

Rating Announcement:

FiinRatings First Rated VietCredit Finance Joint Stock Company (“VietCredit”)

**Long-term Issuer Credit Rating (ICR*): 'BBB-';
Outlook: Stable**

Hanoi, 19 May 2021

Primary Analysts:

Le Hong Khang; Manager, Financial Institutions; email: khang.le@fiingroup.vn

Nguyen Nhat Hoang, CFA; Senior Analyst, Financial Institutions; email: hoang.nguyennhat@fiingroup.vn

Prachi Gupta, MMS; Financial Advisor, Financial Institutions; email: prachi.gupta@fiingroup.vn

Rating Committee Members:

Paul Coughlin, Committee Chairman; email: paul.coughlin@fiingroup.vn

Le Xuan Dong, CFA, Committee Member; email: dong.le@fiingroup.vn

Khong Van Minh, Committee Member; email: minh.khongvan@fiingroup.vn

* This rating is an Issuer Credit Rating (ICR). An ICR reflects our view of the senior unsecured credit rating of an issuer and is not specific to a debt instrument such as bond that it may issue.

The rating scale used by FiinRatings is the national scale, therefore, it must not be equated with or represented as a rating on the scale used by any other rating agencies.

The rating presented in this announcement is effective from the rating date, until and unless we make any further updates.

This document is prepared in both English and Vietnamese. The English translation is for reference only and the Vietnamese version will prevail in the event of any inconsistency between the English version and the Vietnamese version.

Hanoi, 19 May 2021

FiinRatings today announced that it has assigned its '**BBB**-' long-term issuer credit rating to VietCredit Finance Joint Stock Company ("VietCredit" or "the Company") and with outlook: Stable. The rating action follows its rating agreement between FiinRatings and VietCredit dated 21 January 2021.

The Stable outlook on VietCredit reflects both strengths and weaknesses of its position as a relatively new player in the consumer finance sector and its potential growth prospect in the near term. The outlook also highlights the context that Vietnam's consumer credit penetration rate is still low at 8.7% of the total credit outstanding, which is much less than the regional countries' level of around 15%-35%. This implies a favorable growth prospect for the consumer finance sector. As such, we believe this provides substantial opportunities for the Company as well as other players within the sector in Vietnam to capitalize on, despite the recent changes in regulatory framework.

RATING RATIONALES

The '**BBB**-' long-term rating on VietCredit reflects the Company's modest albeit growing market position in the consumer finance industry. VietCredit's moderate capital buffer, growing but lower-than-peer profitability, moderate asset quality metrics relative to peers, and managed funding and liquidity risks are also considered in the assessment of its credit profile. The rating on VietCredit is also driven by our expectation that the Company concentrates on maintaining its competitive position in the consumer finance sector of Vietnam in the coming years.

We assess that VietCredit's business position benefits from its unique and specialized unsecured consumer lending products that helps the Company owns a more compact business model compared to its peers. The Company has a rapid growth in their loan book with a CAGR of nearly 157% during 2018-2020 period. Nevertheless, the Company is still a small player with 2.2% market share in the non-bank lender sector, in which three largest players collectively occupy more than 70% of market share.

The Company's profitability is improving significantly after transition that is reflected through Return on Assets (ROA) improving to 0.8% in 2020 from the -2.6% in 2018, and Cost to Income Ratio ("CIR") was declining over the last 3 years from 156% in 2018 to 48% in 2020; however, its profitability remains low relative to peers' average. VietCredit's ability to sustain profitability improvement needs to be monitored as the Company is still a new player with a short track record in the unsecured consumer lending sector.

We assess the asset quality of VietCredit as Moderate relative to the industry's peers, evidenced by rising loan-loss provision and higher non-performing loan than major consumer finance peers. VietCredit's ability to maintain its asset quality while sustaining growth will be a key rating monitorable.

Funding and Liquidity of the Company at Adequate level given its ability to raise and diversify funding sources and sufficient forward-looking liquidity level, of which the currently low interest rate environment as well as VietCredit's growing reputation are in favor. The Company's current funding is reliant on CDs and Borrowings/Deposits from other institutions, accounting for 51% and 27% of total resources, respectively. We expect the Company not to experience any significant or unusual liquidity deficit in the next 12 to 24 months.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

We see a potential upgrade in the rating score of VietCredit if the Company is able to:

- Improve market share and sustain growth in the cash card business.
- Diversify resource profile with a preference for medium and long-term funds to match its loan book.
- Enhance the earnings capability by improving asset quality and operational efficiency.
- Improve capital adequacy levels which are aligning with the peer companies.

We could downgrade VietCredit in case the Company faces higher than expected asset quality issues, witnesses sudden falls in its capital buffer or has difficulties with mobilization funds. The Company's rating could also get affected in the event its earnings deteriorate beyond our expectations due to higher costs or poor performance of its loan book. We could also lower the rating if management changes hamper the Company's strategy formulation and execution or if its risk appetite significantly increases.

RATING METHODOLOGY

The rating methodology explains FiinRatings approach to assessing credit risk of companies in Vietnam. This methodology is intended as a general guidance to help companies, investors, and other market participants to understand how FiinRatings looks at quantitative and qualitative factors significant in explaining rating outcomes in general and specific for each sector that we cover.

In addition, certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please follow the link below for the Rating Methodology and Related Criteria:

- [Rating Methodology – General Corporates and Financial Institutions \(updated: Feb 20210\)](#)

or visit [Rating Methodologies](#) for further information.

CONTACT US

This rating opinion is intended for public audience and therefore it provides rating summary and credit highlights only. Complete ratings information or a full rating report would be available on request to FiinRatings or the Company with terms and conditions.

For Media Inquiries: Ms. Nguyen Minh Hien, Public Relation Officer, +84 (0) 358048193 and email: hien.nguyenminh@fiingroup.vn

For Client Service: Ms. Pham Hoang Anh, Senior Client Advisor, +84 (0) 931736292 and email: anh.phamhoang@fiingroup.vn

RATING SCALES

We employ below rating scale in assigning ratings for all issuers across industries and sectors that we cover in Vietnam. The rating scale used by FiinRatings is the national scale, therefore, it must not be equated with or represented as a rating on the scale used by any other rating agencies.

Description	Scale	Definition
Extremely strong capacity to meet financial obligation	AAA	Highest Grade Credit
	AA+	
Very strong capacity to meet financial obligation	AA	Very High-Grade Credit
	AA-	
	A+	
Strong capacity to meet financial obligations but somewhat susceptible to adverse economic conditions and changes in circumstances	A	High Grade Credit
	A-	
	BBB+	
Adequate capacity to meet financial commitments but more vulnerable to adverse developments and economic conditions	BBB	Good Credit Grade
	BBB-	
	BB+	
Moderate capacity to meet financial obligations but less vulnerable than other speculative issuers	BB	Non-investment Grade
	BB-	
	B+	
Weak capacity to meet financial obligations. Sensitive to business, financial and economic conditions. High risk.	B	Very Speculative Grade
	B-	
	CCC+	
Very weak capability or very likely to get into default. Very sensitive to business, financial and economic conditions. Substantial risk.	CCC	Substantial Risk
	CC	
	C	
	C	

Ownership Disclosure

The following information is provided as required by current regulations and as a part of our compliance policies in providing credit ratings:

- FiinGroup's* percentage of ownership at VietCredit: *none*
- FiinGroup's* percentage of bond(s) ownership at VietCredit: *none*
- FiinGroup's* percentage of Certificate of Deposits ownership at VietCredit: *none*
- FiinGroup's* percentage of other debt instruments ownership at VietCredit: *none*

* including Credit Rating Agency (FiinGroup JSC.), Credit Rating Committee members, analysts, and employees, as well as contractors of FiinGroup. The information above was examined during client acceptance process and before the signing date of Credit Rating Agreement with the Company and was updated on the day of publication.

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FiinGroup Joint Stock Company

Public Credit Rating Announcement No.: 01-2021



Nguyen Quang Thuan, FCCA
Chief Executive Officer
Hanoi, May 19th, 2021

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