
NPL Cir 02 Single	2.71%	2.38%
VAMC Bond	3,901	1,483

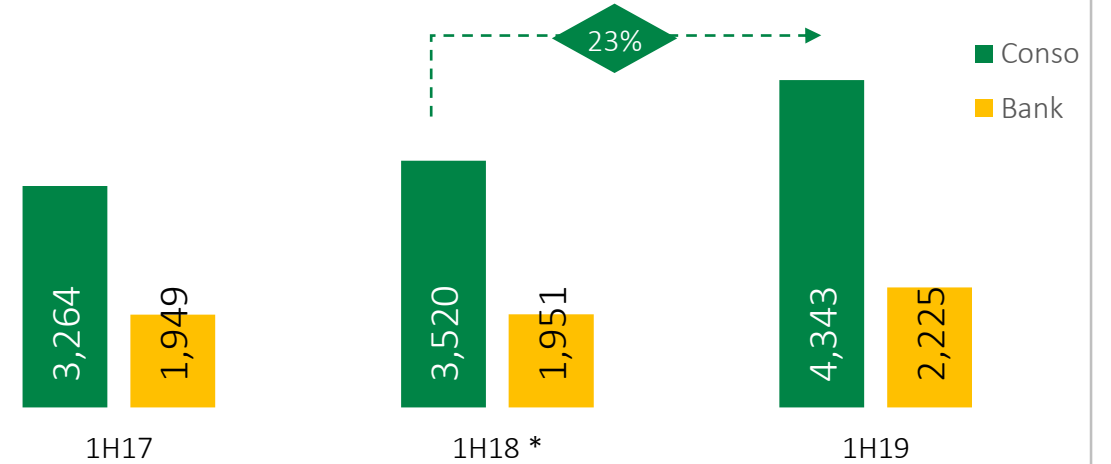


Progress status (bil VND, %)



\* Exclude one-off income

PBT growth (bil VND, %)



\* Exclude income from subsidiaries + one-off income

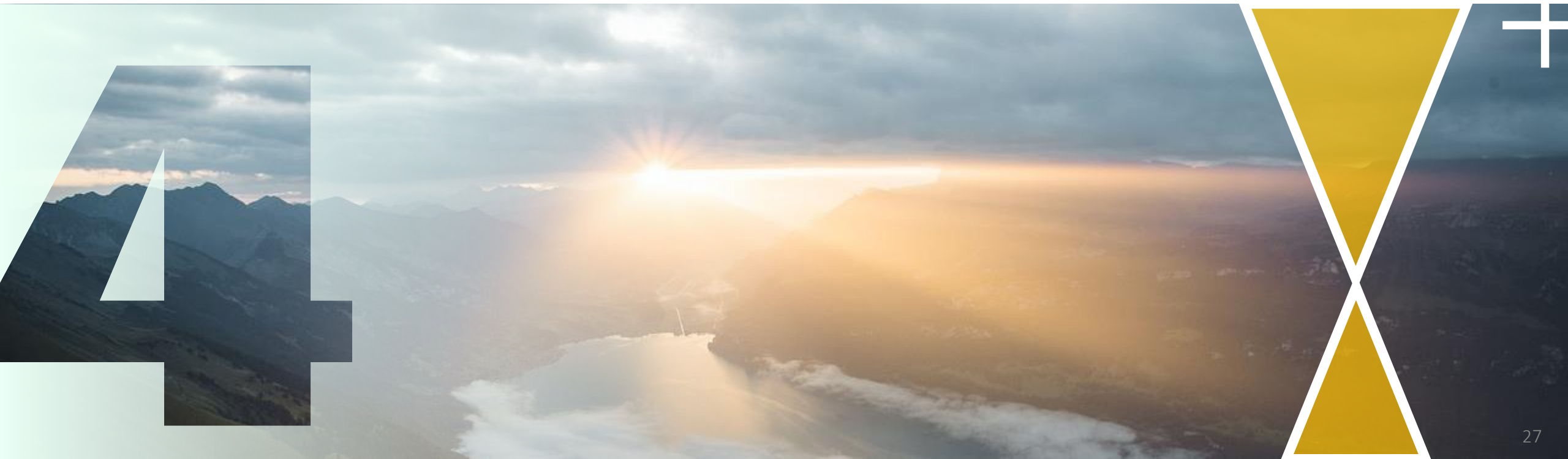
ROE annualized (%)

	1H2018	1H2019
ROE exclude one-off income	18.0%	19.0%
ROE	22.3%	19.0%

ROA annualized (%)

	1H2018	1H2019
ROA exclude one-off income	2.0%	2.1%
ROA	2.5%	2.1%

# INVESTMENT RECAPS



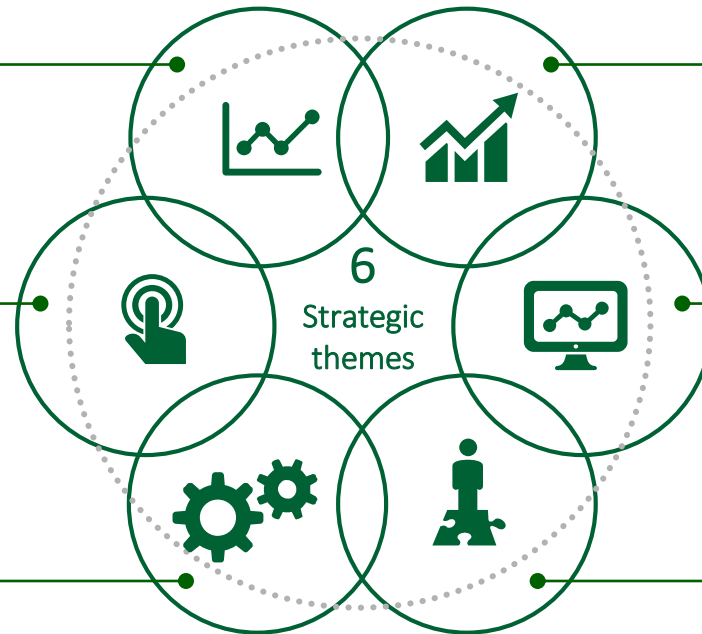
# STRATEGIC THEMES TO ACHIEVE 2022 ASPIRATIONS

VPBANK is setting bold aspirations for 2022

**Establish program to enhance sales and network productivity** to drive value from **existing franchises** in retail, SME, household and commercial banking

**Conduct end-to-end redesign and digitization of core banking journeys** to substantially improve customer experience and lower costs

**Achieve excellence in risk management and IT** to support the growth of the bank while ensuring credit quality, including through investment in modern risk management tools



**Launch new growth engines** (e.g. transactions banking, mobility and housing ecosystems) and scale up strategic partnerships (e.g. banca) to fuel future growth for VPBank

**Build next generation capabilities in data and analytics** to drive non-linear growth and improve decision making

**Strengthen governance** to build a performance-driven organization that attracts the best banking talent and **defines a VPBank culture** that promotes cross-functional collaboration

# WHY VPBANK?



- 1** Vietnam is one of the fastest-growing economies in Southeast Asia with a fast growing banking sector with significant growth potential
- 2** Strong focus on consumer finance and retail banking, well positioned to benefit from the Vietnam consumer story
- 3** Access to stable and diverse funding sources has helped VPBank maintain low funding costs
- 4** Robust growth in profitability, driven by high margin business and strong cost efficiencies
- 5** Well capitalised and prudently managed asset quality
- 6** Comprehensive modernised risk management policies



# FINANCIAL TARGETS 2019

Unit: Bil VND

Total assets

373,649

Bad debt ratio  
(Bank standalone)

< 3%

Customer deposits and  
Valuable papers issued

252,435

PBT

9,500

Credit to customers

265,408

	2018	2018 vs. 2017	2019 Target vs. 2018
Total assets	323,291	16%	16%
Credit to customers	230,790	17%	15%
Customer deposits and Valuable papers issued	219,509	10%	15%
PBT	9,199	13%	3%
- If excluding one-off income	8,343		14%

Source: Audited Consolidated Financial Statement at 31.12.2018 and VPBank business plan 2019

# DEFINITION OF INDICATORS

1. Cost to income ratio (CIR)	$OPEX / TOI$
2. ROE	$Profit\ after\ tax / Average\ Total\ Equity$
3. ROA	$Profit\ after\ tax / Average\ Total\ Assets$
4. NPL in accordance with Cir 02	$Total\ amount\ of\ non-performing\ exposure / Total\ credit\ exposure\ per\ Cir\ 02$
5. Credit Cost	$Provision\ expenses / Average\ Loans\ to\ customers$
6. LLR on & off BS	$Total\ provision\ reserves\ for\ credit\ losses\ plus\ provision\ used\ for\ Write-off / (Amount\ of\ loans\ in\ group\ 3-5 + Write-off)$
7. Specific LLR on & off BS	$Specific\ provision\ reserves\ for\ credit\ losses\ plus\ provision\ used\ for\ Write-off / (Amount\ of\ loans\ in\ group\ 2-5 + Write-off)$
8. COF	$Interest\ Expenses / Average\ total\ funding$
9. Internal LDR	$Credit\ to\ Customers / Customers\ Deposits\ and\ Valuable\ Papers$
10. Yield	$Interest\ Income / Average\ Earning\ Assets$
11. NIM	$Net\ Interest\ Income / Average\ Earning\ Assets$
12. Asset Utilization	$TOI / Average\ Total\ Assets$
13. Equity Multiplier	$Total\ Assets / Total\ Owners' Equity$

AMC	Asset Management Company	OPEX	Operating expense
CAR	Capital Adequacy Ratio	ROE	Return on Equity
CASA	Current Account Savings Account	ROA	Return on Asset
CIR	Cost-to-Income Ratio	SBV	State Bank of Vietnam
ENR	Ending Net Receivables	SME	Small and Medium-Sized Enterprises
LLR	Loan Loss Reserve	TOI	Total Operating Income
NFI	Net Fee Income	UPL	Unsecured Personal Loan
CD	Certificate of deposits	ATM	Automated Teller Machine
NIM	Net Interest Margin	CDM	Cash Deposit Machine
NPL	Non-Performing Loan	POS	Point of Sale
PL NTB	Personal loans New to Bank	POC	Point of Cash

# DISCLAIMER

The material in this presentation is general background information about VPBank's activities current at the date of the presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.

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