

# Investment in VPBank

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March 27, 2023



# 1. Summary of investment

## Basic information

<b>Investee Company</b>	<ul style="list-style-type: none"><li>• Vietnam Prosperity Joint Stock Commercial Bank (“VPBank”), one of the major Vietnamese private banks</li></ul>
<b>Overview</b>	<ul style="list-style-type: none"><li>• SMBC will acquire 15% of VPBank’s common stock through private placement (VND 35.9 tn, equivalent to JPY 183.1 bn*)</li><li>• VPBank will be an equity method affiliate of SMFG and SMBC after the transaction</li><li>• Expect to complete in latter half of 2023 (subject to regulatory approvals)</li></ul>
<b>Financial Impact</b>	<ul style="list-style-type: none"><li>• Investment return: expect to reach our criteria in three years, contributing JPY 18 bn</li><li>• CET1 ratio: approx. (19) bps</li></ul>
<b>Strategic Rationale</b>	<ol style="list-style-type: none"><li>1. Fit with SMBC Group’s Multi-Franchise Strategy</li><li>2. Further strengthen relationship with VPBank as a new partner bank in Vietnam, replacing Eximbank</li><li>3. Enjoy financial benefits of VPBank’s growth as an equity method affiliate</li></ol>

\* Exchange rate at 1VND=JPY 0.0051



## 2. Overview of VPBank

VPBank is a major Vietnamese bank with a strong presence in retail and SME markets, demonstrating top class profitability among local private banks.

### Company Information

Company Name	Vietnam Prosperity Joint Stock Commercial Bank
Trade Name	VPBank
Established	1993
Chairman	Mr. Ngo Chi Dung
Employees	Over 29,000
Network	Over 250 branches throughout Vietnam

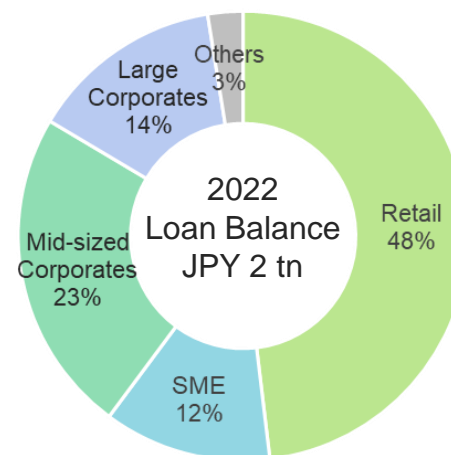
### Strong presence in the industry <sup>\*1,2</sup>

	NIM	Total assets (JPY bn)
#1 	7.7%	BIDV (SOE) 10,815
#2 MilitaryBank	6.1%	VietcomBank (SOE) 9,252
#3 HDBank	5.2%	VietinBank (SOE) 9,227
#4 VIB	5.0%	MilitaryBank 3,716
#5 TechcomBank	4.9%	TechcomBank 3,565
#6 ACB	4.5%	 <b>3,218</b>

### Key Financial Information (Consolidated) <sup>\*2</sup>

(JPY bn)	Dec.20	Dec.21	Dec.22
Operating income	199.1	225.9	294.8
Net profit	53.1	59.8	92.7
Total assets	2,137.0	2,791.8	3,218.5
Loan	1,646.7	1,956.8	2,446.8
ROE	22.0%	18.1%	20.3%
NPL ratio	2.9%	3.7%	4.7%
CAR	11.7%	14.3%	14.9%
LDR <sup>*3</sup>	73.1%	75.7%	76.8%

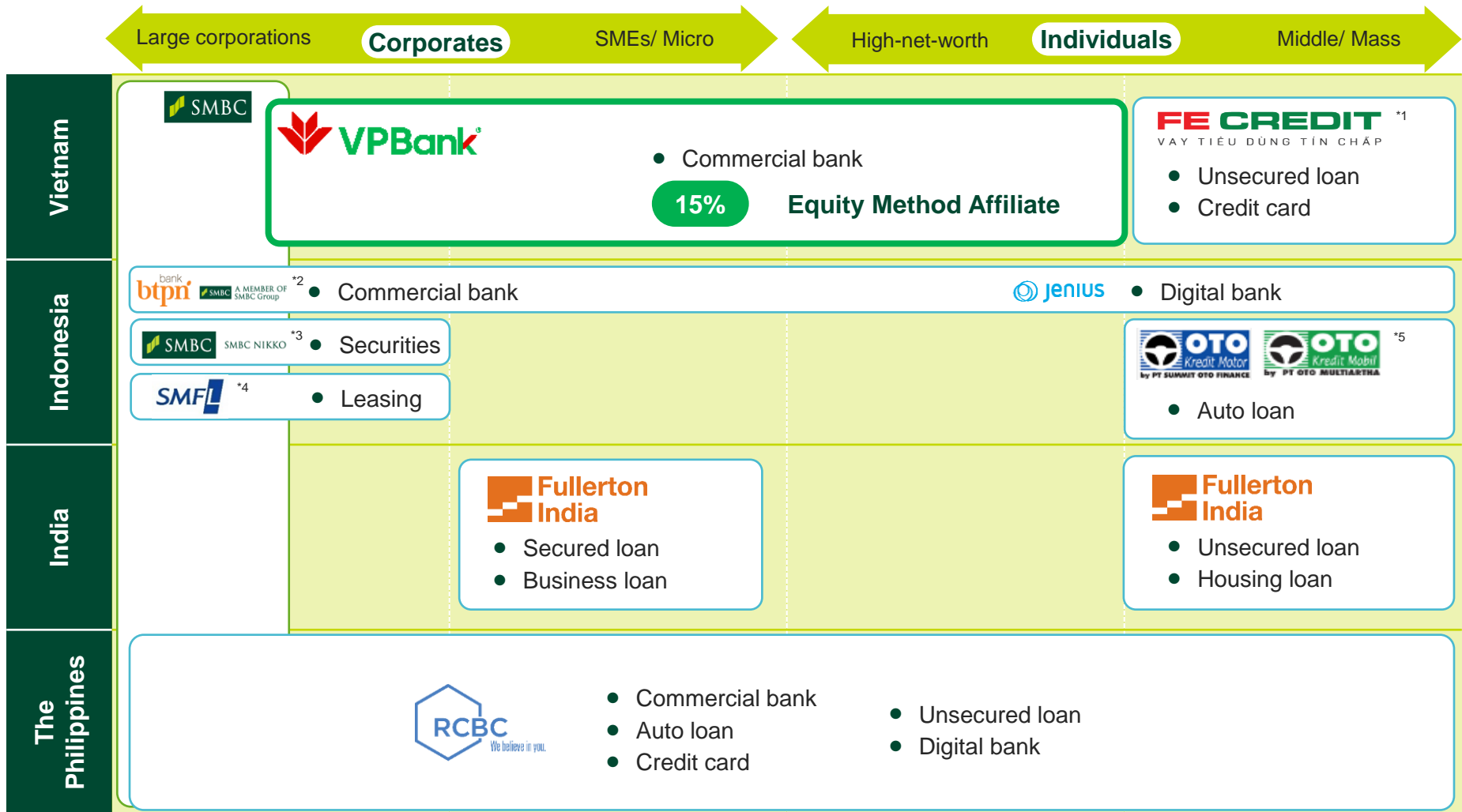
### Loan Portfolio (Bank Only)



\*1 Source: Bloomberg. Listed banks only \*2 1VND=JPY 0.0051. \*3 LDR on Bank-only basis.

# 3. Multi-franchise strategy - Positioning of this transaction

Establish a strong partnership with VPBank as a centerpiece of our strategy in Vietnam, to offer full-line banking services to all customer segments.



\*1 VPBank Finance Company Limited \*2 PT Bank BTPN Tbk \*3 PT Nikko Sekuritas Indonesia  
 \*4 PT SMLF Leasing Indonesia \*5 PT Oto Multiartha / PT Summit Oto Finance

# 4. Strategic Rationale (1) Accelerating growth of VPBank

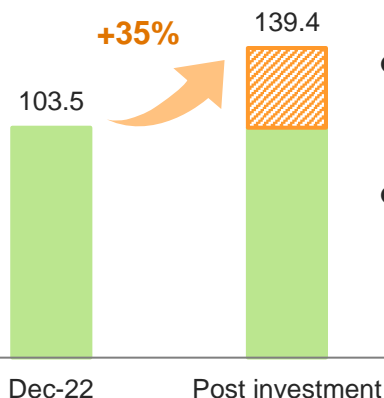
## Strength of VPBank

- **High profitability and high growth**
  - ROA 3.1%, net profit CAGR +29.1% (past 5 years)
  - Strong presence in growing retail and SME markets
- **Low-cost business structure**
  - Launched digital banking in Vietnam ahead of peers. Also focusing on digital services to wholesale clients
  - Efficient back-office operation through digitalization
- **Digital ecosystem**
  - Strong customer base in consumer finance, securities, insurance, and ride-hailing, etc.

## Accelerate growth through strong capital

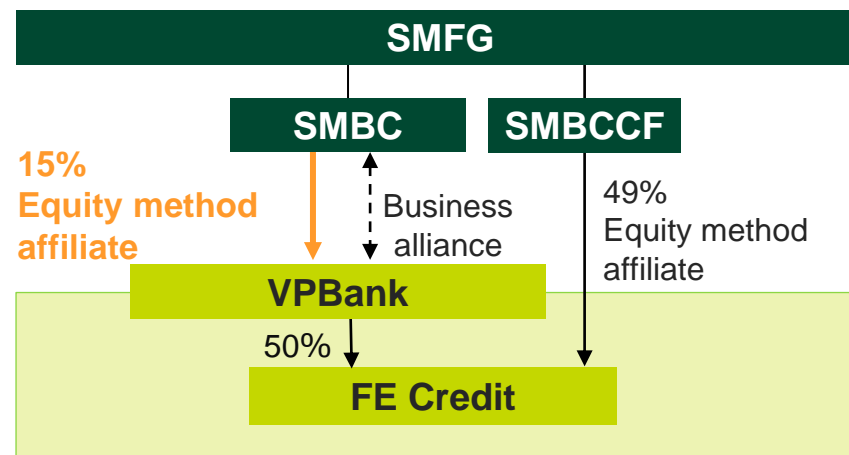
### VPBank's capital

(VND tn)



- Rank #2 from #5 in the Vietnamese banking sector
- Solid financial foundation will accelerate the business expansion, by supporting continuous asset growth

## Investment structure



## Update on FE Credit

(JPY bn)	Dec.20	Dec.21	Dec.22
Gross operating profit	78.4	76.6	84.9
Loans	297.2	377.1	385.4

- **Recovery from Covid-19**
  - Expect in 2H of FY23, though prolonged Covid-19 impact delayed the recovery on loan demand
  - Pursue profit through building healthy loan portfolio
- **Realizing synergies steadily**
  - Referral of Japanese corporate clients from SMBC, which led to successful deals.
  - Support to FE Credit's funding

# 4. Strategic Rationale (2) Business synergies

- 1) Strengthen the services provided to SMBC's clients developing their businesses in Vietnam.
- 2) Support VPBank to expand their business sustainably by sharing our knowledge and experiences.

