Initial Rating Public Announcement:

Home Credit Vietnam Co., Ltd ('HCVN')

Long-term Issuer Credit Rating*: A

Rating Outlook: Stable

Hanoi, 25 April 2025

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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 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, 25 April 2025

FiinRatings is pleased to announce that it has assigned a first-time Long-Term Issuer Credit Rating of **'A'** to Home Credit Vietnam Co., Ltd ("HCVN" or "the Company") with '**Stable**' rating outlook.

RATING SUMMARY

Criteria	Assessment
Non-bank financial company Anchor	**bbb-**
Modifiers:	
Business Position	*+1*
Capital & Earnings	*+1*
Risk Position	*+2*
Funding & Liquidity	*+0*
Stand-alone Credit Profile	**a**
External Influence	**+0**
Issuer Credit Rating	**A**
Outlook	***Stable***

RATING RATIONALE

HCVN's Issuer Credit Rating ('ICR') of **'A'** with a **'Stable'** outlook reflects FiinRatings' view that the Company's credit profile is poised to remain stable over the next 24 months, underpinned by its superior asset quality, strong capital base, and relatively robust business position as a frontrunner in the consumer finance sector. In our view, the Company's low-risk appetite, coupled with a rigorous risk management process that maintains asset quality at an industry-leading level despite prevailing market headwinds, is considered the most significant attribute that help bolster the Company's creditworthiness. In addition, HCVN's industry-leading capital base is expected to remain at the top, thanks to its solid earnings capacity with proven track record. This capital base, with decent diversification in funding sources, will likely be able to support the Company's ambitious credit growth target in 2025, while ensuring HCVN's adequate liquidity position. Furthermore, we anticipate the Company's announced upcoming transaction to Siam Commercial Bank (SCB) from Thailand to be a positive factor that could enhance HCVN's creditworthiness.

FiinRatings has been applying an anchor of 'bbb-' to non-bank consumer finance companies (NBFCs) operating in Vietnam, considering the specific economic and industry risk faced by Vietnam's consumer finance sector. FiinRatings believes that credit institutions will continue to face challenged in credit growth, while asset quality will still be under pressure in the next 12-18 months while the economy slowly recovering. However, in the context that the consumer finance industry is still one of interest and receiving policy support, we expect that the asset quality of credit institutions will recover in line with the economic cycle and competitive advantage will return to businesses with strong business positions like HCVN. These factors will be the premise for credit growth and thereby improving the industry's profitability.

FiinRatings assesses HCVN's business position to be "Strong" and makes one-notch adjustment upward from the sector anchor. This upgrade is attributed to the Company's status as one of the industry's leading firms with a relatively strong position in the consumer finance market since its inception, with a diverse business model and high stability, supported by prudent development strategy and management of its Board of Directors.

- HCVN experienced a strong performance recovery in 2024, evidenced by a net profit of VND 1,290.9 billion and a substantial loan growth of 13.8%, outperforming key competitors like FE Credit (10.3%) and HDSaison (13.2%). This rebound allowed HCVN to secure top 3 position in terms of consumer finance loan portfolio size and top 4 in terms of total loan book size in the NBFC sector with a 9.6% market share as of December 2024. The Company's established market position (consistently among the top three NBFC during 2020-2024) thanks to a well-defined customer base acquired through both an extensive POS network and a growing online platform, which is expected to bolster its competitiveness and long-term growth.

- HCVN demonstrates a decent level of business diversification, primarily through its varied loan portfolio where cash loans consistently form the majority (over 53.0% as of December 2024); it is also complemented by increasing contributions from consumer durables (rebounding to 24.7% in 2024), motorbike loans (9.0%), and revolving credit (13.1%). This strategic mix not only enhances resilience but also addresses regulatory shifts. Furthermore, HCVN has significantly bolstered its revenue streams beyond lending, with net fee income, largely from insurance, soaring to account for 14.0% of the total operating income in 2024 (a substantial rise from 3.5% in prior years). This growth is facilitated by the Company's extensive network of over 13,000 partners and a strong distribution network featuring more than 21,000 POS locations and collaborations with key players in vehicle and consumer durable financing, enabling them to reach over 16 million customers over the past 15 years.
- Furthermore, FiinRatings assesses the influence and impact of HCVN's Board of Directors and governance on the Company's business position as 'Strong' due to their consistent financial performance over the past five years and their experienced leadership, which has maintained effective practices. As a Czech National Bank-regulated subsidiary adhering to European standards, HCVN demonstrates robust oversight in key risk areas and has consistently met targets, withstanding even challenging periods like the Covid-19 pandemic and 2023 market headwinds while strengthening its leading position. The Company's proactive risk mitigation, strong underwriting, and robust risk management ensured that it can manage adverse conditions effectively.

HCVN's Capital and Earnings modifier is assessed as "Strong" with an adjustment of one-notch upward, factoring in the Company's strong capital buffer, improved leverage, and stronger earning capacity in relative to the industry average.

- FiinRatings assesses HCVN's Capital as 'Strong', considering the Company's (i) consistently high capital adequacy ratio (CAR), (ii) its lower leverage than industry median, and (iii) potentially enhanced capital strength and access to preferential funding following its upcoming merger and acquisition (M&A) with Siam Commercial Bank, one of Thailand's largest financial institutions. HCVN has significantly reduced its leverage over the past five years to 2.8 times by the end of 2024, notably lower than the industry average of 3.9 times. This is underpinned by a strong capital buffer, with its Capital Adequacy Ratio (CAR) consistently improving from 18.4% in 2020 to an industry-leading 27.5% by the end of 2024, significantly higher than competitors like FE Credit (14.4%), and Mcredit (13.4%). This robust capital position, with 98.3% Tier 1 capital, is expected to be sustained by solid profitability, projecting a stable leverage around 2.8 times and the highest CAR in the sector for the next two years.
- HCVN's Earnings is also assessed as 'Strong', evidenced by the Company's outstanding profitability indicators such as NIM, and ROA, even during challenging periods, supported by its high-yield portfolio and efficient operations. Although the consumer finance sector faced headwinds in 2022-2023 with slower loan growth and rising bad debts and funding costs, HCVN still outperformed the industry, maintaining profitability while peers struggled. In 2024, HCVN's net profit surged to VND 1,290.9 billion (from VND 375.3 billion in 2023), driven by effective sales, partnerships, and customer-centric products. This resulted in a strong net interest margin of 28.1% in 2024, significantly above the industry median of 17.8%. Furthermore, HCVN achieved industry-leading ROA (4.9%) and ROE (18.5%) as of December 2024, supported by a consistent APR of approximately 38.9% over five years. Although operating expenses were still higher, indicating by a Cost-to-Income (CIR) of 51.5% in 2024 due to additional investment in technology and products for digital transformation, we project an improvement of CIR in 2025-2026 to 48.6 – 49.7% resulting from the effectiveness of the digital transition. HCVN's strong Earnings is expected to continue, with projected net profit between VND 1,059.3 bil in 2025 and VND 1,346.9 bil, reinforcing the Company's leading business position.

FiinRatings assesses HCVN's risk position as 'Very Strong' and has implemented a two-notch upgrade in its rating. This reflects the Company's prudent risk appetite, evidenced by (i) a more cautious lending policy compared to its peers in the consumer finance sector, (ii) the characteristics of its individual customer base, which exhibit a low level of concentration risk and high credit quality, (iii) a credit growth strategy that prioritizes asset quality, and (iv) debt recovery and non-performing loan ratios that significantly outperform

industry competitors. These highlights underpin the Company's credit profile. In the context of a slower-than-expected economic recovery, we believe that superior asset quality, coupled with comprehensive risk management practices, will be a supportive driver for the company's risk position and a key monitoring factor in subsequent credit rating updates.

- We assess that HCVN exhibits a rather conservative risk appetite in comparison to financial institutions of a similar scale. This is clearly demonstrated through the Company's consistent maintenance of a prudent and highly selective lending policy, focusing on a client base with relatively strong credit quality. This cautious lending approach is further underpinned by a comprehensive risk management process featuring a comparatively transparent governance structure and low levels of concentration risk. Furthermore, FiinRatings also observes that HCVN's future risk appetite aligns appropriately with the prevailing business environment, particularly given the sluggish recovery in the retail sector, as well as with the Company's holistic risk management practices.
- Home Credit has consistently maintained a superior non-performing loan (NPL) ratio within the industry, attributable to its prudent and selective lending policy targeting a customer base with relatively strong credit profiles, coupled with effective bad debt control. Specifically, the average NPL ratio during the 2020-2024 period was recorded at 3.1%, significantly lower than the industry median of 7.5% and consistently leading among consumer finance companies with the lowest NPL ratios. The average ratio of problem loans during this period (from group 2 to group 5) stood at 9.5%, also below the industry median of 18.8%. Both of these ratios have shown a downward trend in recent times, with the NPL ratio in 2024 at 1.8% (2023: 2.5%, 2022: 3%) and the problem loan ratio at 6.5% (2023: 9.5%, 2022: 11.3%). HCVN demonstrates a strong debt recovery capability, consistently outperforming the industry with a five-year (2020-2024) recovery rate of 17.7%, significantly above the 9.9% industry median. This success stems from a selective lending policy, prudent risk management, effective inter-departmental coordination, deeply effective application of data big data analytics and fraud prevention in operation. Additionally, HCVN maintains a suitable bad debt write-off policy, aligning with the industry median of approximately 10.3% over the past five years.

HCVN's funding capacity and liquidity profile is assessed as 'Adequate', underpinned by its diversified funding sources and the consistent maintenance of funding costs at a suitable level relative to the industry median. The Company demonstrates diversification in its capital mobilization sources by maintaining stability across various funding avenues from the wholesale market, encompassing negotiable instruments and borrowings from other credit institutions. Despite this diversification, a relative reliance on this particular source persists, as evidenced by the wholesale funding to total liabilities ratio, which averaged 82.0% during the 2020-2024 period, notably higher than the industry median of 72.8%. Nevertheless, the company has exhibited a gradual reduction in its dependence on this type of capital, with the aforementioned ratio showing a downward trend since 2022.

- HCVN's capital mobilization strategy involves three key avenues: Equity saw an average growth of 10.4% from 2020-2024. Valuable paper issuance, is being prioritized to reach 40-41% of funding. Interbank mobilization decreased from 26.6% in 2020 to 21.6% in 2024This diversification aims to broaden investor reach for consistent capital access. Largely due to the reliance on wholesale funding sources, which are susceptible to market fluctuations, HCVN's average Cost of Funds (CoF) was 7.6% during 2020-2024, surpassing the industry average of 7.2%. This CoF further increased in 2023-2024, consistent with the NBFC sector's trend (HCVN's CoF recorded 8.8% in 2023 and 8.4% in 2024). However, we expect potential improvement of HCVN's CoF to 7.9-8.1% in the 2025-2026 period.
- HCVN's liquidity is considered adequate, as evidenced by its higher-than-industry-median ratios for Liquid Assets/Total Liabilities (averaging 16.9% vs. 9.7% from 2020-2024) and High-Quality Liquid Assets/Wholesale Funding (averaging 19.2% vs. 10.9%). While both ratios saw a decline in 2024, aligning with an industry trend, HCVN maintains a sound liquidity position. This is further supported by a detailed Liquidity Contingency Plan (LCP), outlining crisis mitigation measures and stakeholder communication. The Home Credit Group stands ready to provide funding support if needed. Additionally, HCVN adheres to a 30-day liquidity ratio policy to ensure liquidity. Historical stress tests confirm no past liquidity stress, attributed to strong fundraising and parental support from Home Credit N.V.

In addition to the modifiers assessment, FiinRatings assesses that HCVN's creditworthiness has been and continues to benefit significantly from the support and impact of its strategic shareholder, Home Credit N.V., and is projected to further gain from The Siam Commercial Bank Public Company Limited ("SCB") following the legal transfer of 100% equity. As the capital transfer agreement between Home Credit N.V. and SCB is currently pending approval from the State Bank of Vietnam (SBV), this rating assessment does not yet reflect adjustments to HCVN's issuer credit rating under the influence of parental support. However, we anticipate that this capital transfer will positively impact Home Credit VN's business prospects and internal factors, based on potential related elements such as (i) HCVN's significance in SCB's development strategy within the Vietnamese market; (ii) the outlook for commitments and support from SCB in terms of finance, personnel, and business operations; and (iii) SCB's relatively high assessed credit strength, which also positively influences HCVN's credit profile.

(Note: Consumer finance industry median figures are compiled from FiinRatings data sources for 16 consumer finance companies operating in the Vietnamese market)

OUTLOOK, UPGRADE & DOWNGRADE SCENARIOS

The stable outlook for HCVN reflects our expectation that the Company will remain its issuer credit rating for the next 24 months.

Upgrade Scenarios:

Factors that could, individually or collectively, lead to review for positive rating action or upgrade for HCVN:

- The Company has sustained robust profitability and demonstrated a marked improvement in its capital structure, all while successfully diversifying its loan portfolio and maintaining sound asset quality;
- The Company registered exceptional credit growth and achieved the largest outstanding loan balance among NBFCs in the sector;
- The successful transfer of Home Credit N.V.'s capital contribution in HCVN to Siam Commercial Bank (SCB) Thailand has instigated a significant and positive transformation in the Company's business operations.

Downgrade Scenarios:

Factors that could, individually or collectively, lead to review for negative rating action or downgrade:

- Profitability has been eroded due to the deteriorating quality of lending and the adverse impact from the consumer finance sector;
- The Company's decision to loosen its risk appetite by lending to individual customers with riskier credit profiles has resulted in a decline in the quality of its assets;
- HCVN has failed to sustain and has consequently lost its established business standing as a top 4 player in the sector (as evidenced by its market share in terms of outstanding customer loans), and/or has relinquished its third-ranking market share within the consumer finance lending industry (indicated by outstanding loans for this specific purpose).

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 for non-bank finance companies in Vietnam
- Methodology for notching up the standalone ratings of subsidiaries for group support

CREDIT RATING HISTORY

Company Name	Rating Type	Issue Date	Rating	Outlook
Home Credit Vietnam Company Limited	Issuer Rating – Initial	25 April 2025	A	Stable

RATING SCALE AND DEFINITION

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.

Definition and explanation	Rating scales
Group 1: **Extremely strong** capacity to meet financial obligation.	**AAA**
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+**
	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**. Payments on an obligation are not made on the date due or the issuer becomes insolvent. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action.	**SD, D**

OWNERSHIP DISCLOSURE AND STATEMENTS

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:

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

FiinRatings aforementioned includes FiinRatings JSC., its directors, Credit Rating Committee members, and analysts of FiinRatings 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.

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FIINRATINGS JOINT STOCK COMPANY

Public Credit Rating Announcement No.: 01-C56-2025

Nguyen Quang Thuan, FCCA
Chief Executive Officer
Hanoi, April 25, 2025

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