Issuer Credit Rating Report

VietCredit Finance Joint Stock Company ("VietCredit")

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

Hanoi, 19 May 2021

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* 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 debt instruments 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.

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Issuer Rating Score

SACP	**BBB-**		
Anchor	**A-**		
Modifiers	Business position	Moderate	-1
	Capital, Leverage & Earnings	Moderate	-1
	Asset quality	Moderate	-1
	Funding & Liquidity	Adequate	0

SACP = Stand-alone Credit Profile

+

External Influences	0
Group Support	0
Government Support	0

+

Additional Factor	0

Issuer Credit Rating
BBB-
Outlook
Stable

Major Rating Factors

Strengths

- Competent management team with established experience in cash card business (hybrid of credit card and cash loans) and strong focus on high potential low-income customer segments.
- Potential economies of scale and cost saving on the back of loan approving system being developed in partnership with Hitachi Asia Vietnam which would optimize the loan approval process by automating the credit appraisal and underwriting process.
- Unique and specialized consumer loan products that help the company own a compact business model compared to its peers.

Weaknesses

- Relatively modest financial risk profile marked by moderate asset quality leading to below average capital adequacy and gearing levels.
- Risks associated with the company's short track record and single product line.
- Modest financial resources profile which could be vulnerable to funding mismatch; liquidity and refinancing risks – the company's ability to match funding source with its medium-long term assets considering its short track record remains to be seen.

Outlook

Outlook: Stable

The stable outlook on VietCredit Finance Joint Stock Company (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. With less than 03 years in operation, the company has partnerships with leading technology service providers to transform its operation, having more than 260,000 customers at 45/63 provinces of Vietnam. Although we have considered the modest market share of VietCredit, its income source is mostly derived from one line of product offerings (cash card loans) in which we expect fiercer competitions in the near terms that could potentially constrain growth and performance of the Company.

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 VietCredit as well as other players within the sector in Vietnam to capitalize on, despite the recent changes in regulatory framework. We also believe consumer finance companies are well placed to benefit from the digitalization of the economy to support cashless transactions.

Upside Scenario:

We see a potential upgrade in 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.

Downside Scenario:

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 because of 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 Rationales

The '**BBB-**' long-term rating on VietCredit reflects the company's modest albeit growing market position in the consumer finance industry. VietCredit's thin 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.

However, our assessment also factors in the ongoing pressure the Company may face for the upcoming periods. We expect card loan segment to face more intensive competition as the cash loans are capped at 30% of Finance companies' total loan book by the end of 2024. We expect the current leading finance companies which concentrate on cash loans to gradually switch into the credit/cash card segment, posing higher competition threat to VietCredit. We also assess that the uncertainty of regulatory framework regarding the possibility of capping lending interest rate by the Government is a major rating consideration factor in the long term.

We expect that VietCredit's funding and liquidity will remain neutral to its rating, given our view that the Company capability to access to capital markets.

Base-Case Scenario

Assumptions

The base-case scenario is based on key analytical factors as shown on details in Exhibit 1 as follows.

Exhibit 1: Base-case Key Analytical Factors

VND bn	**--Year ended Dec. 31--**		
Analytical factors	**2019A**	**2020A**	**2021F**
Total Assets	3,245	5,136	7,006
Loan Book	1,860	3,023	5,149
Common Equity	725	755	800
Interest & Service Income	493	1,084	1,919
Total Operating Income	338	783	1,366
Total Operating Expense	(241)	(377)	(617)
Financial metrics (%)	**2019A**	**2020A**	**2021F**
Loan book growth rate	305.5%	62.5%	70.3%
Total managed assets/Common Equity (x)	4.4x	6.8x	8.8x
Loan to Total managed assets	57.3%	58.9%	73.5%
Annual Percentage Rate	33.9%	37.2%	38,4%
Net Interest Margin	19.3%	23.3%	26,2%
Cost to Income	71.3%	48.1%	45.2%
Provision charges/ Average Loan Book	7.1%	15.3%	16.6%

Notes: A--Actual. F--Forecast.
Sources: VietCredit

VietCredit's improving financial performance reflects its transformation from a loss-making company focusing on corporate loan and project finance into a consumer finance company within the past five years. In our opinion, the management team has selected the appropriate product line, the Cash-Card Loan products, to penetrate new sector, which is an alternative of Cash loans but more cost-effective in terms of appraisal process where customers have the options to revolve and extend its credit limits without repeat application for new loans. Card loan is also having a substantial headroom for growth in the future as other products such as consumer durable loans or two-wheel loans are becoming saturated. With the integration of technology in its operation, VietCredit has a clear plan to build up their core system, allows the company to automate the loan appraisal process with much faster execution, cutting down the connect time, thus selling expenses.

During 2018-2020, the company has intensive expansion of its loan book, delivering on both financial targets and network expansion. In the next 3 years, the Company has the plan to focus on:

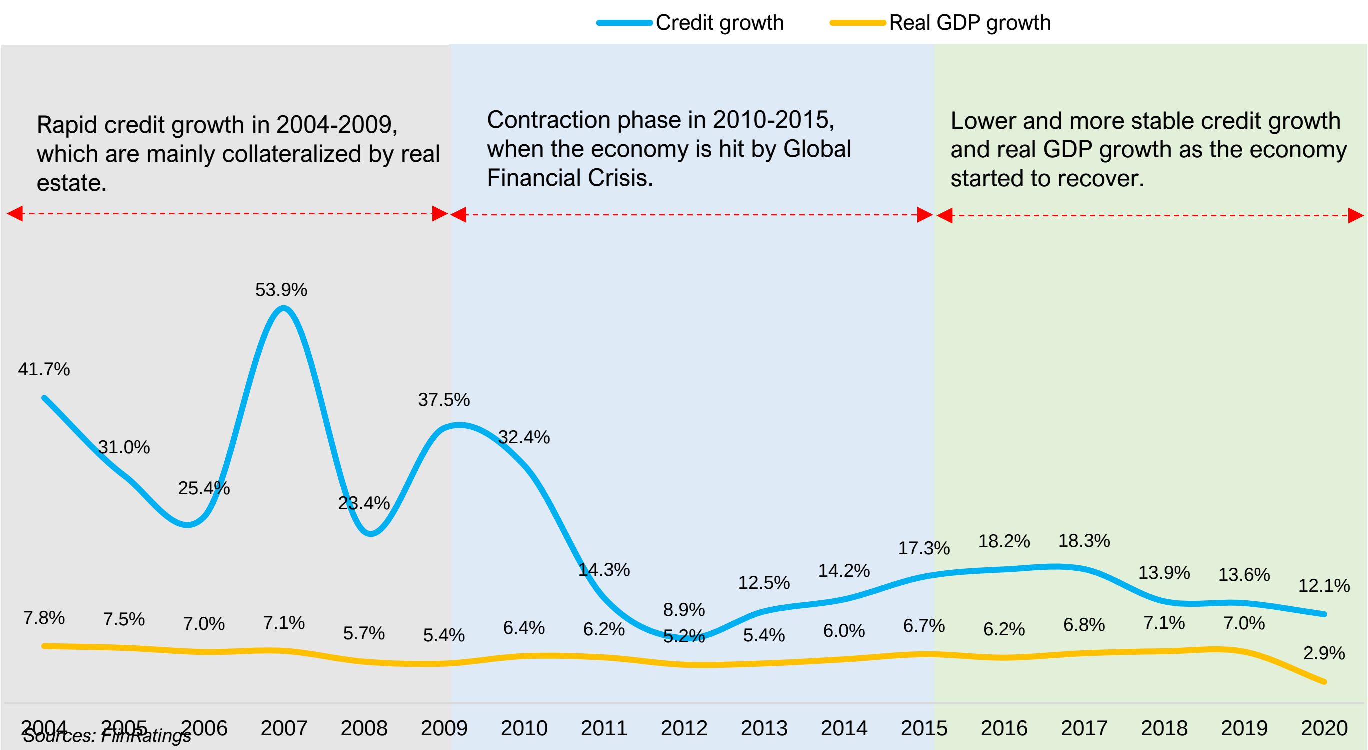
- Expanding the business by engaging further with existing clients with the aim of annual average growth rate of 43% in loan book.
- Concentrate on Card Loans by adding more payment features, accelerating the digitalization of the sale process.
- Improving profitability by increasing maintaining its annual percentage rate and achieving further cost efficiencies.
- Keeping the Non-performing loan of less than 8% of total loan book.

Anchor

Banking Industry Assessment

This section assesses the creditworthiness of the operating environment for banks by evaluating economic and industry characteristics. The analysis also incorporates the influence of government supervision and regulation of the banking system, including existing systemic support. We assess that the overall credit outlook for the banking sector will remain stable in the next 12-18 months and assigned an anchor of “**AA-**” to the banking sector in Vietnam. For the past 2 decades, Vietnam’s banking sector has gone through 3 major periods:

Exhibit 2: Vietnam's Real GDP growth and Credit growth



<u>Expansion phase in 2004-2009</u>:

The credit growth exceeding 30% on average between 2005 and 2010, which was 4x-5x the growth rate of real GDP. Following Vietnam's early-2007 accession to the World Trade Organization (WTO), the foreign capital inflows (FDI) surged. Monetary conditions were overly easy resulting in peak inflation rate at 23.1% in 2008, high current account deficits of 8-10% GDP, and excessive building of high-value private real estate units. Loan growth was brisk in this period, and the system has a high degree of leverage.

<u>Contraction phase in 2010-2015</u>:

Being affected by the Global Financial Crisis, the real estate market in Vietnam has collapsed and frozen during this period. The banking system has stalled, with many small banks stopped their operation. Vietnamese government has induced restructuring process in 2012 to restore economic stability. There were several forced mergers and acquisitions (M&A) and changes in ownership between 2011 and 2015, largely focused on reducing the number of weak and small banks that the regulator had identified.

<u>Recovery phase from 2016</u>

The Vietnamese economy is expanding, as reflected in the growth in real GDP and increase in domestic private sector credit. Property prices have moderately increased since 2015 after years of decline. Credit in Vietnam has expanded at a higher rate compared to real GDP growth in the past 3-4 years, however, the gap is lower than in the previous periods.

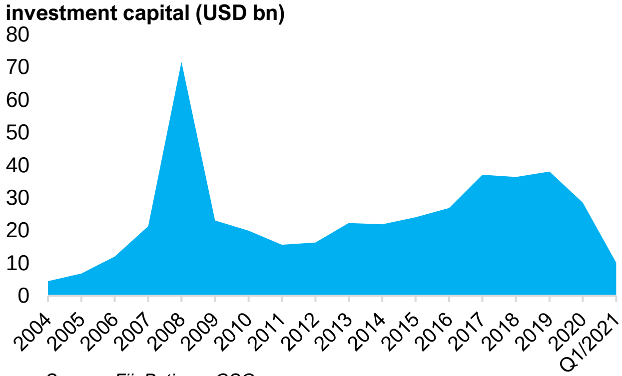
Economic outlook

Macroeconomic outlook

In our assessment, the stable outlook in Vietnam economic is driven by the strong domestic consumption, accelerating government expenditure:

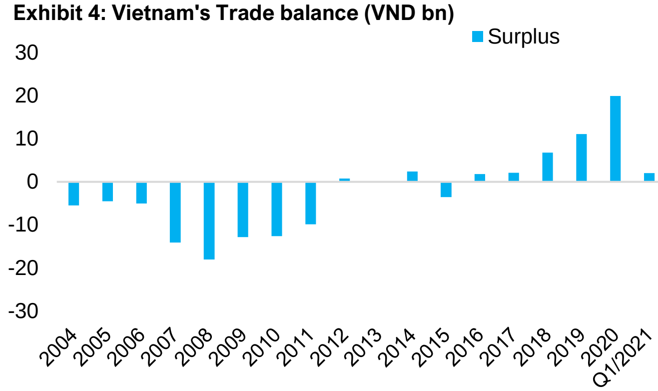
(i) A continuing inflow of FDI as Vietnam becomes new manufacturing hub, followed by favorable export pattern. Given severe production disruption during COVID-19 pandemic, multinational corporates are accelerating in diversify their production to have greater resilience in their supply chain. With the investor-friendly policies, relative economic and political stability, and growing consumer demand, Vietnam has emerged as a manufacturing center for the world. Furthermore, Vietnam's effective measures to contain the COVID-19 pandemic has provided a significant boost to investor confidence in operating environment and attract FDI inflows, with registered FDI capital staying at USD 28.5 bn and reached USD10.13 bn (+18.5% yoy) in Q1/2021. As exporting activities in Vietnam are dominated by FDI sector, contributing 72.1% to total Vietnam's export turnover in 2020, the rising participation of FDI in the upcoming period would keep the export performance momentum. In fact, there is a strong rebound of export-import activities in Q1/2021 where total export turnover reached USD77.34 billion (+22% yoy).

Exhibit 3: Vietnam's Registered foreign direct investment capital (USD bn)



Source: FiinRatings, GSO

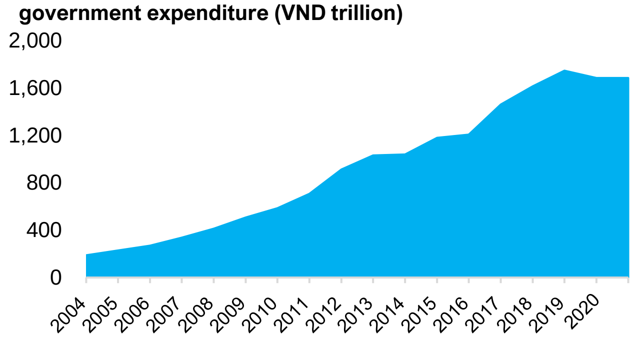
Exhibit 4: Vietnam's Trade balance (VND bn)



Source: FiinRatings, Vietnam Customs

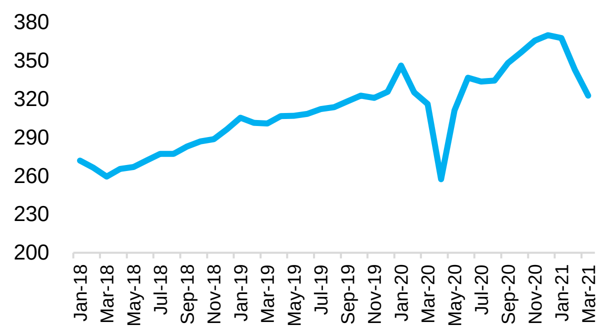
(ii) Government expenditure plan: The Vietnamese government has stepped up the disbursement of public investment since the start of 2020, considering it as a support to economic recovery. In 2020, Vietnam recorded the highest disbursement rate for public investments (over 90% compared to 67% in 2019 and 66% in 2018). The country aims to implement USD119.3 bn over the next four years from 2021 to 2025 with focus on transport infrastructure and intra-regional connectivity, such as mega projects Long Thanh International Airport and North-South Expressway.

Exhibit 5: Vietnam's annual government expenditure (VND trillion)



Source: FiinRatings, GSO, MOF

Exhibit 6: Vietnam's retail sales (VND trillion)



Source: FiinRatings, GSO

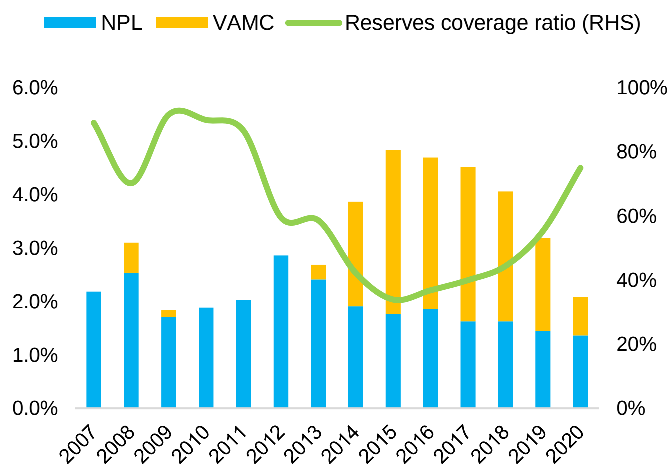
The World Bank and IMF also forecast that Vietnam's GDP growth is expected to rebound to 6.5 to 6.6 percent in 2021-2023. In conclusion, despite being impact due to the COVID-19 pandemic, we believe that the strong domestic consumption, accelerating government expenditure on infrastructure and favorable FDI flows will support Vietnam economy in the medium to long term.

Banking sector outlook

We assess that the overall credit outlook for banking sector in Vietnam will remain stable because of strong government support, more prudent regulatory framework introduced after the last financial crisis and our expectations of a swift economic recovery.

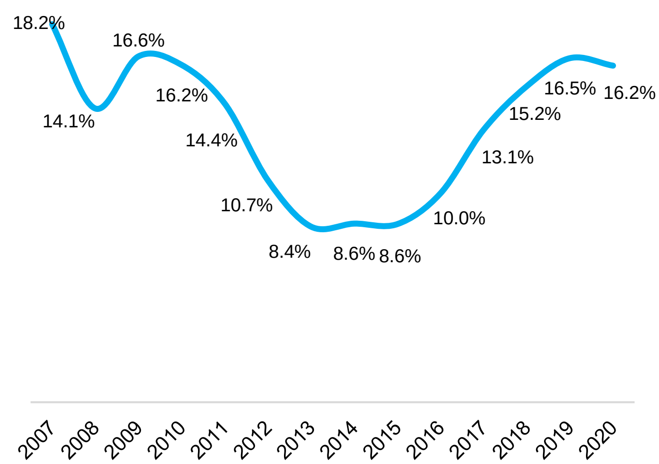
In the last 5 years, the bank profits and asset quality are improving substantially, which is supported by the strong economy, faster disposal of NPLs and the structural changes in the sector. The reported non-performing loans (NPLs) in the commercial banks have declined to 1.4% of gross customer loans in the banking system in 2020, from 3.6% in 2013. The stressed loan including special mentioned loans (SMLs), sale of bad loans by the banks to Vietnam Asset Management Company (VAMC) and NPLs, forms 2%-6% of customer loans for the commercial banks. This ratio has reduced in past few years due to the disposal of NPLs and rapid loan growth. Consequently, the ROE of Vietnam commercial banks has recovered gradually from the low level of 8-10% in 2011-2015 to 15-17% per annum in the last 5 years.

Exhibit 7: NPL and VAMC in total loan book of commercial banks



Source: FiinRatings
Notes: Data is calculated from 28 commercial banks accounted for 73% total credit outstanding.

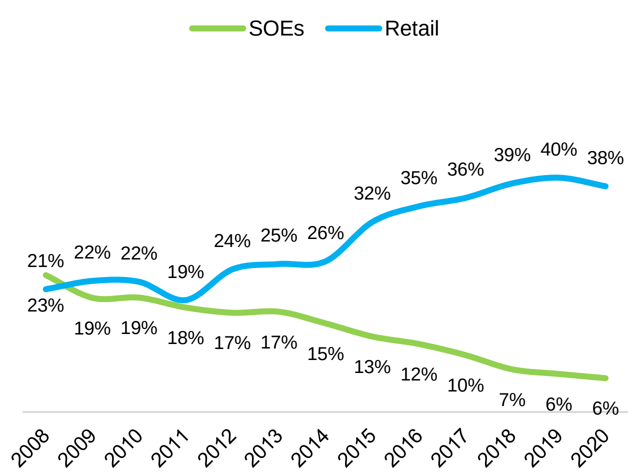
Exhibit 8: ROE of Vietnam commercial bank (2007-2020)



Source: FiinRatings
Notes: Data is calculated from 28 commercial banks accounted for 73% total credit outstanding.

Shifting to retail lending and lower loan proportion to State-Owned Enterprises (SOEs)

Exhibit 9: Proportion in loan book of commercial banks (2008-2020)



Source: FiinRatings
Notes: Data is calculated from 28 commercial banks accounted for 73% total credit outstanding.

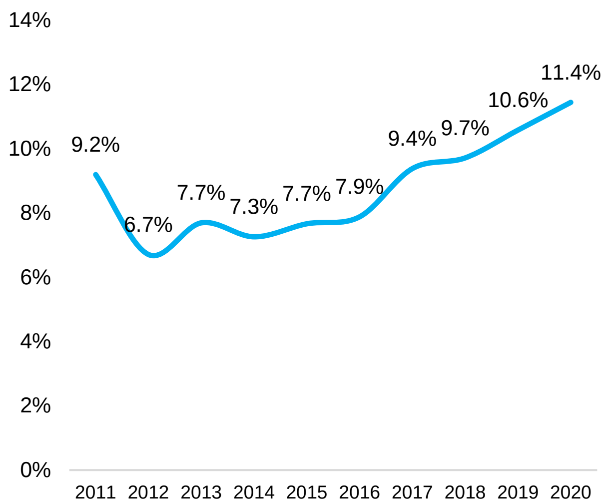
Since 2013, retail lending, especially consumer lending in Vietnam has increased rapidly with much of the economic growth driven by domestic demand. At the end of 2020, we estimate that retail lending has accounted for 38% of loan book of Vietnam commercial banks. On the contrary, the proportion of loan to SOEs in total loan book has decreased significantly, and only take up 6% of their loan book at the end of 2020.

It is observed from the past that some SOEs had difficulties from their aggressive financial leverage plus diversification to its non-core areas had created a large burden to Vietnamese banking system. In our view, the shift to retail lending helps the banking sector reduce the concentration risk.

Higher contribution from non-interest income sources

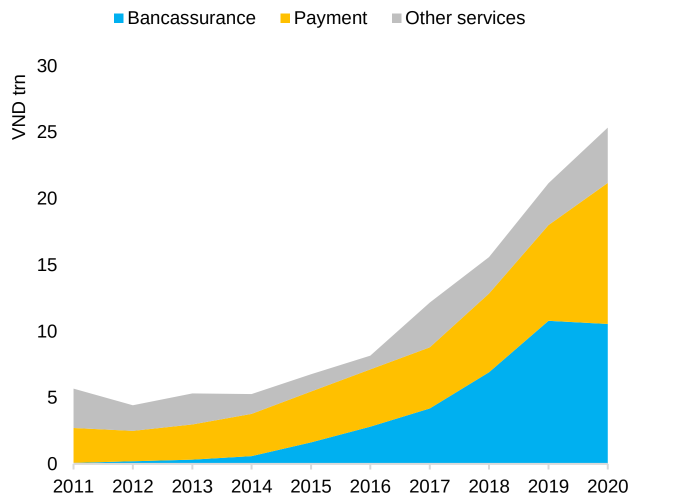
The non-interest income contribution to the operating revenue has increased since 2011, which help support income sources diversification and stability for Vietnamese commercial banks. Of which, the bancassurance activities (an arrangement between a bank and an insurance company allowing the insurance company to sell its products to the bank's client base) witnessed 39.3% CAGR in the last 5 years. Bancassurance has become a strategic focus of many banks especially those pursuing retail banking strategy to utilize their huge retail customer database, as well as to provide wider range of products to serve individual customers' comprehensive demand. Considering Vietnam's current low penetration of insurance spending at 3.07% of GDP, it is expected that insurance in general and banks' insurance sales will be able to expand further in the years to come.

Exhibit 10: Non-interest income contribution to operating revenue



Source: FiinRatings
Notes: Data is calculated from 28 commercial banks accounted for 73% total credit outstanding.

Exhibit 11: Structure of non-interest income of commercial banks



Source: FiinRatings
Notes: Data from 10 banks accounted for 58% of non-interest income of 28 commercial banks

Recent regulatory developments

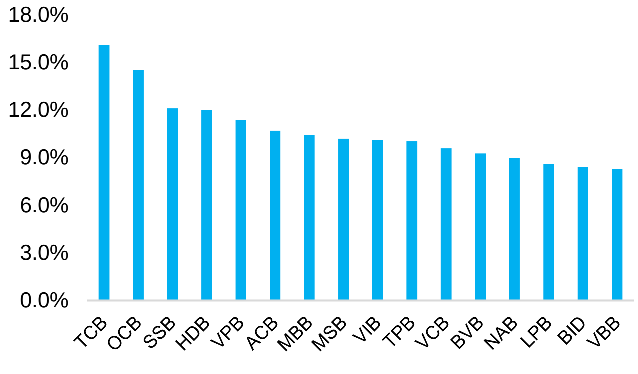
The SBV has taken steps to increase supervision and improve regulations as part of the restructuring process in recent years, including the following noteworthy issues:

- *Restriction of new banks, M&A activities, tighter cross-ownership restrictions*: The Amended Law on Credit Institutions 2017 introduced corrective actions for problem banks based on their level of capital. The new law specifies the resolution regime for problem banks, including rehabilitation, forced merger and acquisition and declaration of bankruptcy. The regulator included industry consolidation as one of the key objectives in the restructuring plan in 2011. There were several forced mergers and acquisitions (M&A) and changes in ownership in 2012-2015, largely focused on reducing the number of weak and small banks that the regulator had identified. For example, the SBV directly took over 3 commercial banks namely OceanBank, PGBank and CBBank. Until now, the process has been mostly completed and switched to post-merger integration period.

  Also, credit institutions are allowed to hold stakes in a maximum of 2 other credit institutions (except subsidiaries) with less than 5% in each. This provided the SBV with a stronger legal mandate to resolve weak credit institutions which have been a drag to the banking sector. Additionally, the SBV also strengthened the VAMC's ability to acquire effective control of bad debts by utilizing a wider array of funding mechanisms.

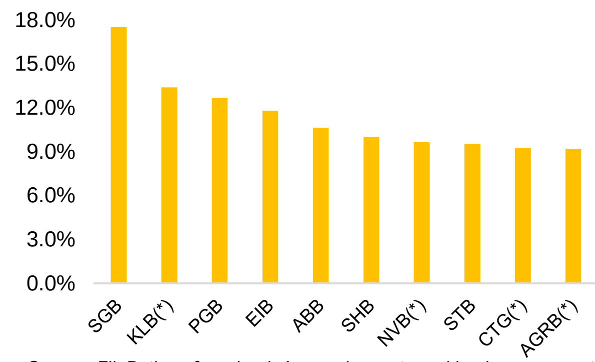
- *Undercapitalization is main issues of compliance with international standard (BASEL II)*: To strengthen the finance sector stability, the SBV established a framework for a formal financial stability function supported by systemic risk surveillance. The SBV had defined a roadmap for compliance with Basel II standard with full adoption by 2020. However, at the end of 2020, only 18/46 banks satisfying the Basel II requirement for capital adequacy. In our view, the banks with thin capital buffer would be more vulnerable to shocks such as COVID-19.

Exhibit 12: CAR of banks having qualified Basel II compliance



Source: FiinRatings from banks' annual reports and business presentations
Notes: the reported CAR is calculated under Circular 41/2016/TT-NHNN

Exhibit 13: CAR of banks not having qualified Basel II compliance



Source: FiinRatings from banks' annual reports and business presentations
Notes: the reported CAR is calculated under Circular 2241/2019/TT-NHNN.
The figures for banks with (*) are as at 31/12/2019 as those banks did not publish their CAR for 2020.

The minimum capital adequacy ratio (CAR) of 8% that will be applied under local Basel II is lower than the reported figure of 10.6% in Oct-2020, but the asset risk weightings will be stricter. The adoption of Basel II encourages more active capital-raising efforts, which could reduce risks to financial stability and support improvements in banks' credit profiles. However, banks will continue to face challenges in raising external capital, with the Foreign Ownership Limit (FOL) constrains the efforts to raise equity from foreign investors and makes them reliant on capital issuance in the local market. We noted that the draft guidance of the Ministry of Finance mentions the loosening of FOL, which is a positive regulatory development in our opinion.

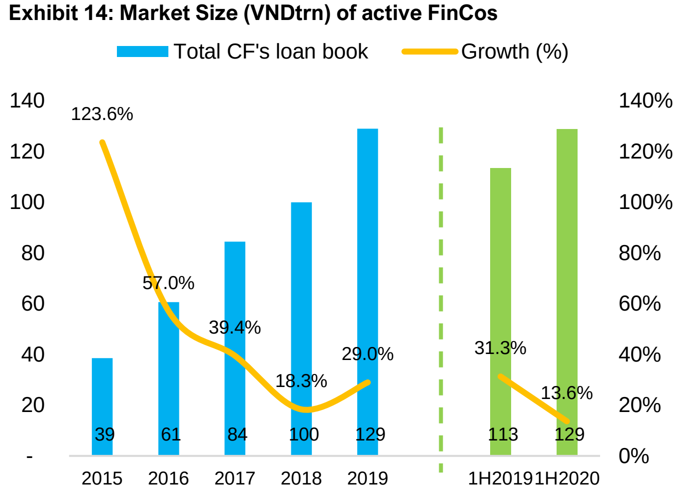
Consumer Finance Sector Assessment

The '**A-**' anchor is the starting point in assigning the credit rating on Consumer Finance companies, which is 03 notches down from the anchor of the Banking sector '**AA-**' as mentioned in Banking Industry Assessment, reflecting the higher risk the sector with regards to:

(i) inherent risk of unsecured loan products.
(ii) limitation on the access to the capital market as non-deposit taking financial institutions.
(iii) uncertainties in regulatory framework.

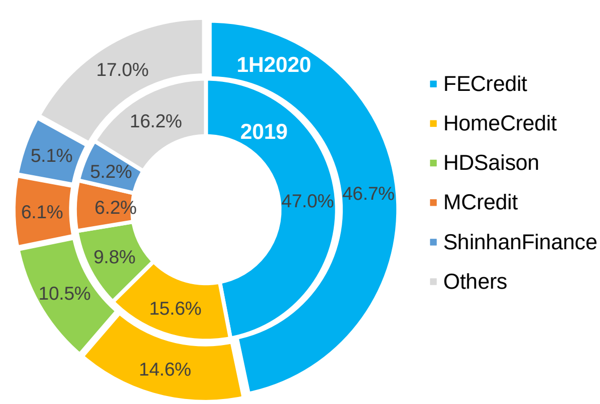
Currently, Vietnam has 16 licensed consumer finance companies, of which 14 companies are in active business operation. There have been no new consumer finance licenses granted since 2014, but there are a number of new entrants came from the M&A activities. After a rapid growth in loan book from 2015-2017 with a CAGR of 48.0%, consumer finance sector started slowing down in 2018 and 2019 amid tighter supervision from the regulator, and especially in 2020 amidst the COVID-19 pandemic.

Exhibit 14: Market Size (VNDtrn) of active FinCos



Source: FiinRatings
Notes: Data is calculated from 16 active consumer finance companies licensed by the SBV

Exhibit 15: Market share of FinCos

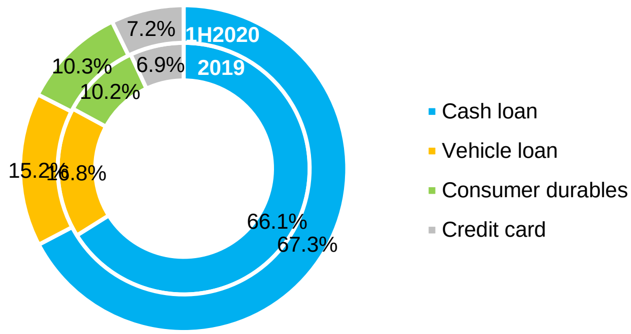


Source: FiinRatings
Notes: Data is calculated from 16 active consumer finance companies licensed by the SBV

The consumer finance sector in Vietnam is rather concentrated with the top 3 players whose loan books accounting for approximately 70% market share. However, we believe the sector is becoming more competitive as the newly established FinCos are rapidly extend its loan books by targeting new growth segments; e.g., beauty, healthcare, and education; and leveraging digital platforms to expand customer base.

Inherent risks

Exhibit 16: Loan proportion by products



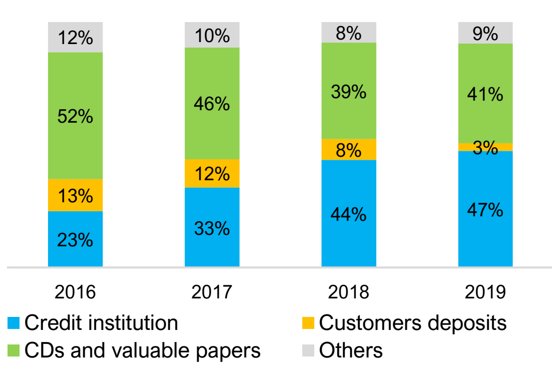
Source: FiinRatings
Notes: Data is calculated from 16 active consumer finance companies licensed by the SBV

Consumer finance companies offer 4 loan products, which are cash loan, vehicle loans, consumer durables, and card loan. The primary products are cash loan, which accounted for 67.3% of total FinCos' loan book in 1H2020. Their target customers are in lower mass to the upper mass account for 52% of population, whose credit profiles traditionally outside the banking system's target customer. As this kind of products is unsecured lending and the borrowers' profiles, the consumer finance sector has higher inherent risk than banking sector.

Funding sources

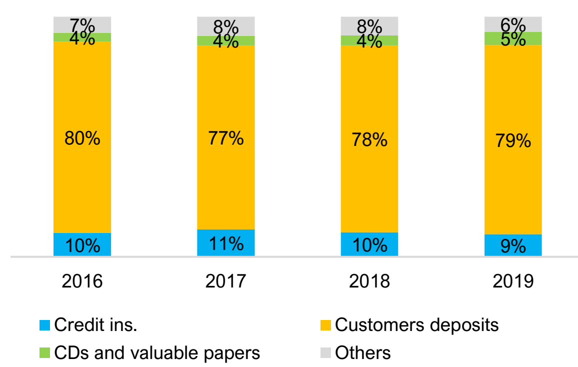
Consumer finance companies in Vietnam have more limited funding sources in comparison with banks, as they cannot accept retail deposits and most of them must rely on wholesale funding such as certificates of deposits (CDs) and borrowings from banks and other credit institutions.

Exhibit 17: Liabilities structure of FinCos



Source: FiinRatings
Notes: Data is calculated from 14 active consumer finance companies

Exhibit 18: Liabilities structure of banks



Source: FiinRatings
Notes: Data is calculated from 28 commercial banks accounted for 73% of total credit outstanding

We also note that bank-affiliated consumer finance companies tend to have a more reliable liquidity profile with the support from their parent banks. In contrast, others who would not secure a credit line from banks or their group support will be more vulnerable if the funding conditions turn unfavorable, or in case of higher customer defaults in periods of economic downturn.

Regulatory risks

The operating environment of finance companies is affected when the Government promulgated Circular 18/2019, tightening regulations on cash loan which is the primary growth driver of finance companies. This new regulation results from the efforts of policy makers to temper risks from unsecured loan, following aggressive consumer credit growth over the past few years. Specifically, the Circular requires FinCos to gradually cut down on proportion of cash loan to 30% by 2024.

Exhibit 19: The timeline of cash loan portion stipulated in Circular 18/2019/TT-NHNN

Timeline	Regulated limit proportion of cash loan in loan book	Remark
1 Jan 2021	70%	This includes the direct loan disbursed to customers at contracts already signed up to the date of contract but not yet disbursed. In addition, the procedure only applies to customers with total direct disbursement above VND 20 mn at that financial company.
1 Jan 2022	60%	
1 Jan 2023	50%	
1 Jan 2024	30%	

Source: SBV, FiinRatings

Furthermore, we assess that the uncertainty of regulations on interest rate cap remains the biggest risk for the consumer finance sector in Vietnam. From a regional perspective, there were precedented issues in the consumer finance sector in Japan and Thailand:

- Japan: in 2006, the authorities implemented the regulation that limit the maximum interest rate of 20% p.a. for lenders to charge and limiting the amount individuals can borrow. After this legislation took effect, Japanese consumer lender experienced a huge loss due to interest repayment claims, and business environment deteriorated remarkably.
- Thailand: in 2017, Thailand's central bank cut maximum credit card interest rate to 18% p.a. from 20% p.a. as well as curbed credit line limits for credit cards/personal loans because of concerns about overspending by citizens and rising bad loans.

The lending rate of FinCos in Vietnam is regulated under the revised Law on Credit Institutions (2017), allowing a mechanism to negotiate interest rates for consumer loans.

At the moment, the lending rate for consumer loans of FinCos is between 25% p.a. and 50% p.a., which is relatively high by its nature as compared to credit by banks. Nevertheless, due to FinCos' important roles in servicing the non-bankable segments and to initiate the financial inclusion plan in Vietnam where the banking penetration rate is still low at 20%, we assess the risk for placing a cap for lending rate by FinCos is low in a medium term but remains a substantial risk in longer term.

Modifiers Analysis

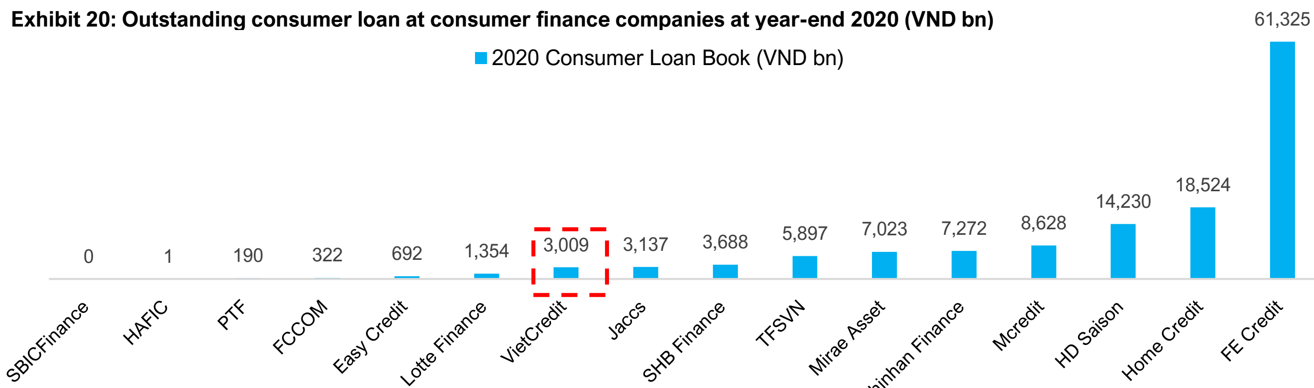
This section assesses VietCredit's Business Position, Assets Quality, Capital & Earnings, and Funding & Liquidity to determine its strengths and weaknesses in the marketplace. These characteristics determine the issuer's capacity to generate cash flows to service its obligations in a timely fashion, thus vital to the company's credit assessment.

Business Position

We assess VietCredit's business position at moderate level. This assessment factors in the company's experienced management team and corporate governance standards, which is marginally offset by the company's relatively short track record and the risks associated with operating in a single-line cash card segment.

Business stability

Exhibit 20: Outstanding consumer loan at consumer finance companies at year-end 2020 (VND bn)



Source: FiinRatings,
Notes: Data is from 16 licensed consumer finance companies

VietCredit was previously known as Vietnam Cement Finance Company with 3 largest shareholders namely Vietnam National Cement Corporation (VICEM: 40%), Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank: 11%) and VietCapital Bank (11%) at year-end 2015. The company used to focus on corporate loans and project finance until being acquired by a group of individual shareholders in 2018. Currently, VICEM's ownership has become a minority stake of around 15% and the other institutions have fully divested.

The establishments of finance companies such as VietCredit, VSFC (Vietnam Shipbuilding Finance Company Limited), HAFIC (HANDICO Finance Joint Stock Company), FCCOM (Finance Company Limited for Community) are traced back to the business diversification demand of state-owned enterprises. These financed companies then got financial difficulties due to inefficient operations, and some of them are having their ownership changed and business restructured. Accordingly, Vietcredit has recovered its business performance by transitioning toward consumer credit via offering cash-card products. The company has recorded net profit in 2019 and 2020 after the ownership change within 2016-2017. In 2020, VietCredit's loan book rose by 62%, reaching approximately VND 3,000 bn (2019: VND 1,860 bn) with the net profit growing by 126% to VND 32 bn (2019: VND 14 bn).

Exhibit 21: Key metrics on VietCredit's Business Position

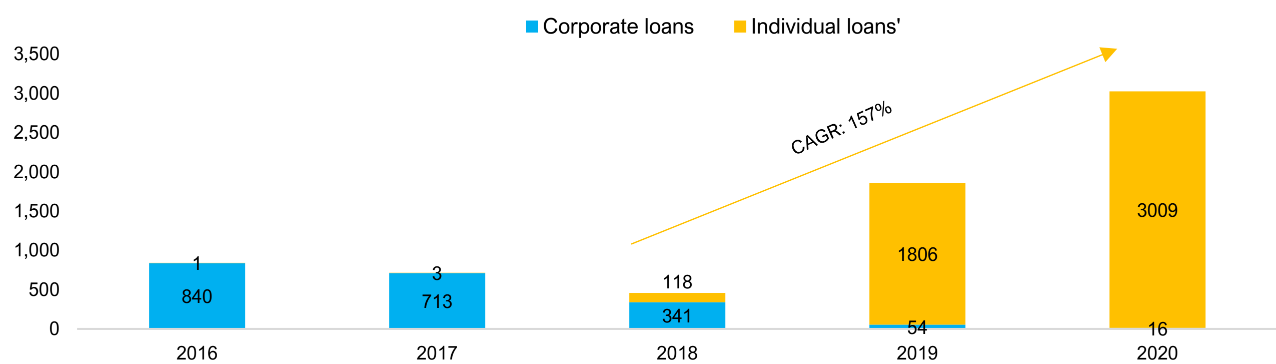
	2016	2017	2018	2019	2020
Total assets (VND bn)	2,021.7	1,937.1	2,087.1	3,245.4	5,135.7
YoY growth of total assets (%)	-	-4.2%	7.7%	55.5%	58.2%
Gross customer loans (VND bn)	840.8	715.6	458.7	1,860.1	3,024.7
YoY growth of gross customer loans (%)	-	-14.9%	-35.9%	305.5%	62.6%
Interest and fee income (VND bn)	119.8	105.2	99.5	509.0	1,093.4
YoY growth of interest and fee income (%)	-	-12.2%	-5.4%	411.5%	114.8%
Net income (VND bn)	3.8	9.4	-52.4	14.4	32.6
YoY growth of net income (%)	-	149.1%	-656.3%	N/A	126.0%

Source: FiinRatings, VietCredit

We assess that VietCredit's business position is benefiting from its unique and specialized unsecured consumer lending products, that helps the company owns a compact business model compared to its peers. The cash-card loan products of Vietcredit are still unsecured consumer lending ones with 36-month term and have the characteristics as the combination of cash loan and credit card. The company's cash card products allow customers to obtain cash loans from more than 15,000 ATMs nationwide. Currently, these cards do not have a payment feature that is embedded by traditional credit cards. Since January 2021, the company has partnered with the National Payment Corporation of Vietnam (NAPAS) to develop domestic credit cards with payment function, in which we expect to help the company to serve more comprehensive demand of customers.

Along with the product development and transition into consumer finance sector, 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 in the sector, with only 2.2% of market share, in which three largest players collectively occupy more than 70% of market share.

Exhibit 22: VietCredit loan book in 2016-2020 (VND bn)

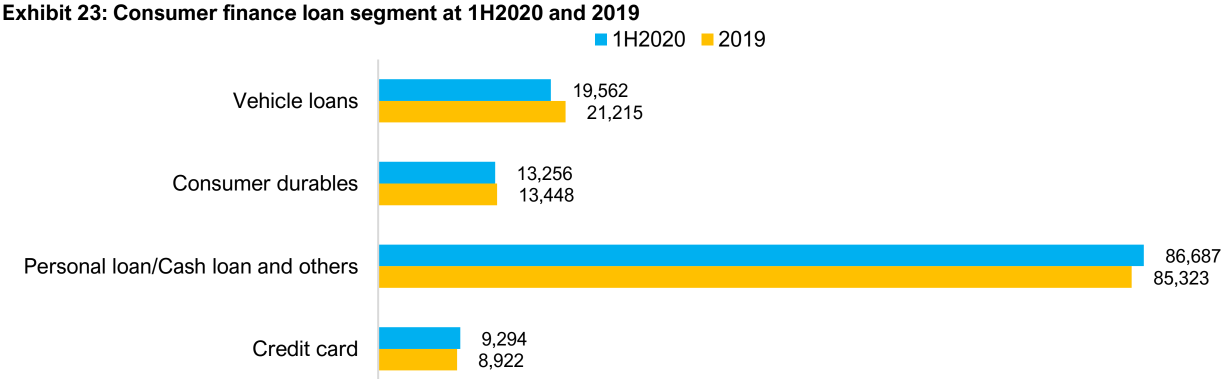


Source: FiinRatings, VietCredit

Circular 18/2019 issued by State Bank of Vietnam tightens cash loans of finance companies. Specifically, the maximum proportion of cash loans exceeding VND20 mn to total loan book is capped at 70% starting from January 2021, and then gradually lowered to 30% in 2024. We noted that among 12/16 firms having cash loan exposure, 10 of them have more than 60% of their loan book comprising of cash loans at the end of 1H2020. Consequently, we expect consumer finance companies to switch from cash loans to card products in the coming periods.

With the outbreak of Covid-19, other segments of the consumer finance sector were negatively affected with consumer durables loans and vehicle loans decreasing by 1.43% and 7.79% respectively, meanwhile cash and credit card loans still increased in the first six months of the year. Given the cap imposed by SBV, we believe that card loans will take up the share of cash loans. Major players are accelerating their transitions to card products. HD Saison, in their announcement, aims to issue up to 250,000 credit cards in 2021, and FE Credit expects to start rolling out domestic credit cards in Q3/2021 beside its current offerings of international credit cards. We believe VietCredit will face tougher competition from existing FinCos over the medium term. The company's ability to sustain growth while maintaining asset quality and profitability will be a key rating consideration.

Exhibit 23: Consumer finance loan segment at 1H2020 and 2019



Source: FiinRatings
Notes: Data is calculated from 16 active consumer finance companies

Business diversity

VietCredit is operating in a single segment – cash cards, which exposes it to the risks associated with unsecured lending. It has also started focusing on the relatively higher risk low-income segment (57% of total loan book as on Dec 2020). Moreover, the Company has a presence in 45 out of 63 provinces of Vietnam with a moderately high degree of geographic concentration. Five major cities and provinces, namely Ho Chi Minh City, Hanoi, Binh Duong, Dong Nai, and Can Tho accounted for nearly 50 percent of its loan book with four of them being in the Southern part of Vietnam.

Exhibit 24: VietCredit's loan book by card product at year-end 2020

Source: FiinRatings, VietCredit

Exhibit 25: VietCredit's loan book by regions at year-end 2020

Source: FiinRatings, VietCredit

VietCredit has demonstrated growth in the number of customers while also showing improvement in retaining relationships with existing customers. Loan disbursement from repeated customers over new customers ratio has remained around 60-65% since Q3/2019, reducing the company's costs to attract new customers and creating momentum for the company's growth strategy in the future.

Exhibit 26: Proportion of recurring customers and new customers by quarter

Source: FiinRatings, VietCredit

Management and governance

We assess Management and Governance subfactor at satisfactory level. Since its transition from Vietnam Cement Finance Company, the current management team has demonstrated thorough understanding of competition and industry trend as well as current credit market conditions to adopt single-product line strategy.

Regarding operational effectiveness, the company has automated most business processes including customer verification, loan collection, loan servicing, and approval which support the company's scalability and expansion in the next few years.

All company's key executives have extensive experiences in the Vietnam banking and financial industry. Also, the members of the Board of Directors and Board of Supervisors are separated from management team with a clear scope of operation and authority delegations.

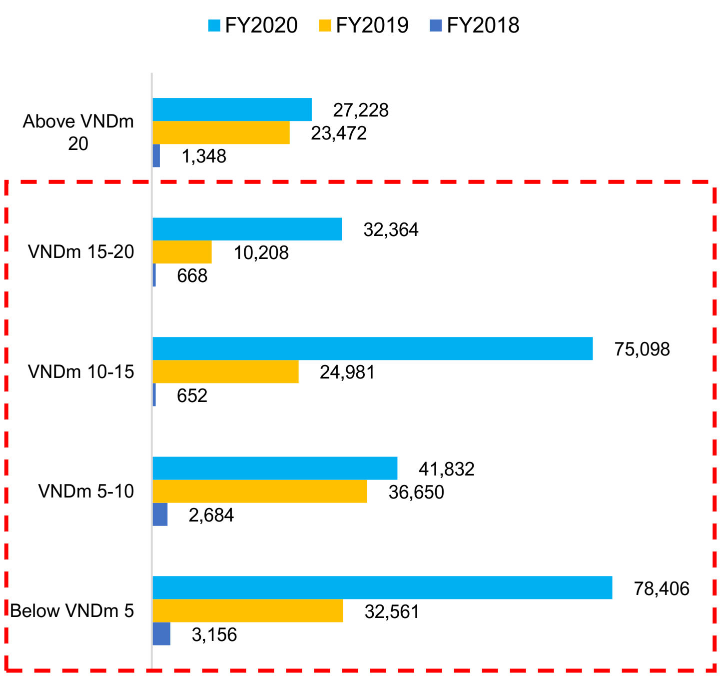
Asset Quality

We assess the VietCredit's asset quality as moderate relative to the industry's peers, evidenced by rising loan-loss provision and higher non-performing loan than major consumer finance company peers.

VietCredit benefits from the experienced management team and the company has well-prepared its lending procedures by automating most of the steps in loan approval process. The company has integrated technology in its operating system included data enrichment, data verifying and customer scoring engine.

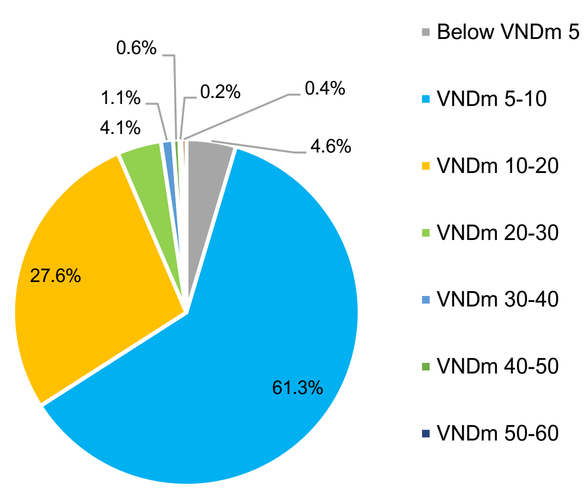
We believe that being a new entrant over than 2 years, VietCredit face high credit risks as it needs to expand its business aggressively to achieve its competitive position via unique products offering. This is reflected through the company's aggressive loan book growth and surging disbursements since its restructuring towards a consumer finance company. VietCredit in 2019 witnessed exponential increase in its loan disbursement, which is 14-fold of that of 2018. The company simultaneously offer several preferences to customers such as monthly repayment rate over outstanding loan of 6%, which is lower than industry's average of 10%. The company's customer segment is being diversified, yet currently concentrating on the segment with monthly income of VND 5-10 mn, whose outstanding loan occupies 61% of total loan book at year-end 2020.

Exhibit 27: VietCredit's number of disbursements in 2020



Source: FiinRatings, VietCredit

Exhibit 28: VietCredit's loan book concentrating on low-income customer (2020)

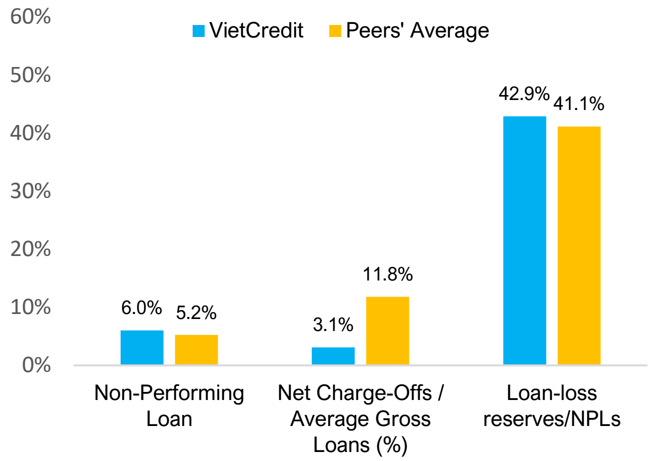


Source: FiinRatings, VietCredit

We assess that the company is suffering from higher potential of default risk than its peers due to its NPL ratio of 8% (excluding investments in corporate bonds at VietCredit) exceeding peer's average of 6% at year-end 2020. This is explained through its concentration on customer segment of average monthly income of VND 5-10 bn, which was largely vulnerable to Covid19.

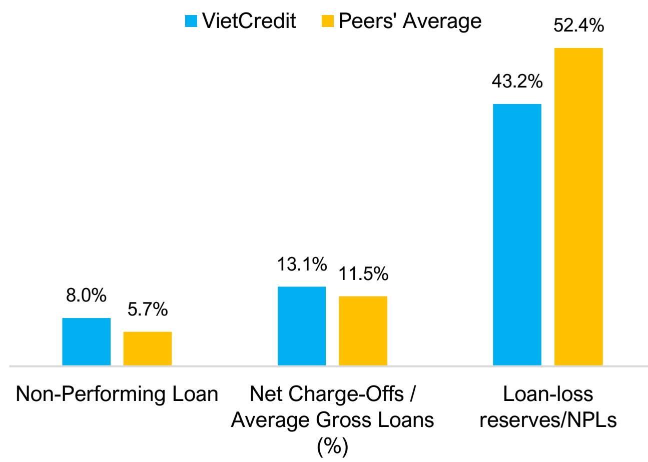
VietCredit's net charge-offs (NCOs) ratio is higher than peers' average. As of year-end 2020, VietCredit net charge off ratio is at nearly 13% (2019: 3.3%). During the same period, recoveries from previous charge-offs kept low at unchanged level of approximately VND500mn, as around 0.02-0.04% of average total loans. The loan loss reserves over non-performing loans at VietCredit slightly rose by 0.7% from 41.7% in 2019 to 43.2% in 2020.

Exhibit 29: VietCredit's Asset Quality in realtive to Peers (2019)



Source: FiinRatings, VietCredit

Exhibit 30: VietCredit's Asset Quality in realtive to Peers (2020)



Source: FiinRatings, VietCredit
Note: Non-performing loans ratio covers the consumer lending portion of only, excluding investments in corporate bonds at VietCredit.

Given that the company has a short track record in business for this segment while posted a high loan growth in the recent times, we believe the company's asset quality could be in pressure as its loan book seasons. This along with the added pressure due to the current coronavirus pandemic is likely to affect its profitability and capitalization levels. VietCredit's ability to maintain its asset quality while sustaining growth will be a key rating monitorable.

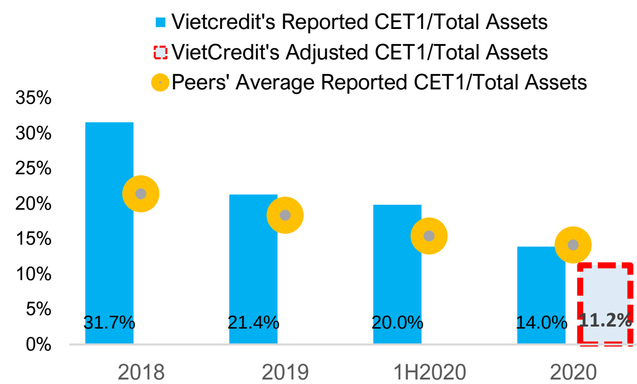
Capital, Leverage and Earnings

VietCredit has a modest equity contribution in its capital base which puts a constraint on the company's financial flexibility. VietCredit's reported capital adequacy ratio (CAR) of 15.8% as at year-end 2020 which is well above the State Bank of Vietnam minimum regulatory CAR of 9%. However, the ratio experienced a declining trend since 2018 (2018: 47.6%, 2019: 25.7%).

Furthermore, due to a considerable part of non-performing assets of 7% including VAMC bonds and legacy assets, which are project financing for shipbuilding inherited from the previous operation, we believe the company bears a higher risk than peers. As such, the reported common equity Tier 1 capital to total assets ratio of VietCredit may not fully reflect the provision expenses for these non-performing assets.

We estimate the adjusted Common Equity Tier 1/Total Assets ratio at 11.2%, which is lower than peers' average of 14% at year-end 2020. This modest capital base would constrain financial flexibility if the sector's credit quality deteriorated or VietCredit alters its risk appetite towards other riskier segments of consumer finance.

Exhibit 31: VietCredit's Common Equity Tier 1 Capital to Total Assets in relative to Peers

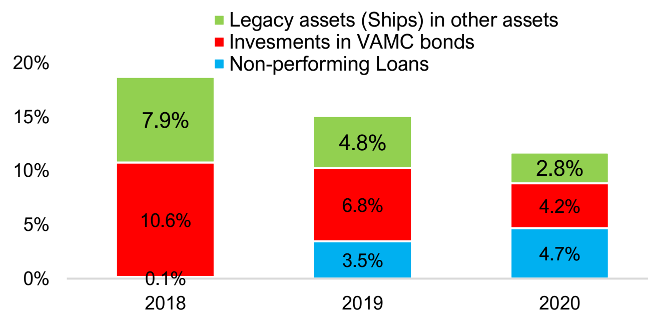


Source: FiinRatings, VietCredit

Note: VietCredit's Adjusted CET1/ Total Assets ratio in 2020 is calculated by subtracting from the common equity tier 1 the remaining loan outstanding swapped for VAMC bonds to truly reflect the capital position of Vietcredit.

VietCredit is still in the process of resolving the legacy assets by transferring them to the 'other assets' category and VAMC bonds as instructed by SBV since 2016. As per the resolution, the company has been trying to resolve its legacy assets by year-end 2022. We expect provision charges on VAMC bonds will continue to be intensive in the coming years.

Exhibit 32: VietCredit's Non-performing assets as % of Total Assets



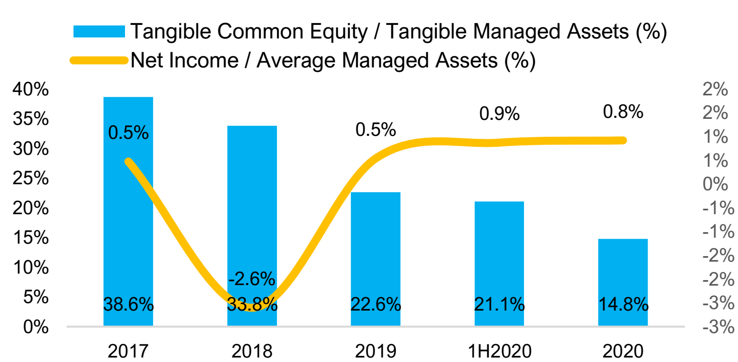
Source: FiinRatings, VietCredit

VietCredit's profitability is improving significantly after transition, but remains at below than peers' average

We anticipate that VietCredit's earnings growth will be hampered in 2021 given the competition threat from other big players in the sector, that are ready to step into the race of offering card loan products, with their advantages of longer track record in the sector and extensive selling networks.

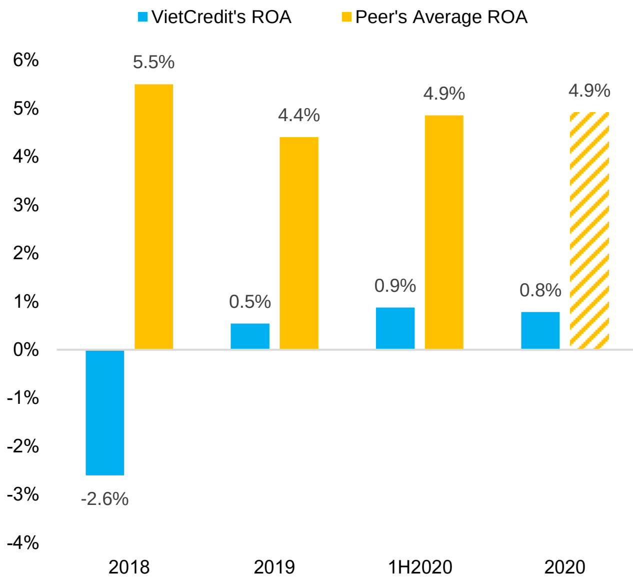
VietCredit's Return on Assets (ROA) improved to 0.8% in 2020 from the -2.6% in 2018 but was much lower than the industry's average. VietCredit's ability to sustain profitability improvement needs to be demonstrated as the company is still a new player with a short track record in the unsecured consumer lending sector.

Exhibit 33: VietCredit's declining capital while recovering profitability after restructuring



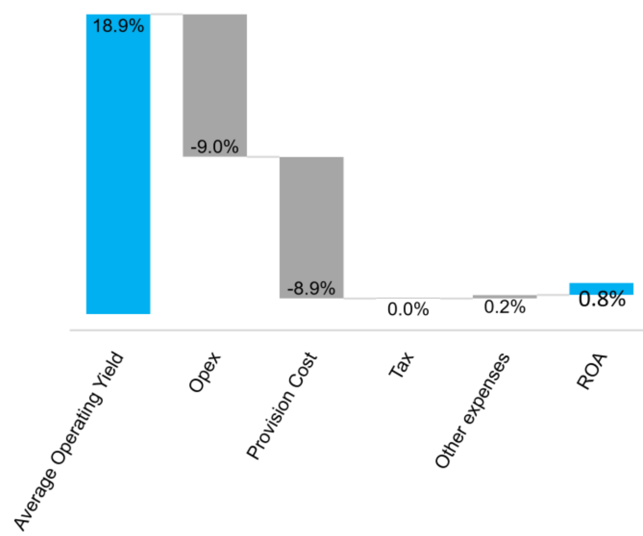
Source: FiinRatings, VietCredit

Exhibit 34: VietCredit's gradual recovery in its profit but still behind peers'



Source: FiinRatings, VietCredit

Exhibit 35: VietCredit's ROA Breakdown in 2020

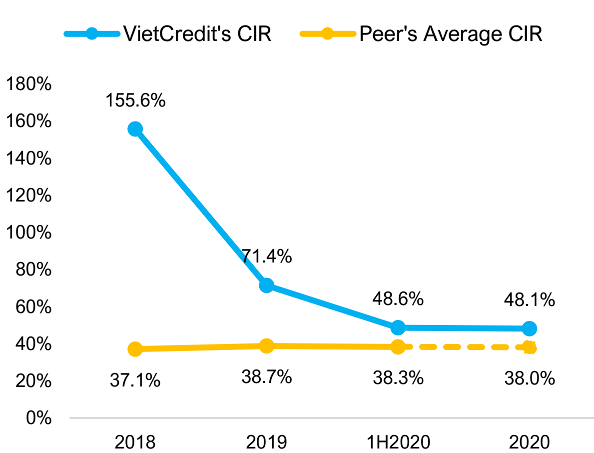


Source: FiinRatings, VietCredit

VietCredit's operating cost occupies nearly half of the generated operating income as demonstrated in Exhibit 35. While the Cost to Income Ratio ("CIR") was declining over the last 3 years from 156% to 48%, it is still significantly higher than peers' average of 38%. We expect the operating expense will remain at this level over the near term primarily because of increased its continuation of spending on investment of infrastructure, technology, manpower and processes to support scalability of operations.

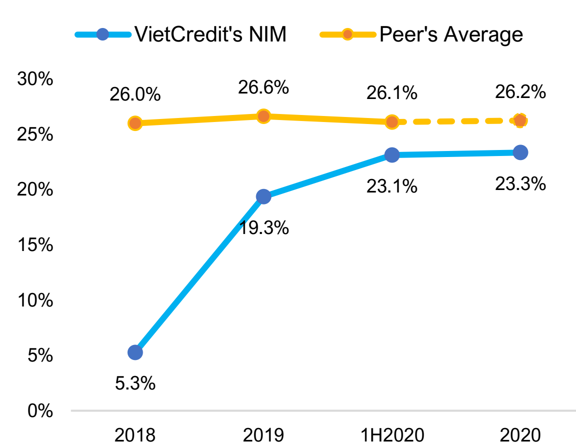
Additionally, VietCredit's NIMs are expected to improve at a slower pace in medium term as the company will face more competition fierce to maintain its interest charges. VietCredit's earnings profile remains susceptible as the credit costs has increased to VND 373.8 bn by 3.5 times compared to that of 2019 under the impact of rising delinquencies in year-end 2020. We expect that VietCredit's bottom-line profit will be affected in the near term under the burden of rising credit costs related to non-performing loans as its loan book seasons as well as provision expense for clearing of the legacy assets.

Exhibit 36: VietCredit's Cost to Income moving towards on par with peers



Source: FiinRatings, VietCredit

Exhibit 37: VietCredit's Net Interest Margin is lower than peers' average but catching up to industry standard



Source: FiinRatings, VietCredit

Funding and Liquidity

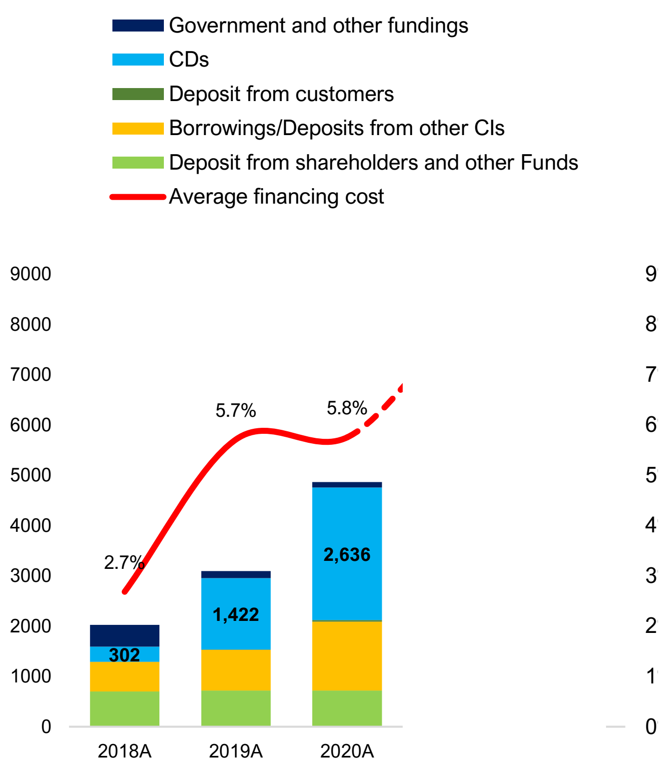
We assess Funding and Liquidity of the company at Adequate level given its ability to raise and diversify funding sources and sufficient forward-looking liquidity level, of which the currently low interest rate environment as well as VietCredit's growing reputation are in favor.

Funding profile

Consumer finance companies in Vietnam is not allowed to taking deposits from individuals. As such, they have to rely on wholesale funding through institutional loans and Certificates of Deposit (CDs). The company's current funding is heavily reliant on CDs and Borrowings/Deposits from other institutions, accounting for 51% and 27% of total resources, respectively. Additionally, the level of funding concentration is high for the company since five largest creditors account for nearly 38% of the total CDs as of year-end 2020.

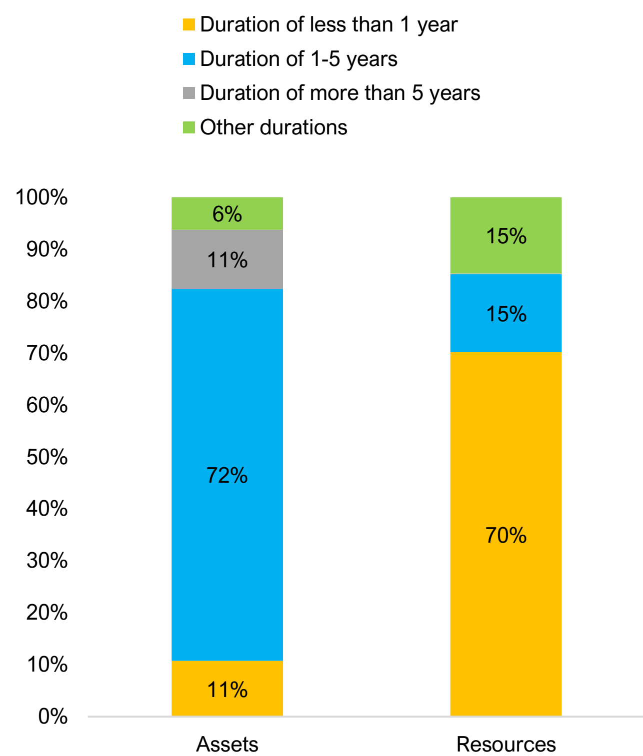
In 2019 and 2020, VietCredit's funding sources was mainly attributed to CDs with less than one year maturity. In the next 12-24 months, the management team's plan will still be dependent on CDs as the proportion of these instruments in the total funding is expected to reach more than 72% in 2022.

Exhibit 38: VietCredit funding sources and average cost (VND bn)



Source: FiinRatings, VietCredit

Exhibit 39: VietCredit asset/resource duration as of year-end 2020



Source: FiinRatings, VietCredit

Given the company's funding strategy, coupled with current low interest rate environment and the company's improving business position, the management team believe that VietCredit could reach out to numerous creditors to diversify funding base by using medium and long-term CDs. This can help narrow the duration gap between assets and liabilities and can be a credit enhancing factor if the company has achieved a more stable and sustainable funding structure.

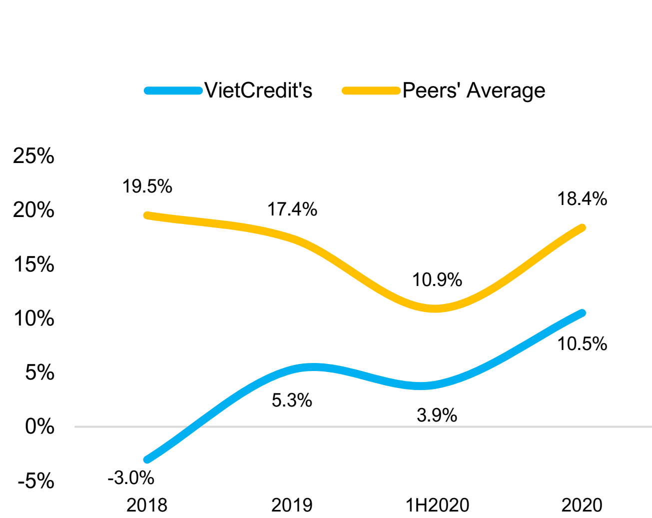
However, as a relatively small financial institution with a short operating history as a consumer finance firm and lower profitability compared to peers, VietCredit is still exposed to funding risk, especially in period of credit stress. Besides, VietCredit might face the risk that investors might withdraw their deposits to reduce exposure to systemic risk in case the company's assets' quality are affected by unexpected Covid pandemic situation.

Liquidity

VietCredit's liquidity is assessed at adequate level. The company has developed liquidity stress-scenario testing, with the management policy of maintaining sufficiently liquidity for at least two months. We expect the company not to experience any significant or unusual liquidity deficit in the next 12 to 24 months.

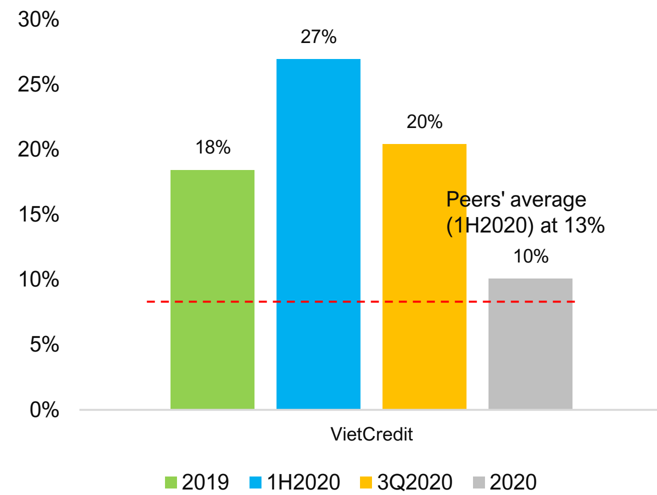
The cash flow generation in relation to the level of financial leverage is improving in the last 2 years but remains lower than peers' average. We believe with the economic recovery in 2021 after the vaccination rollout together with the company's adoption more technology within its lending process, a stronger operating cash flows would enhance the liquidity position.

Exhibit 40: FFO to Debt of VietCredit and peers



Source: FiinRatings, VietCredit

Exhibit 41: Debt maturity coverage of VietCredit and peers



Source: FiinRatings, VietCredit

The company's liquidity management also enhanced in the period as for the 2018-2020 period, with the 30-day liabilities coverage ratio of 117%. However, we assess VietCredit still may face liquidity stress in case of inability to roll over its maturing financial obligations and/or unexpected deterioration in customer payments weakening operating cash flows.

External Influences

Group influences

We do not notice any information that VietCredit receive or obtain contractual arrangements for supports from other institutions such as banks if there is any liquidity distress. The Company is held 85% by individual investors. Hence, we remain neutral in our view regarding this factor and having no adjustment toward its SACP.

Rating Methodology

The rating methodology explains FiinRatings approach to assessing credit risk of financial corporates 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 this sector.

Ratings are forward-looking opinions about an issuers' future capacity and willingness to honor its obligations to creditors, but the scorecard uses historical data. As a result, the assigned rating may deviate from the scorecard-indicated rating range in such cases, where a rating committee deems this to be appropriate.

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. The related criteria and methodology are shown in more details:

- General Rating Methodology
- Rating Methodology for Financial Institutions

Please follow the link above to see Rating Methodology and Related Criteria or visit Rating Methodologies for further information.

Credit Ratings History

Rating detail		
VietCredit Joint Stock Company		
Issuer Credit Ratings History		
19 May -2021	*Initial Issuer Credit Rating*	*Issuer Rating: BBB-* *Outlook: Stable*

OWNERSHIP DISCLOSURE

At the time of the publication, the following information is provided as required by current regulations and as a part of our compliance policies in providing credit ratings:

- VietCredit's percentage of equity ownership at FiinGroup: *none*
- FiinGroup's percentage of equity ownership at VietCredit's: *none*
- FiinGroup's other employee percentage of equity ownership at VietCredit's*: none*
- VietCredit's investment value of bond(s) issued by FiinGroup: *none*
- FiinGroup's investment value of bond(s) issued by VietCredit's: *none*
- VietCredit's investment value of other debt instruments issued by FiinGroup: *none*
- FiinGroup's investment value of other debt instruments issued by VietCredit's: *none*

FiinGroup aforementioned includes Credit Rating Agency (FiinGroup JSC.), its directors, Credit Rating Committee members, and analysts of FiinGroup engaged in this rating action. 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 issue date of this report.

FiinGroup and FiinRatings maintain a strict independence policy to meet current regulations in providing credit rating services in Vietnam as well as to comply with our conflicts-of-interest policy and to ensure the objectivity and independence in giving opinion on our credit ratings. Accordingly, personnel directly participated in credit rating are not allowed to own or to execute any transactions of securities, shares or debt instruments issued by the Company once FiinRatings has established a credit rating relationship.

FiinGroup Joint Stock Company

Credit Rating Report No.: 01-C01-2021

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Appendices

Appendix 1: Rating Scales and Definitions

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	Grade
Group 1: **Extremely strong** capacity to meet financial obligation	**AAA**	Investment grade
Group 2: **Very strong** capacity to meet financial obligation	**AA+**	
	AA	
	AA-	
Group 3: **Strong capacity** to meet financial obligations but somewhat susceptible to adverse economic conditions and changes in circumstances	**A+**	
	A	
	A-	
Group 4: **Adequate capacity** to meet financial commitments but more vulnerable to adverse developments and economic conditions	**BBB+**	
	BBB	
	BBB-	
Group 5: **Moderate capacity** to meet financial obligations but less vulnerable than other speculative issuers	**BB+**	Speculative grade
	BB	
	BB-	
Group 6: **Weak capacity** to meet financial obligations. Sensitive to business, financial and economic conditions. High risk.	**B+**	
	B	
	B-	
Group 7: **Very weak** capability or very likely to get into default. Very sensitive to business, financial and economic conditions. Substantial risk.	**CCC+**	
	CCC	
	CCC-	
	CC	
	C	
Group 8: **Default** level. In default or in breach of an imputed promise. This level is used upon the filing of a bankruptcy petition or the taking of similar action and where default on an obligation is a virtual certainty.	**SD, D**	Default

Appendix 2: VietCredit Financial Statements (VND bn)

BALANCE SHEET	2016	2017	2018	2019	2020
1. Cash and cash equivalents	**1**	**0**	**-**	**-**	**-**
2. Deposits with the SBV	**1**	**1**	**0**	**0**	**0**
3. Deposits with and loans to other credit institutions	**136**	**336**	**411**	**196**	**341**
4. Trading securities	**-**	**-**	**287**	**-**	**-**
5. Derivatives and other financial assets	-	-	1	-	-
6. Loans and advances to customers, net	**835**	**710**	**454**	**1,812**	**2,921**
7. Debts purchase	-	-	-	-	-
8. Investment securities	**772**	**600**	**601**	**711**	**1,177**
9. Long-term investments	**7**	**12**	**2**	**4**	**3**
10. Fixed assets	**3**	**10**	**48**	**45**	**45**
10.1. Tangible fixed assets	3	7	7	8	10
10.1.1. Cost	10	13	15	18	23
10.1.2. Accumulated depreciation	(7)	(6)	(8)	(10)	(13)
10.2. Finance lease assets	-	-	-	-	-
10.3. Intangible fixed assets	-	4	41	37	35
10.3.1. Cost	1	5	46	50	56
10.3.2. Accumulated depreciation	(1)	(2)	(5)	(13)	(20)
11. Investment properties	-	-	-	-	-
12. Other Assets	**267**	**267**	**282**	**478**	**649**
12.1. Receivables	33	44	37	43	49
12.2. Accrued interest and fee receivables	53	46	35	94	157
12.4. Other assets	184	181	213	344	459
12.5. Allowance for other assets	(3)	(3)	(3)	(3)	(17)
A. TOTAL ASSETS	**2,022**	**1,937**	**2,087**	**3,245**	**5,136**
1. Liabilities to Government and SBV	-	-	-	-	-
2. Deposits and borrowings from other credit institutions	**226**	**309**	**586**	**812**	**1,368**
3. Deposits from customers	**5**	**4**	**4**	**4**	**31**
4. Derivatives and other financial liabilities	**7**	**3**	**-**	**-**	**-**
5. Funds received from Government, international and other institutions	**1,011**	**843**	**435**	**135**	**108**
6. Convertible bonds/CDs and other valuable papers issued	**-**	**-**	**302**	**1,422**	**2,636**
7. Other liabilities	**33**	**30**	**68**	**147**	**238**
7.1. Interest and fee payables	2	2	12	86	127
7.3. Other liabilities	31	28	56	61	111
I. LIABILITIES	**1,282**	**1,190**	**1,395**	**2,520**	**4,381**
II. OWNER'S EQUITY	**739**	**747**	**692**	**725**	**755**
1. Capital	**651**	**651**	**669**	**688**	**688**
1.1. Contributed capital	605	605	669	688	688
1.2. Share premium	46	46	-	-	-
2. Reserves	**47**	**48**	**31**	**31**	**34**
3. Retained earnings	**41**	**49**	**(8)**	**7**	**33**
B. TOTAL RESOURCES	**2,022**	**1,937**	**2,087**	**3,245**	**5,136**
OFF-BALANCE SHEET ITEMS					
Loan guarantee	88	-	-	-	-
Commitment to sell foreign currency	-	-	3	-	-
Commit swaps	264	247	189	-	-
Commitment to future transactions	-	-	-	-	-
Undisputed loan commitments	-	-	55	773	1,318
Other guarantee	132	257	46	3	53

Other commitment	-	-	103	70	352

INCOME STATEMENT	2016	2017	2018	2019	2020
Interest and Similar Incomes	118	105	99	420	933
Interest and Similar Expenses	26	21	35	135	237
Net Interest and Similar Incomes	**92**	**84**	**64**	**285**	**696**
Fees and Commission income	1	0	0	89	161
Fees and Commission expenses	2	2	2	20	64
Net Fee and Commission Income	**(1)**	**(1)**	**(1)**	**69**	**96**
Net gain/(loss) from foreign currency and gold trading	(6)	(4)	(2)	1	1
Net gain/(loss) from trading securities	-	-	(1)	(8)	-
Net gain/(loss) from trading investment securities	-	-	3	(1)	(2)
Other Income	22	10	3	6	9
Other expenses	11	17	11	15	17
Net Other income/expenses	**11**	**(7)**	**(8)**	**(9)**	**(8)**
Dividends income	-	-	26	-	-
General and Administration expenses	41	61	127	241	377
Operating Profit Before Provision for Credit Losses	**55**	**11**	**(45)**	**97**	**406**
Provision for credit losses	50	(1)	7	82	374
Net accounting profit/(loss) before tax	**5**	**12**	**(52)**	**14**	**33**
Income tax expense - current	1	3	-	-	1
Income tax expense - deferred	-	-	-	-	-
Income tax expenses	**1**	**3**	**-**	**-**	**1**
Net profit/(loss) after tax	**4**	**9**	**(52)**	**14**	**39**
Non-controlling interests	-	-	-	-	-
Earnings per share	0	0	(0)	0	0

CASH FLOWS FROM OPERATING ACTIVITIES	2016	2017	2018	2019	2020
Interest and similar income receipts	101	112	110	361	906
Interest and similar expense payments	(25)	(21)	(26)	(61)	(196)
Fees and commission income received	(1)	(1)	(1)	69	60
Received-paid cash difference of trading activities (gold, currency, etc.)	(6)	(4)	1	(7)	0
Other operating income	(8)	(14)	(8)	(9)	(8)
Receipts from debts written off or paid off by risk fund	19	1	-	0	0
Payments to employees and other operating expenses	(40)	(59)	(116)	(228)	(339)
Payments for corporate income tax	(6)	(1)	(0)	-	-
Operating profit/(loss) before changes in WC	**34**	**13**	**(40)**	**125**	**423**
Changes in operating assets	**-**	**-**	**-**	**(1,399)**	**(2,073)**
Increase/(decrease) in deposits with and loans to other credit institutions	71	-	-	-	-
Increase/(decrease) in trading securities	(237)	192	(293)	174	(475)
Increase/(decrease) in derivatives and other financial assets	-	-	(1)	1	-
Increase/(decrease) in loans and advances to customers	(203)	106	257	(1,401)	(1,165)
Increase/(decrease) in provision for loan losses	(27)	(19)	(3)	(35)	(310)
Increase/(decrease) in other operating assets	9	(7)	(42)	(138)	(122)
Changes in operating liabilities	**-**	**-**	**-**	**1,045**	**1,806**
Increase/(decrease) in deposits and borrowings from other credit institutions	(51)	84	277	226	556
Increase/(decrease) in deposits from customers	5	(1)	(0)	0	27
Increase/(decrease) in valuable papers issued	-	-	302	1,120	1,214
Increase/(decrease) in funds received from Gov, international and other institutions	196	(167)	(408)	(300)	(26)
Increase/(decrease) in derivatives and other financial liabilities	4	(4)	(3)	-	-
Increase/(decrease) in other operating liabilities	(1)	11	24	(0)	39
Payment from reserves	-	-	(1)	(1)	(2)
Net cash inflows/(outflows) from operating activities	**(199)**	**208**	**68**	**(229)**	**157**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of fixed assets and other long-term assets	(0)	(10)	(27)	(5)	(11)
Proceeds from disposal of fixed assets	0	1	0	0	-
Proceeds from divestment in other entities	-	-	33	-	-
Net cash inflows/(outflows) from investing activities	**(0)**	**(9)**	**6**	**(5)**	**(11)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares	-	-	-	19	-
Dividends paid	-	-	-	-	(0)
Net cash inflows/(outflows) from financing activities	**-**	**-**	**-**	**19**	**(0)**
Net increase in cash and cash equivalents	**(200)**	**199**	**74**	**(215)**	**145**
Cash and cash equivalents at the beginning of period	**337**	**138**	**337**	**411**	**196**
Effect of foreign exchange differences	**-**	**-**	**-**	**-**	**-**
Cash and cash equivalents at the end of period	**138**	**337**	**411**	**196**	**341**

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