CONTACTS

Phan Duy Hung, CFA, MBA
Director – Senior Analyst
hung.phan@visrating.com

Nguyen Ha My, CFA
Associate Analyst
my.nguyen@visrating.com

Simon Chen, CFA
Head of Ratings & Research
simon.chen@visrating.com

https://visrating.com

Consumer Finance Sector

Fragile recovery ahead: Strategic shifts and shareholder support key to weather macro volatility and risks

In 2024, credit fundamentals for consumer finance firms rebounded from 2023's trough level, supported by bad debt clean-up efforts and a more stable operating environment—leading to lower non-performing loan (NPL) formation and credit costs. However, we expect divergence to emerge as macro risks, including US tariff hikes, cloud the outlook for the next 12-18 months.

Firms focused on lower-risk consumer durables and two-wheeler loans are likely to maintain resilient asset quality and profitability, while those expanding in cash loans and credit cards may underperform. Structural funding and liquidity challenges will persist, with reliance on confidence-sensitive short-term market funds underscoring the critical role of continued shareholder support.

Firms will adopt more conservative business strategies in response to rising asset risks and macro volatility. With high exposure to unsecured loans to underserved, low-income borrowers, the sector has been vulnerable to macroeconomic volatility and borrower fraud over the last 5 years. Potential US tariff hikes could further strain borrower income and debt serviceability. In response, firms such as FE CREDIT, MAFC, and Shinhan Finance are pivoting toward lower-risk segments like consumer durables and two-wheeler loans through partnerships with retailers.

Meanwhile, others like Mcredit are incorporating new borrower data from third-party sources, such as the Ministry of Public Security, to improve customer selection and early fraud detection. Underwriting standards are tightening through shortening loan tenors, reducing ticket sizes, limiting cash loans to new customers (e.g., HCVN), and refining credit card offerings that promote consumption-based usage (e.g., FE CREDIT, Mcredit). Looking ahead, credit fundamentals are set to diverge — firms focused on lower-risk segments (e.g., HCVN, HD SAISON) are likely to remain resilient, while those expanding in cash loans and credit cards (e.g., Mcredit, FE CREDIT, SHBFinance) face elevated asset risks.

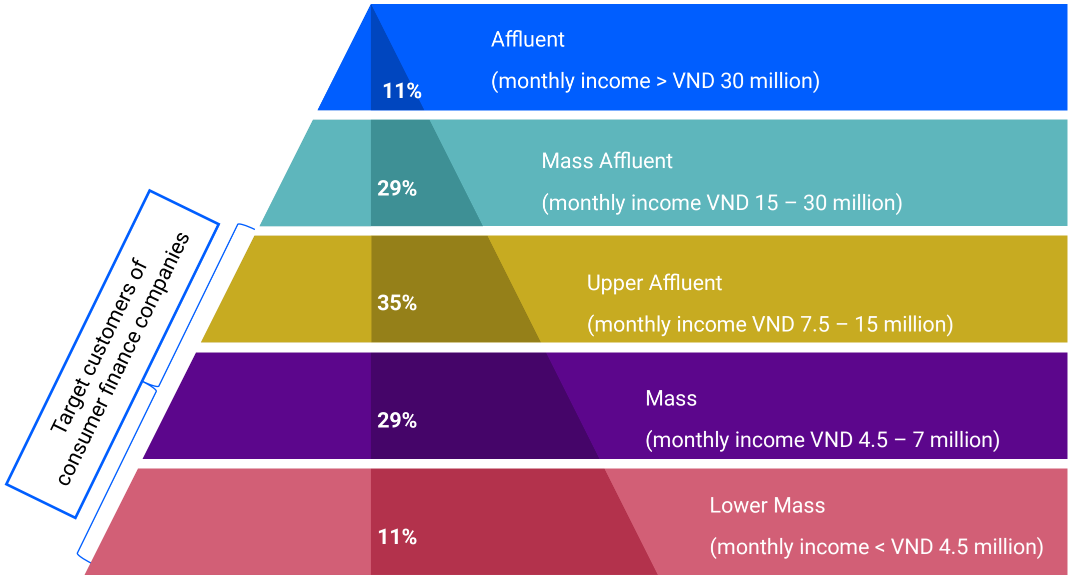
Sector profit will rise modestly, with cash loan-focused firms lagging behind. We expect the sector return on average assets (ROAA) to improve slightly, supported by stable net interest margins (NIM) from high-yield consumer loans. However, macroeconomic uncertainty is expected to dampen credit demand, and firms concentrated on cash loans and credit cards—such as Mcredit, FE CREDIT, and SHBFinance—will likely face elevated credit costs due to persistent asset risks. Meanwhile, firms are streamlining operations by digitizing customer acquisition and expanding partnerships with retailers, e-wallets, e-commerce platforms, and telecom providers.

Shareholder support is key to manage structural funding and liquidity risks. Liquidity remains a key structural vulnerability for consumer finance companies, due to their reliance on confidence-sensitive market funds for their core lending activities. Those with heavier reliance on short-term funds are more vulnerable to liquidity shocks. To mitigate these risks, firms are increasingly turning to shareholder funding support, while also diversifying funding sources through long-term bond issuance and leveraging parent banks' deposit networks.

Consumer finance firms are generally rated lower than banks due to their high-risk business models and limited likelihood of government support. Compared with banks, they face higher delinquencies and loss rates, driven by riskier customer profiles and a greater extent of unsecured lending. In contrast, Vietnamese banks generally exhibit stronger standalone credit profiles and a higher probability of state support—reflecting their systemic importance and a robust regulatory framework. Within the consumer finance sector, higher-rated firms typically exhibit sound risk management, resilience through economic cycles, and strong operational support from parent banks.

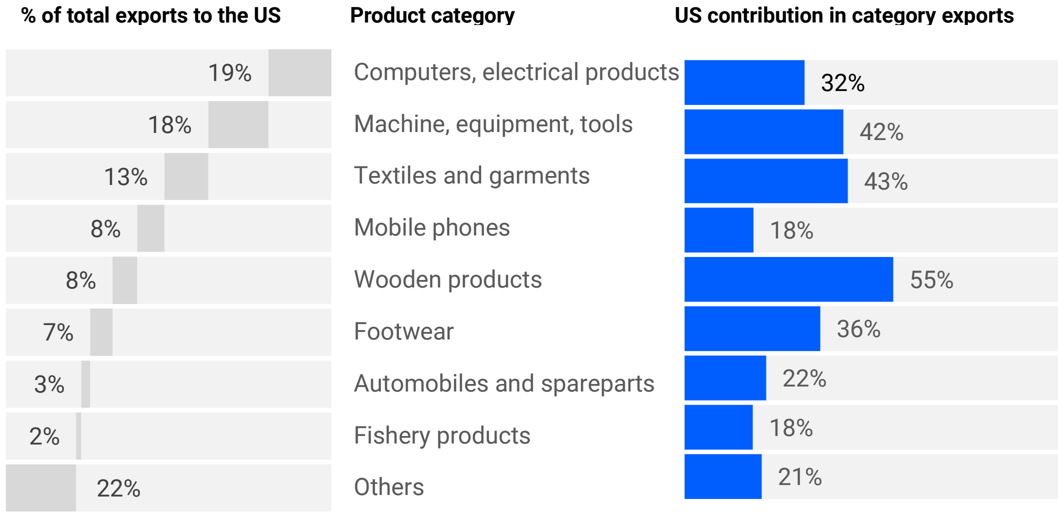
Macroeconomic uncertainties constrain the recovery of the consumer finance sector

Exhibit 1: Consumer finance companies focus on low-income, underserved borrowers



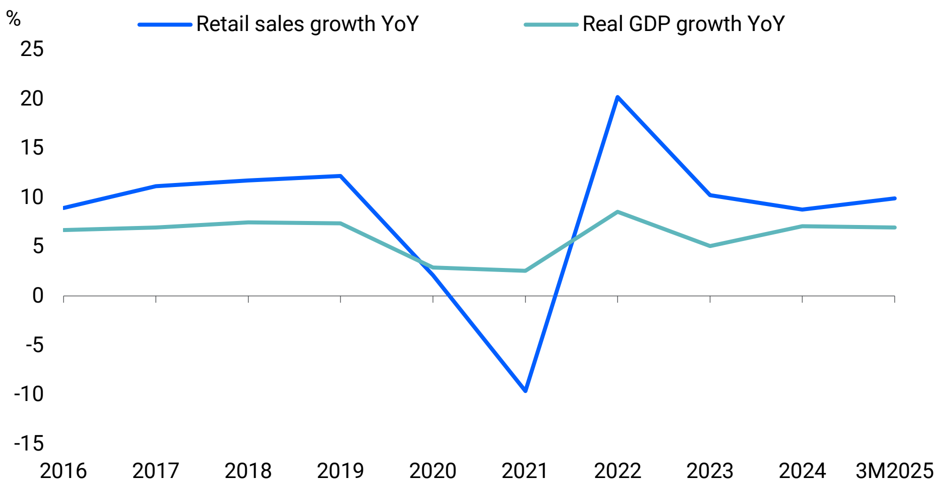
Source: VIS Rating

Exhibit 2: Potential US tariff hikes will most impact on labor-intensive sectors…



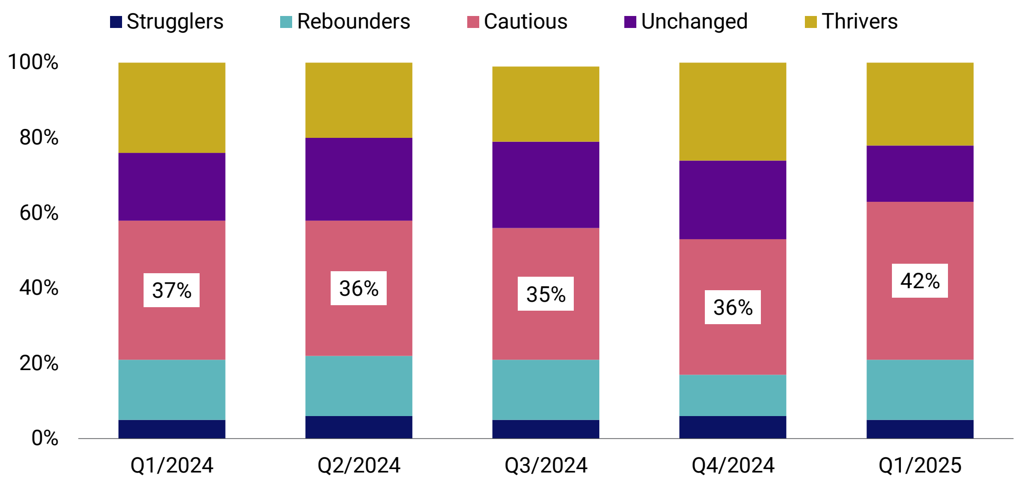
Source: VIS Rating

Exhibit 3: …and weigh on credit demand



Source: VIS Rating

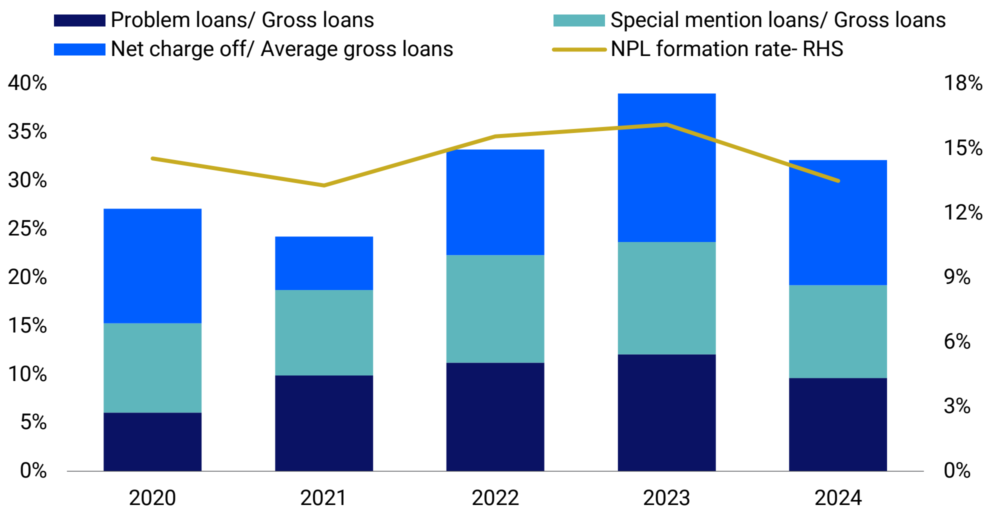
Exhibit 4: Consumers' spending remained cautious amid macro uncertainties



Source: NielsenIQ (NIQ) Consumer Sentiment report, VIS Rating
Note: NIQ defined strugglers as those who suffered financial insecurity and continue to do so; Rebounders refer to those who experienced income or job loss but now feel they are back on track; Cautious are those not impacted financially but are cautious with spending; Unchanged are those not impacted and continue to spend the same; Thrivers saved money and fell more financially secure.

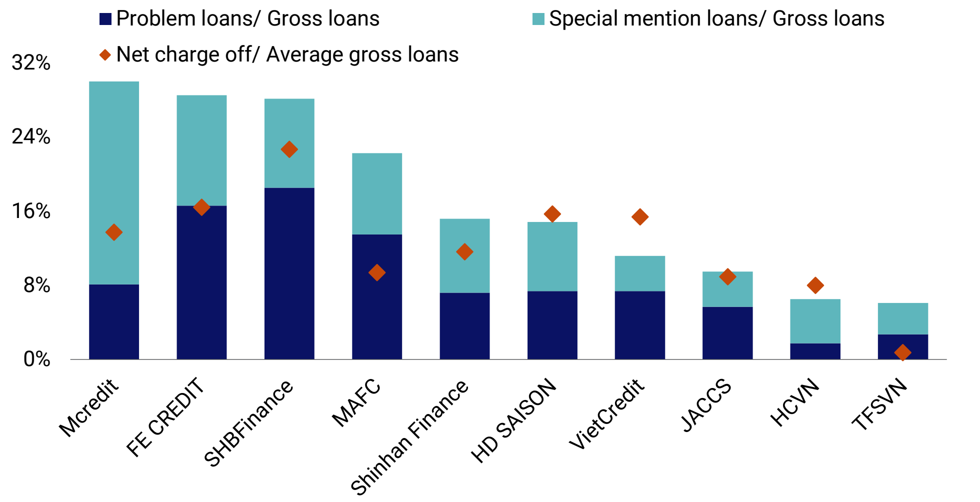
Firms will adopt more conservative business strategies amid rising asset risks and macro volatility

Exhibit 5: Rising asset risk amid macro volatility



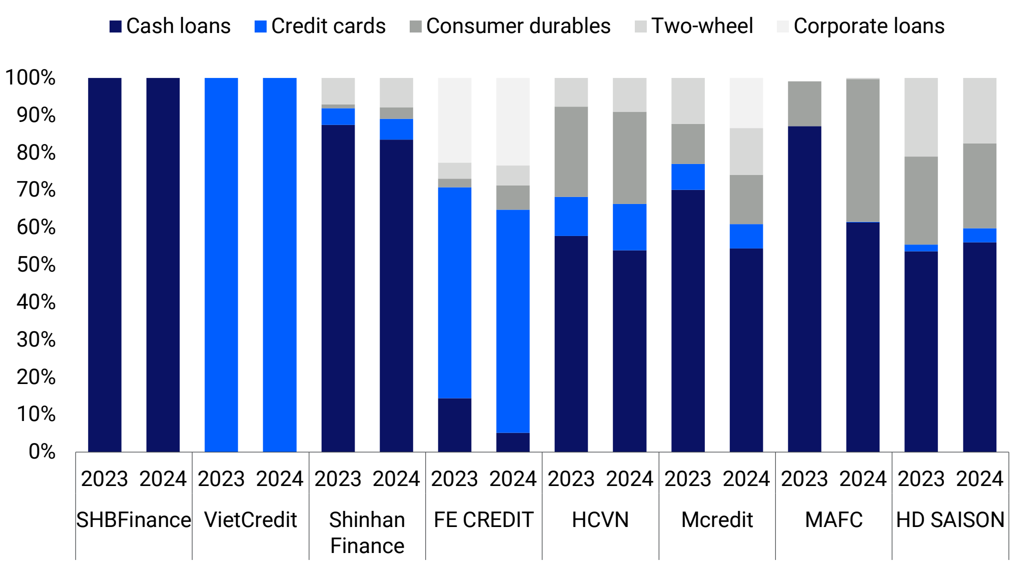
Source: Company data, VIS Rating

Exhibit 6: Asset risk will remain elevated for cash loan-focused firms



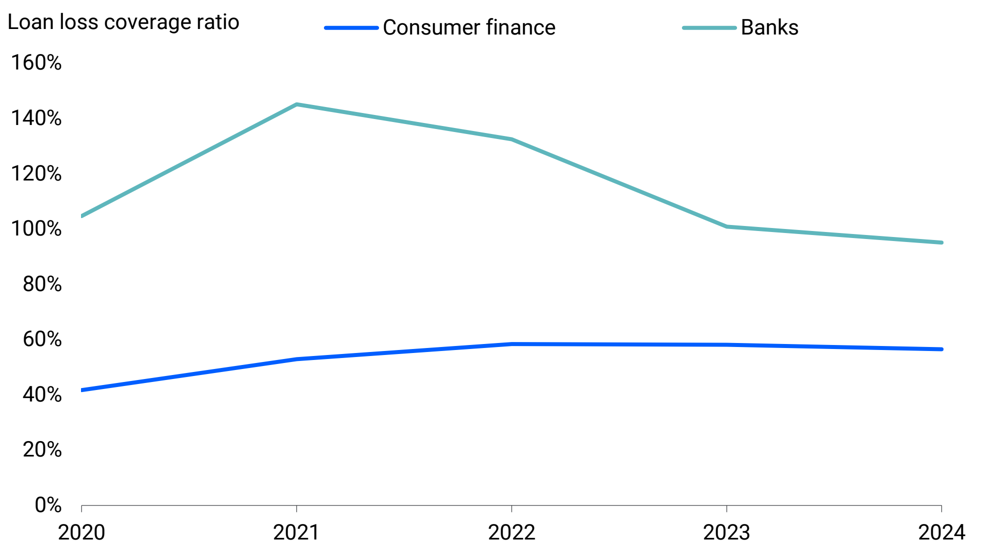
Source: Company data, VIS Rating
Note: Data as of 2024; Refer to the Appendix for the full name of consumer finance firms

Exhibit 7: Many firms switched to lower-risk consumer durables and two-wheel loans



Source: Company data, VIS Rating

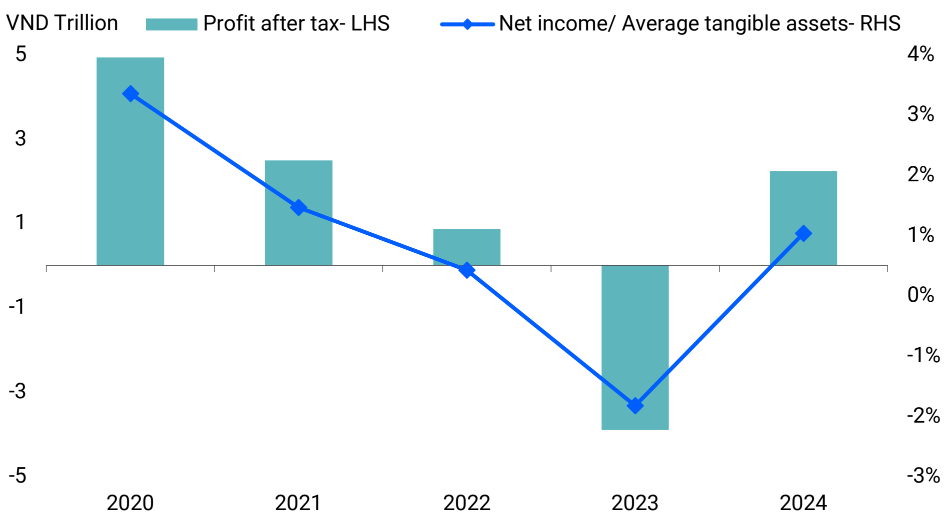
Exhibit 8: Loan loss coverage will remain significantly lower than banks



Source: Company data, VIS Rating

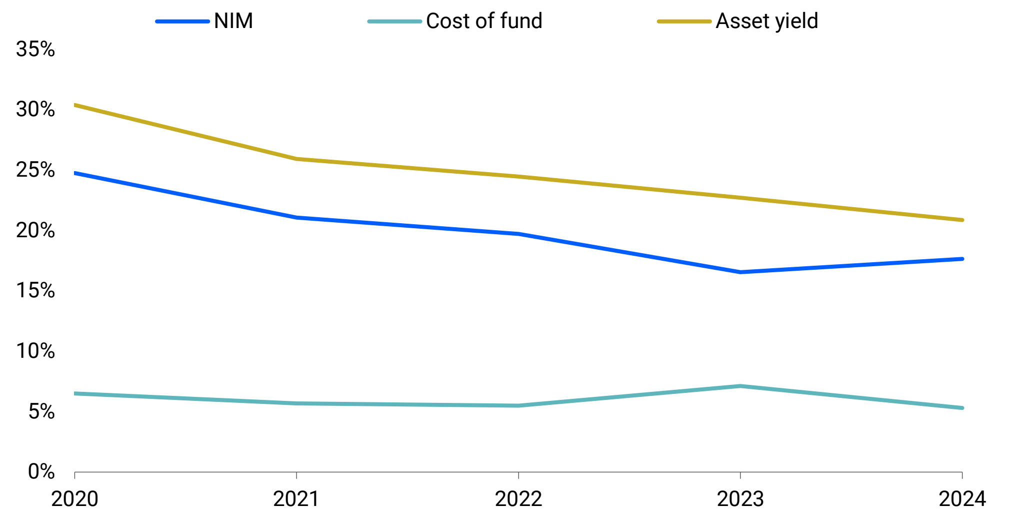
Sector profit will rise modestly, with cash loan-focused firms lagging behind

Exhibit 9: Sector profit will improve modestly…



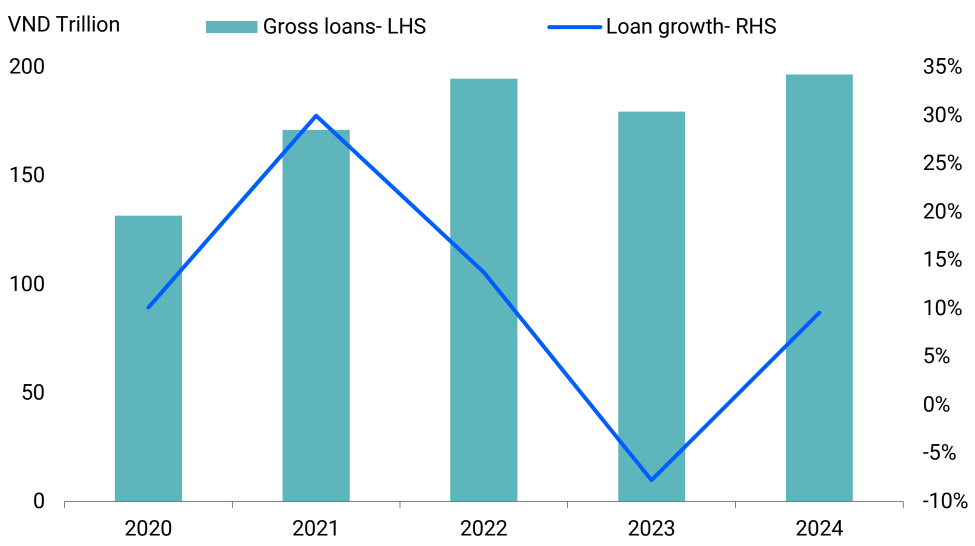
Source: Company data, VIS Rating

Exhibit 10: … supported by steady NIM from high-yield consumer loans



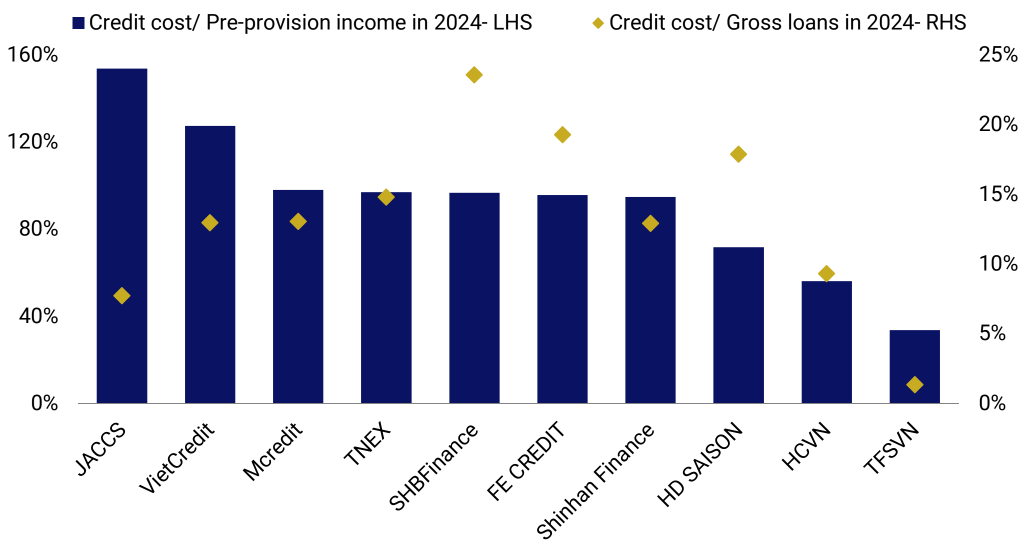
Source: Company data, VIS Rating

Exhibit 11: Concerns over macro uncertainties will weigh on credit demand



Source: Company data, VIS Rating

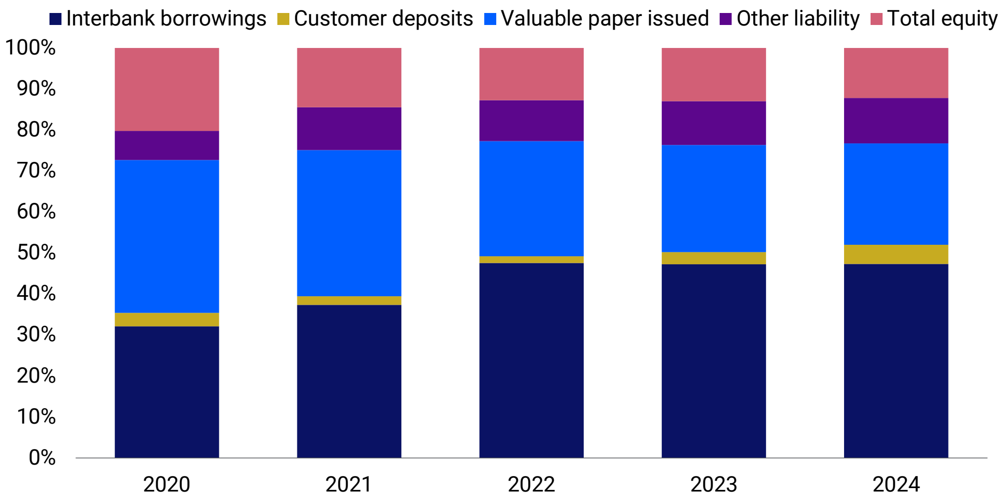
Exhibit 12: High credit costs for firms focusing on cash loans and credit cards



Source: Company data, VIS Rating
Note: Refer to the Appendix for the full name of consumer finance firms

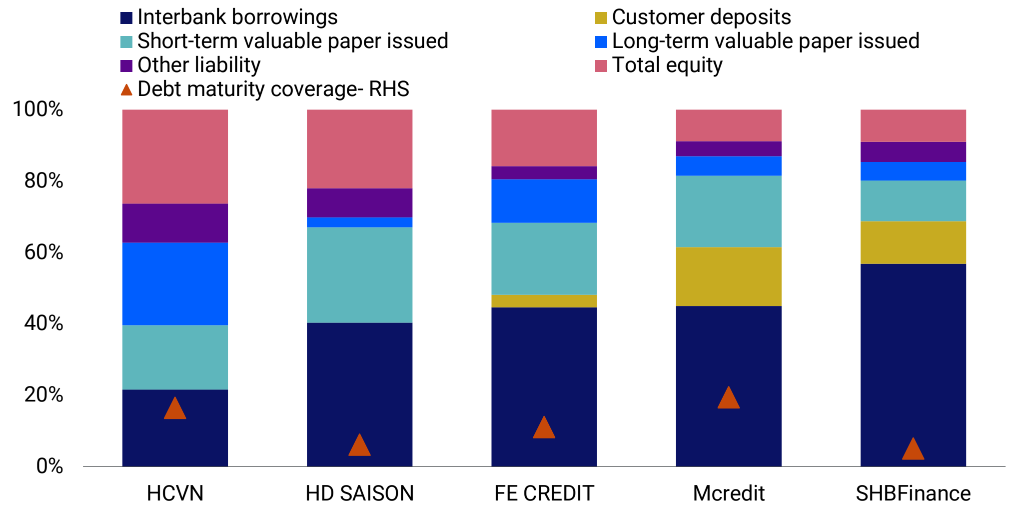
Shareholder support is key to manage structural funding and liquidity risks

Exhibit 13: Confidence-sensitive market funds make up the majority of funding mix



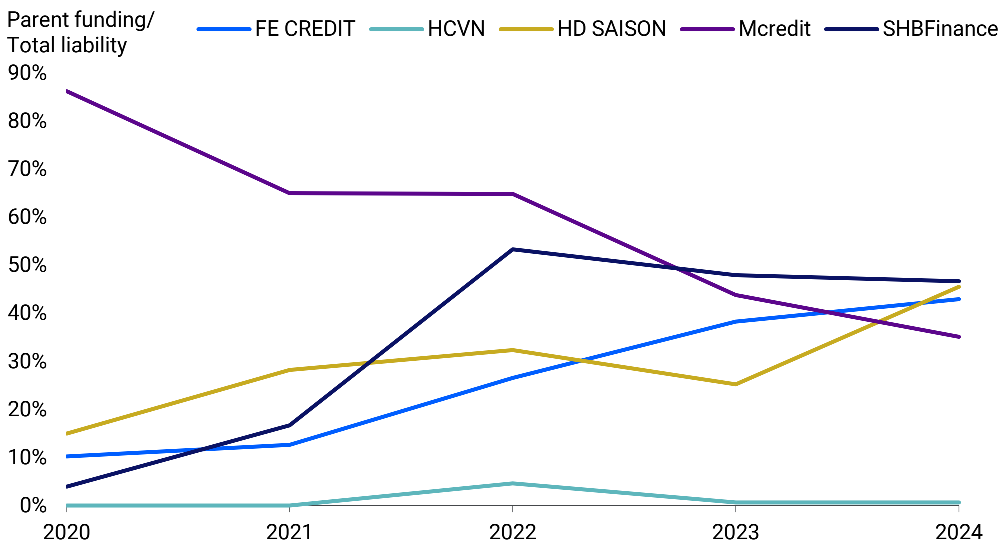
Source: Company data, VIS Rating

Exhibit 14: Diversifying funding sources will mitigate funding risks



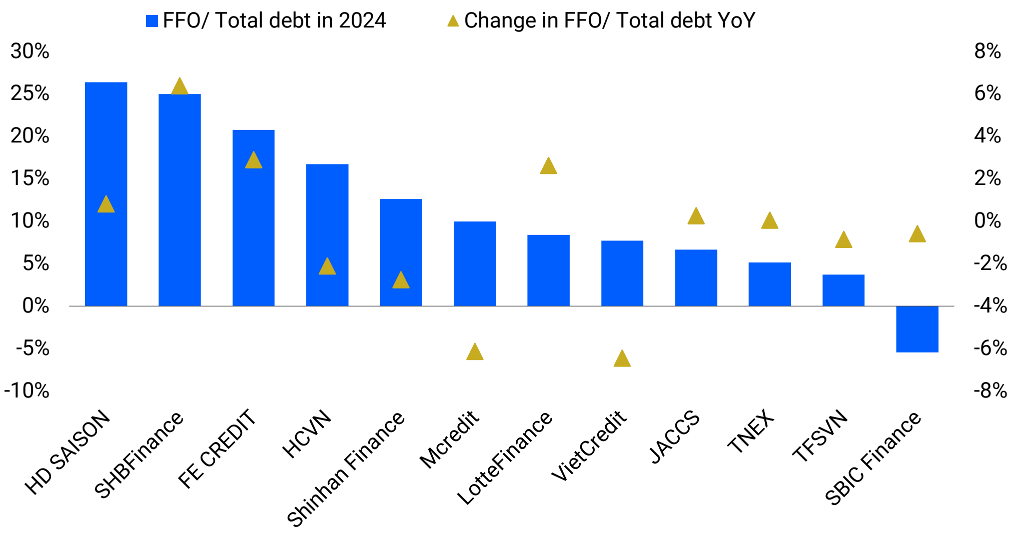
Source: Company data, VIS Rating
Note: Data as of 2024; Refer to the Appendix for the full name of consumer finance firms
Debt maturities coverage is measured as liquid assets over short-term liability

Exhibit 15: Several firms benefit from substantial parent funding



Source: Company data, VIS Rating
Note: Refer to the Appendix for the full name of consumer finance firms

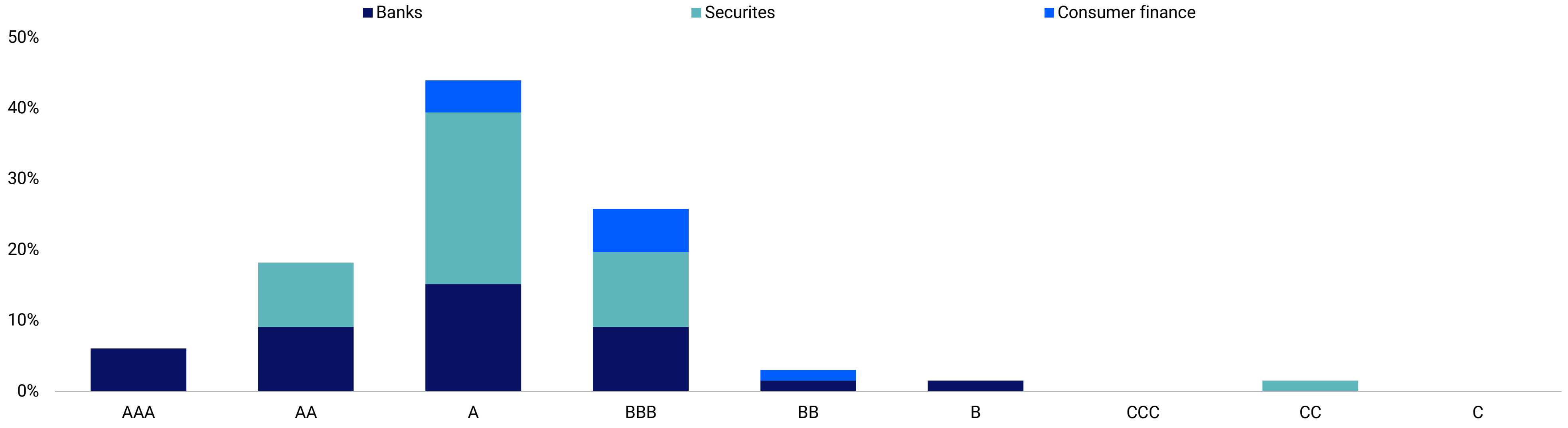
Exhibit 16: Most firms improved their cash flow in 2024 due to higher core profits



Source: Company data, VIS Rating
Note: Refer to the Appendix for the full name of consumer finance firms

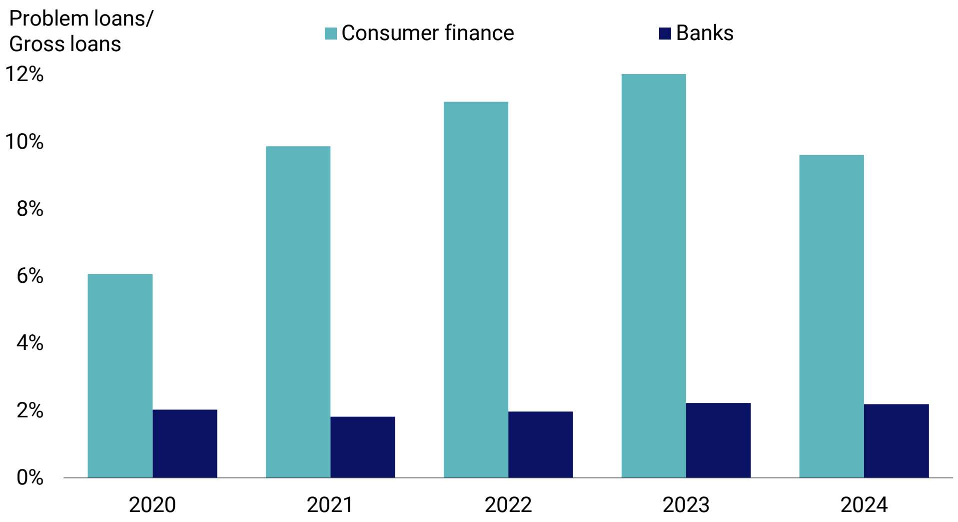
Consumer finance firms are generally rated lower than banks due to their high-risk business models and limited likelihood of government support

Exhibit 17: Higher-risk business model and limited government support drive lower preliminary credit assessment scores for consumer finance firms



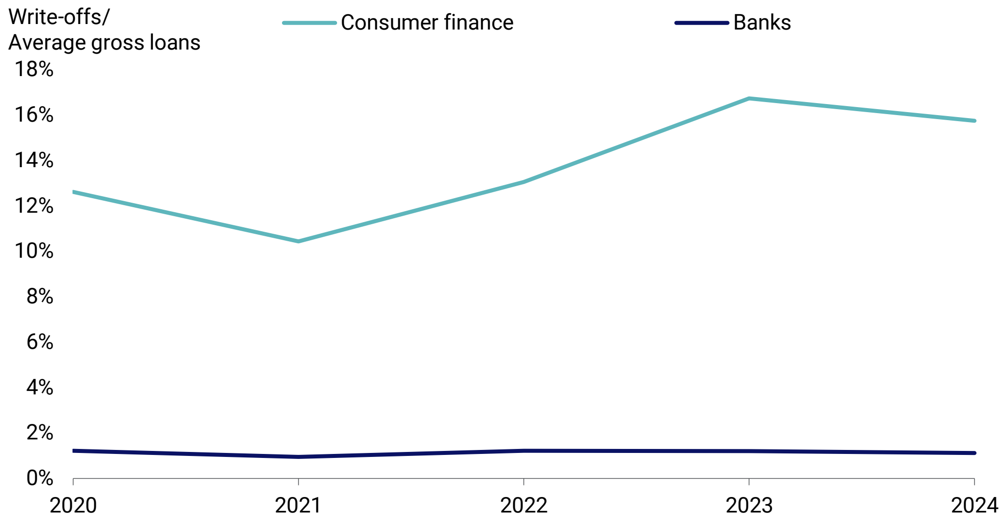
Source: VIS Rating

Exhibit 18: Higher loan delinquencies for consumer finance firms given higher-risk customer profiles and unsecured loan products



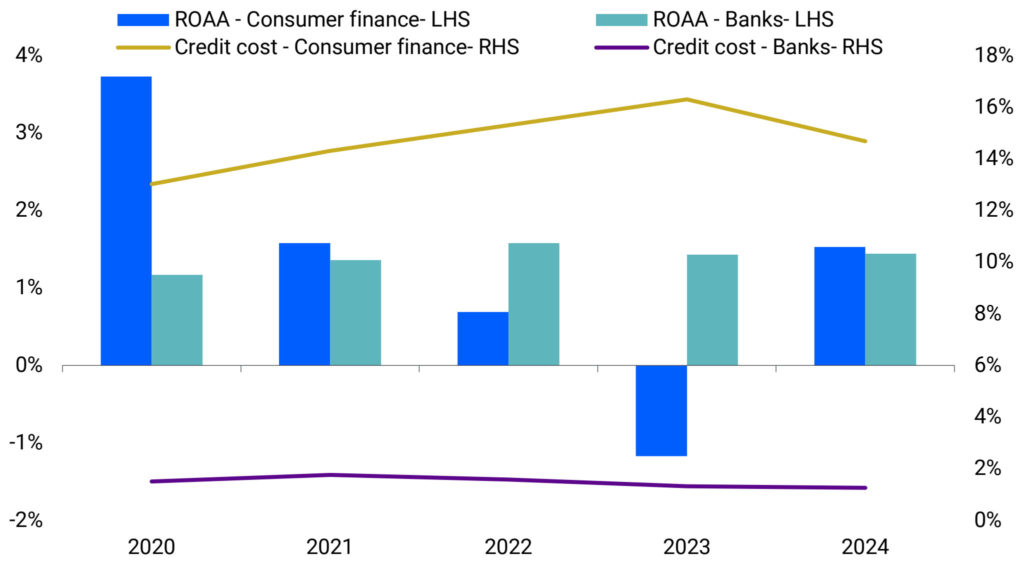
Source: Company data, VIS Rating

Exhibit 19: Consumer finance firms maintain significant write-offs to clean up bad debts



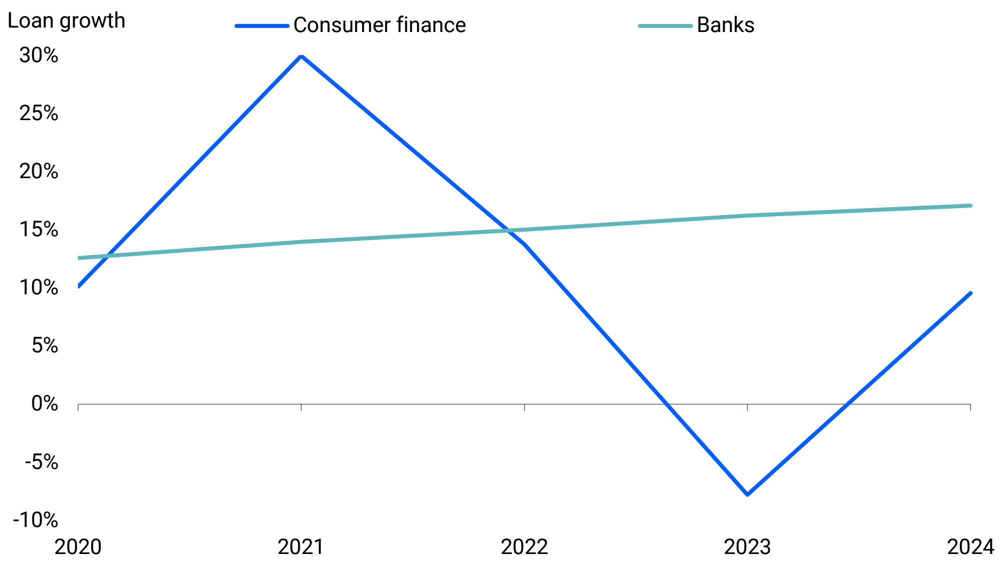
Source: Company data, VIS Rating

Exhibit 20: Consumer finance profits are more volatile with higher credit costs and...



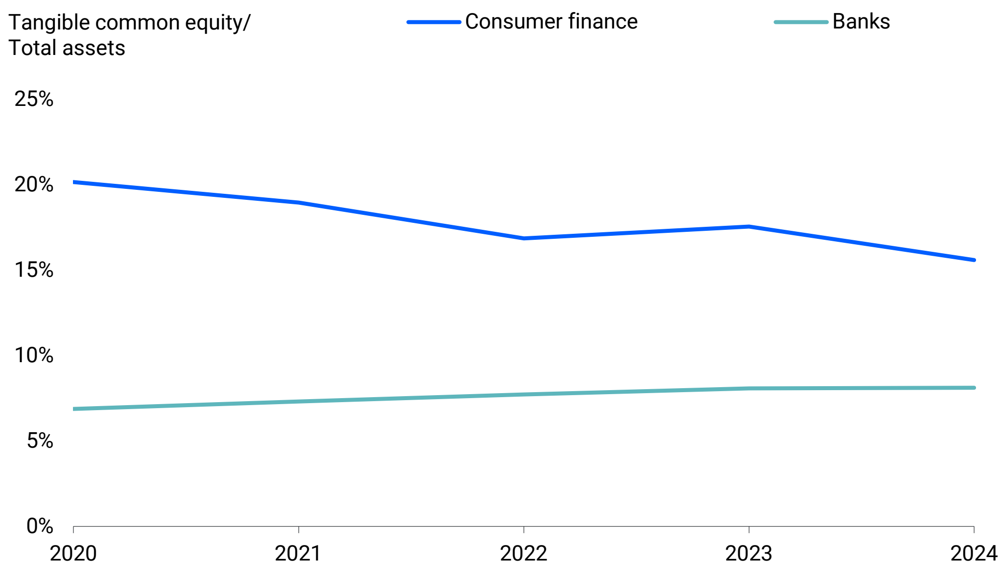
Source: Company data, VIS Rating

Exhibit 21: ... huge swings in loan growth



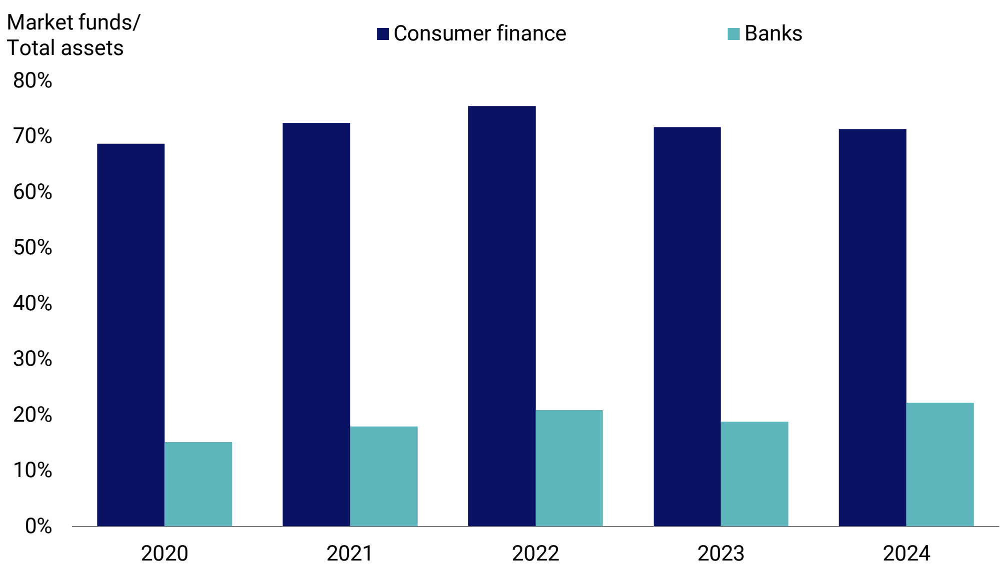
Source: Company data, VIS Rating

Exhibit 22: Consumer finance's stronger-than-bank capital to sustain their high-risk business models



Source: Company data, VIS Rating

Exhibit 23: Higher-than-bank liquidity risk given high reliance on market funds



Source: Company data, VIS Rating

APPENDIX

List of consumer finance companies by total assets as of 31/12/2024

The firms included in our analysis are as follows

	Short name	Full name
1	FE CREDIT	VPBank SMBC Finance Company Limited
2	Mcredit	MB Shinsei Consumer Credit Finance Limited Liability Company
3	HCVN	Home Credit Vietnam Finance Company Limited
4	HD SAISON	HD Saison Finance Co.,Ltd
5	TFSVN	Toyota Financial Services Vietnam Company Limited
6	MAFC	Mirae Asset Finance Company (Viet Nam) Limited
7	Shinhan Finance	Shinhan Vietnam Finance Company Limited
8	SHBFinance	SHBank Finance Company Limited
9	VietCredit	Vietcredit Finance Joint Stock Company
10	PTF	Post And Telecommunication Finance Company Limited
11	JACCS	JACCS International Vietnam Finance Company Limited
12	Lotte Finance	Lotte Finance Vietnam Company Limited
13	TNEX	Tnex Finance Company Limited
14	HAFIC	Handico Finance Joint Stock Company
15	SBIC Finance	Vietnam Shipbuilding Finance Company Limited

Note: This report excludes EVNFC as the firm is a general-licensed finance company focusing on corporate loans

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