



An Industry Point of View

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In this session, we'll:



Provide an overview of macroeconomic trends — as well as consumer financial and credit health



Discuss overarching themes driving market dynamics for key credit products



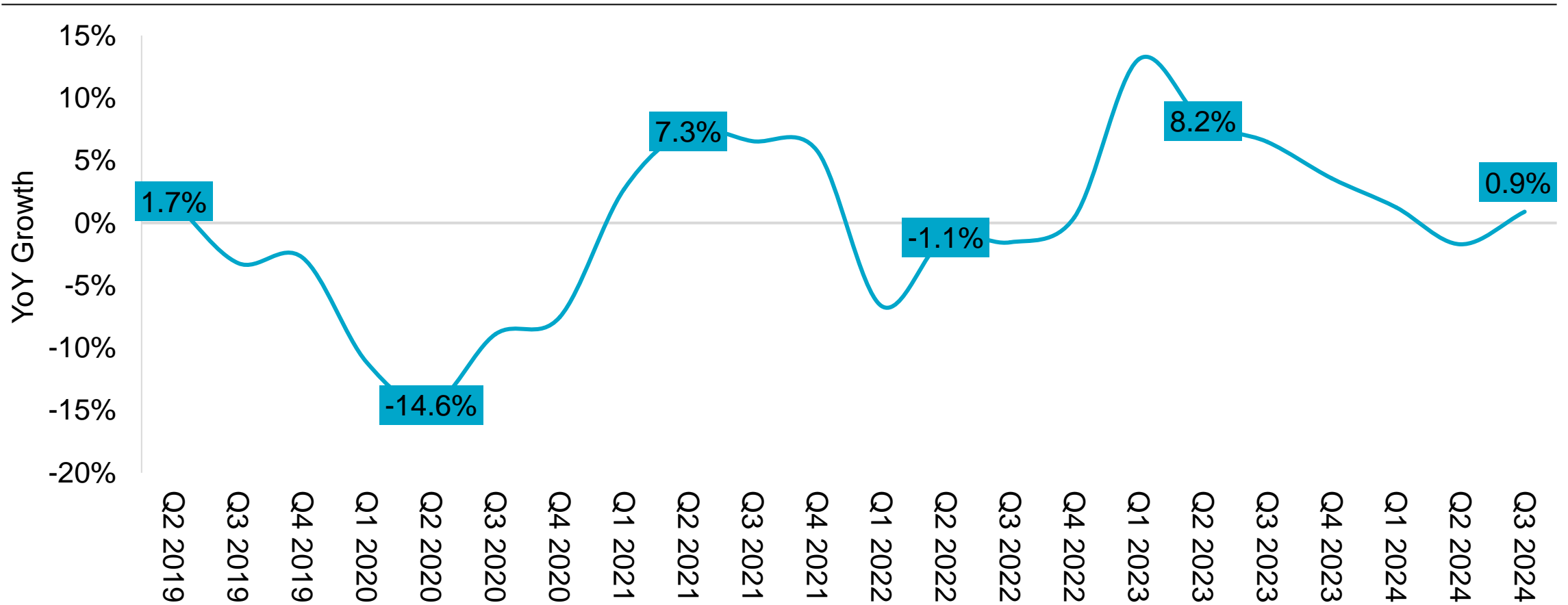
Highlight implications for lenders to consider for future growth

An Overview of Consumer Financial and Credit Health



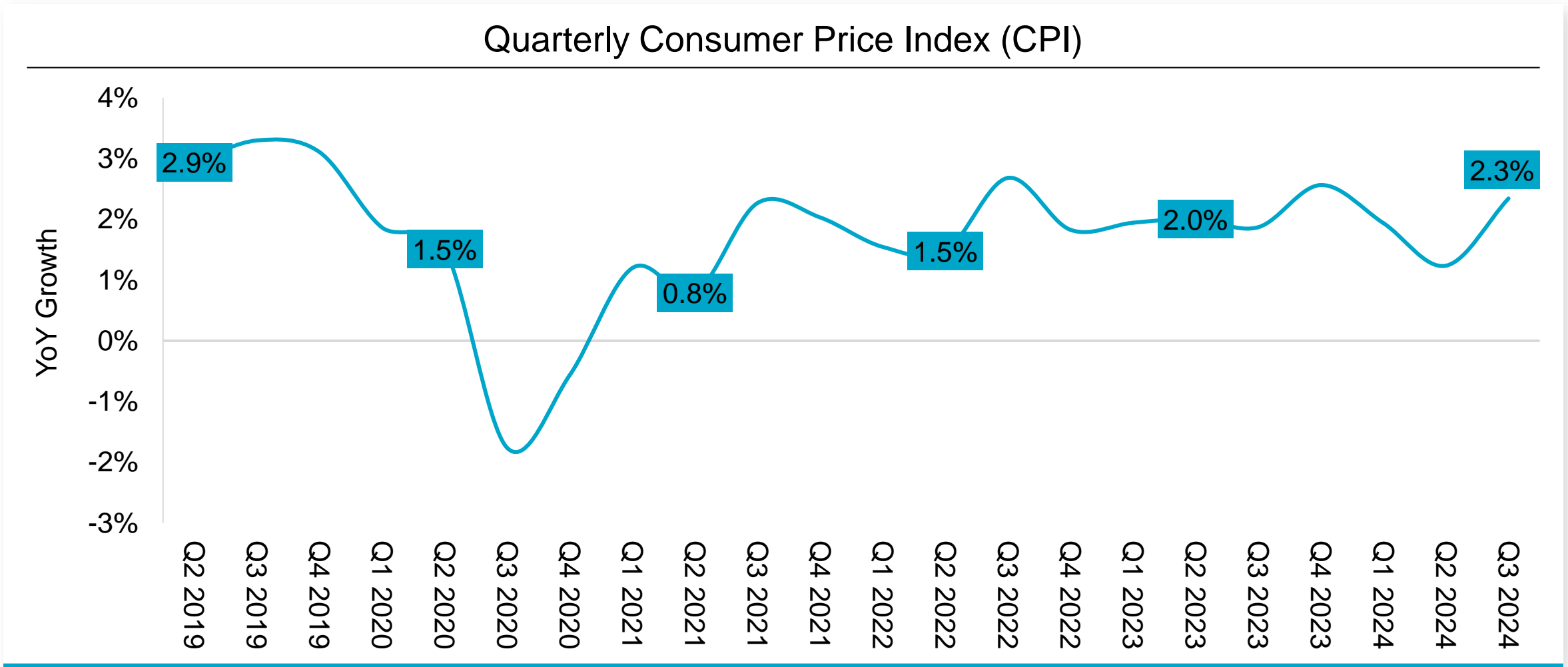
Private consumption growth slowed to 0.9% in Q3 2024 amid shifts in consumer spending

Quarterly Private Consumption



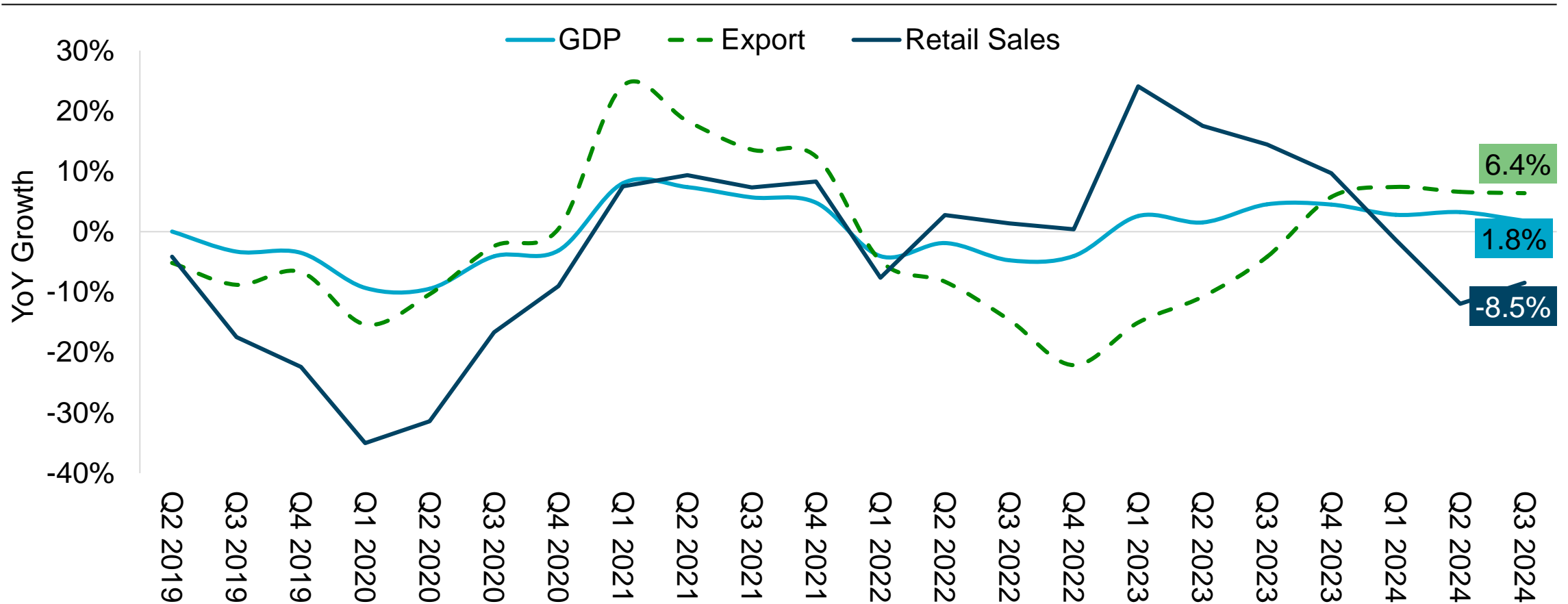
Consumer prices increased slightly in Hong Kong as the inflation rate (CPI) hit 2.3% in Q3 2024

Quarterly Consumer Price Index (CPI)



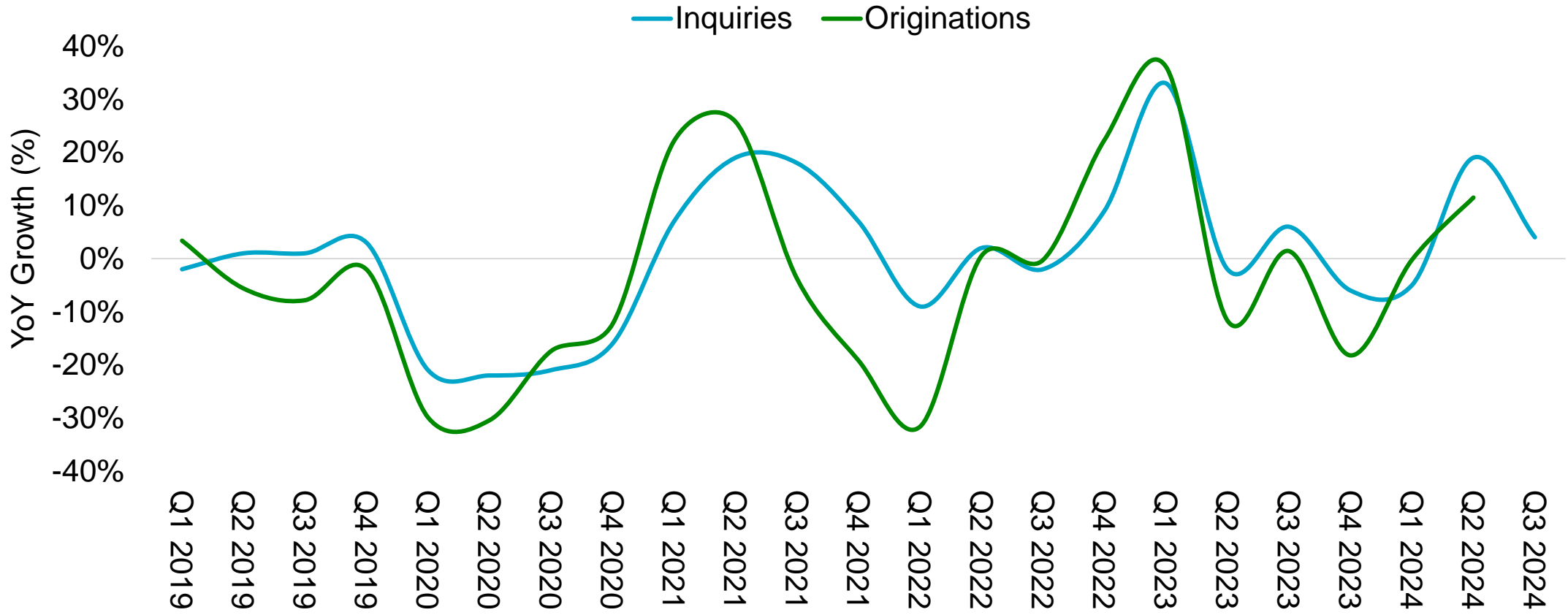
A strong export market supported Hong Kong's GDP growth at 1.8% in Q3 2024 despite weak property and retail sector growth

Quarterly GDP and Export Performance



Consumer demand for credit rebounded in Q2 2024, likely driven by reward campaigns for the summer sale season

YoY Growth in Inquiries/Originations



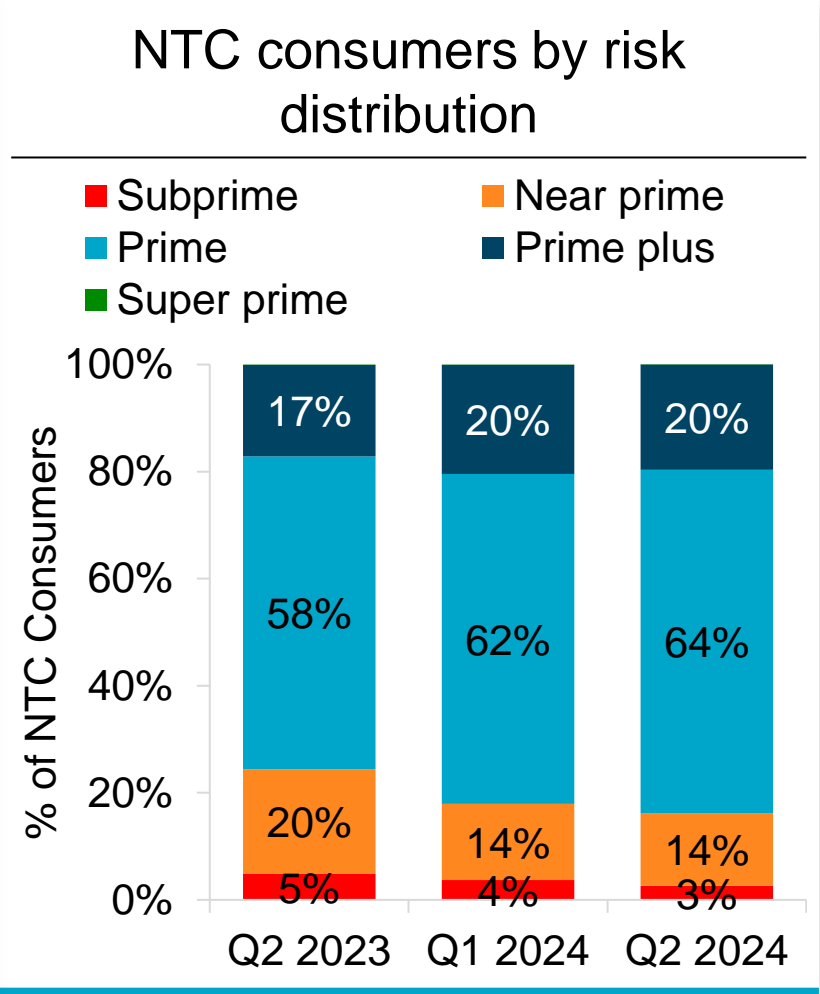
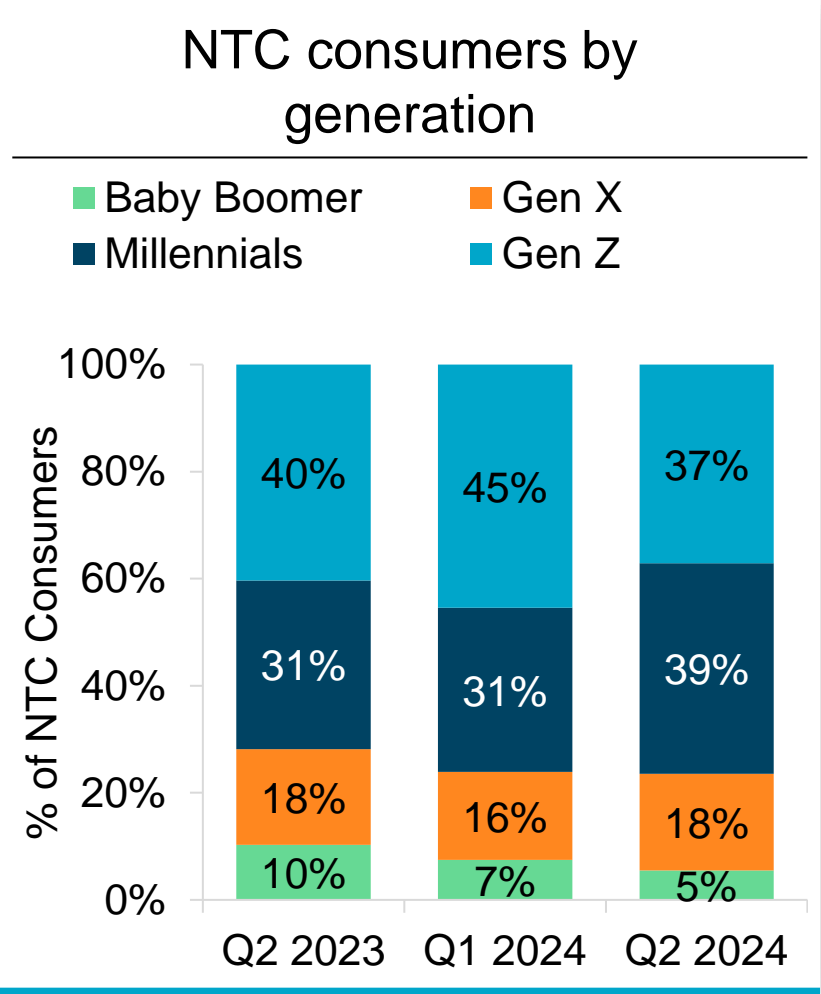
New-to-credit activity growth surged year-on-year, age distribution reveals the youth are not the only drivers of growth

54K

NTC Consumers
in Q2 2024

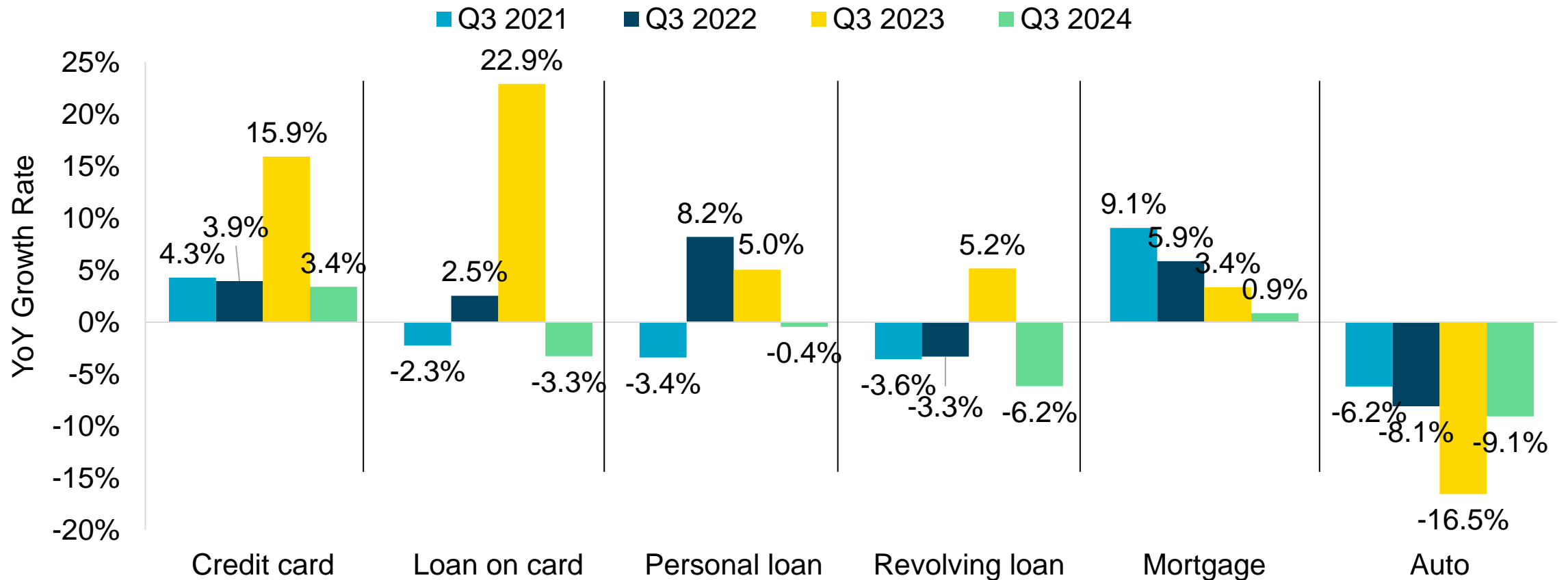
+75% growth YoY

+48% growth QoQ



Outstanding credit card balances remained robust as consumers increased usage during the summer travel season

Outstanding Balances by Product

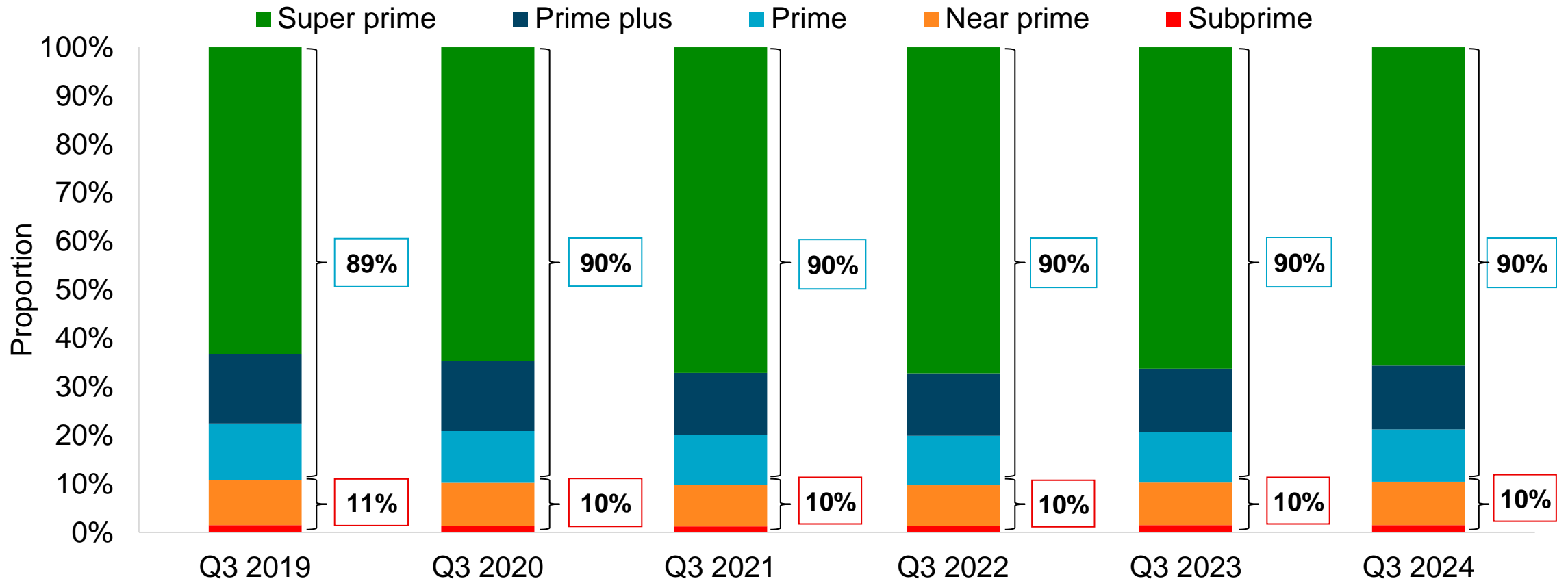


Source for Mortgage balances is Residential Mortgage Survey published by the Hong Kong Monetary Authority
 Confidential | Internal use only
 Source: TransUnion Hong Kong consumer credit database



Credit risk distribution in Hong Kong remained concentrated toward lower risk tiers

Risk Distribution of Hong Kong Credit-Active Population



TransUnion CreditVision® risk score: Subprime = JJ to II; Near prime = HH to DD; Prime = CC; Prime plus = BB; Super prime = AA



Q3 2024 year-over-year risk tier migration continued in an upward trend with more upgrades than downgrades

YoY Risk Tier Migration Q3 2024

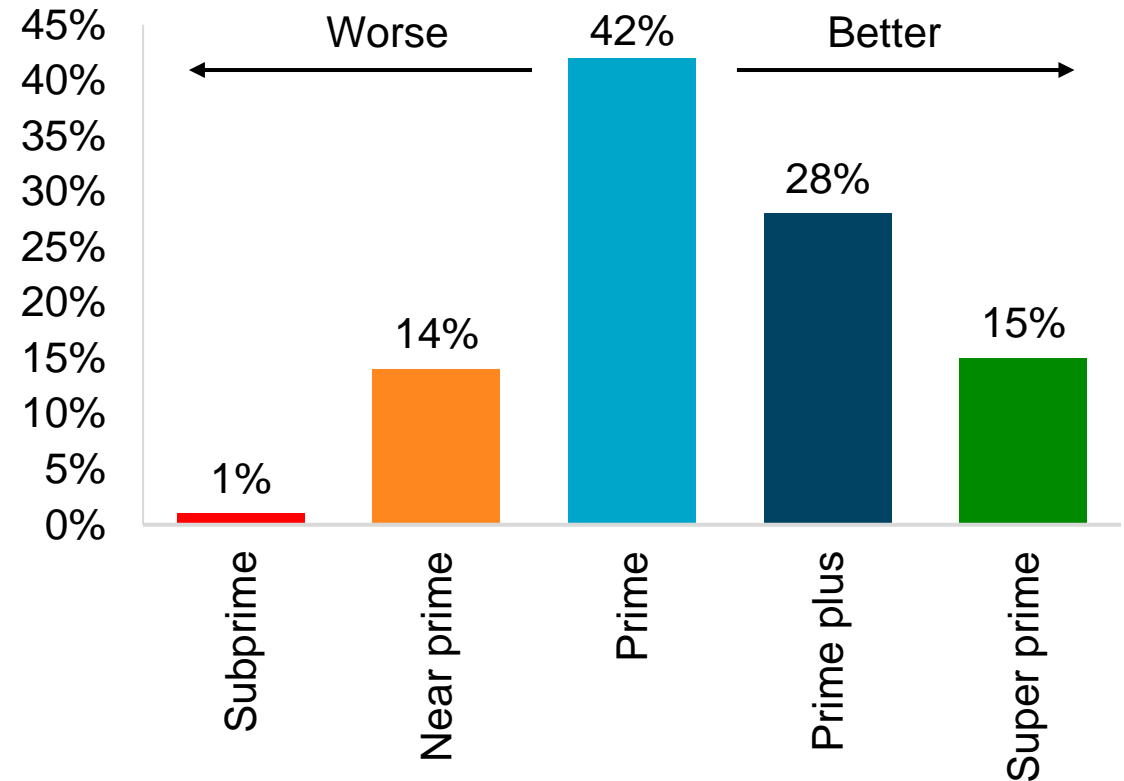
Risk Tier Q3 2023	Worse *	Same	Better **
Super prime	10%	90%	N/A
Prime plus	16%	36%	48%
Prime	15%	42%	43%
Near prime	8%	64%	29%
Subprime	N/A	50%	50%

TransUnion CreditVision® risk score: Subprime = JJ to II; Near prime = HH to DD; Prime = CC; Prime plus = BB; Super prime = AA

* Worse refers to consumers whose scores dropped one or more risk segments, for example from prime to near prime.

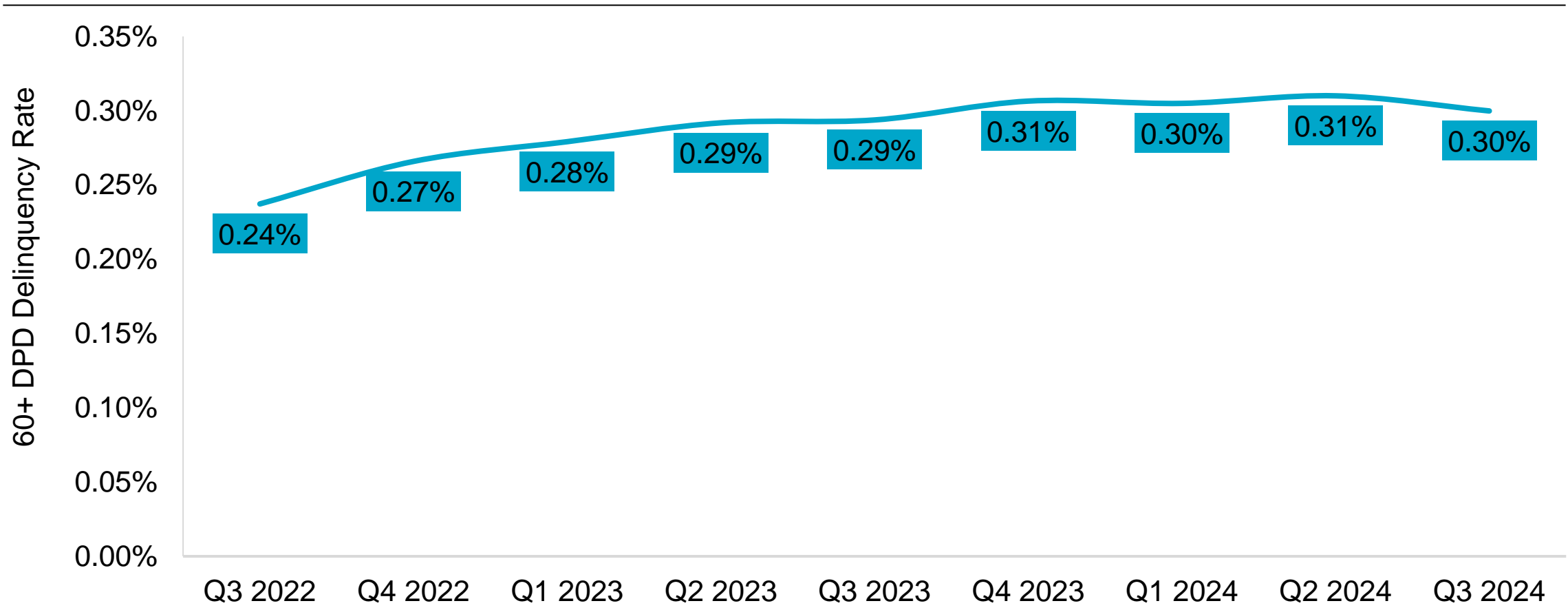
** Better refers to consumers whose scores improved one or more risk segments, for example from prime plus to super prime.

Risk Tier Migration for Prime Segment (Q3 2023 versus Q3 2024)



Consumer delinquency rates shifted slightly downward in Q3 2024 but remained higher than 2022 levels

Consumer Level Delinquency Rate





Participation

A total of 54,000 new-to-credit consumers entered the market compared to 36,000 in the prior year.



Performance

The overall risk distribution within the credit-active population remained stable, indicating a healthy market — as evidenced by the upward momentum in risk tier migrations.



Outlook

Q3 enquiries indicated a renewed appetite for credit, suggesting origination growth and a return to seasonal trends in the market.



Credit Card and Loan on Card





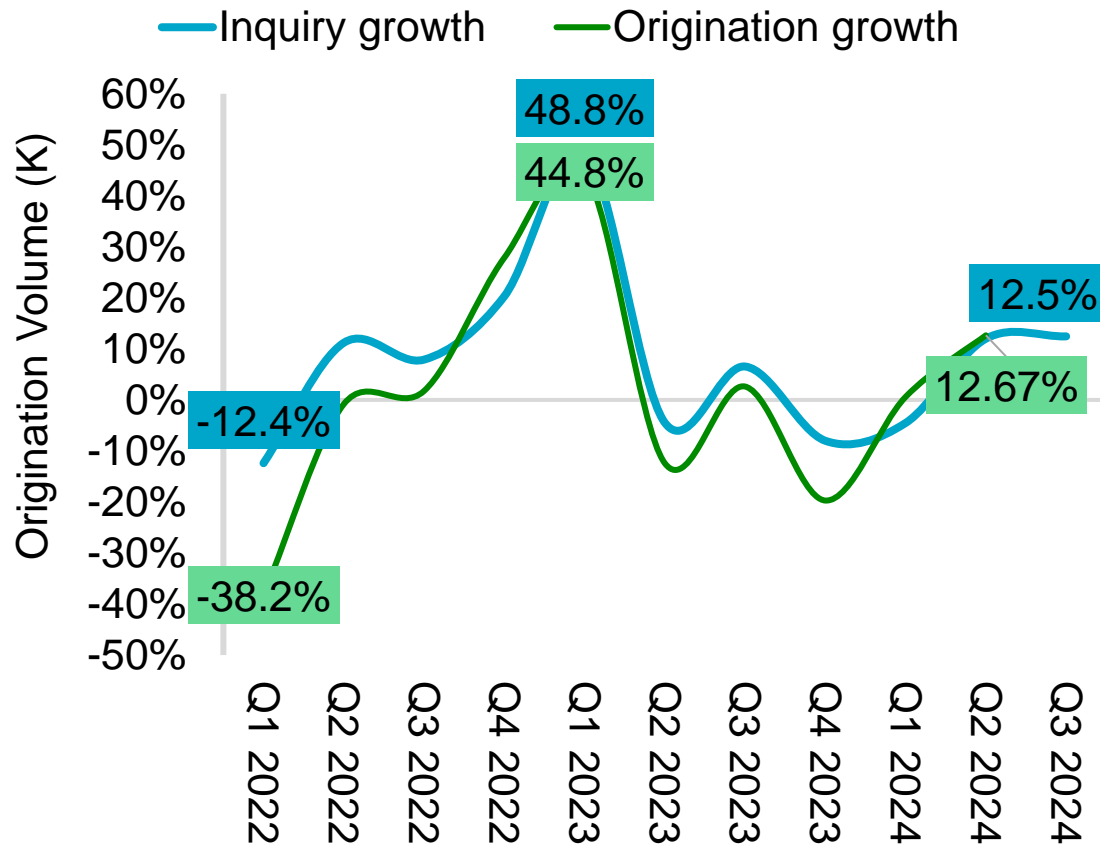
Credit card

	Actual Values	YoY Growth
Q2 2024 Originations	441K	12.7%
Q2 2024 Average Credit Limit of Originations	\$62.4K	-8.7%
Q3 2024 Outstanding Balances	\$159.7B	3.4%
Q3 2024 Number of Consumers	3.5M	1.8%
Q3 2024 Consumer Delinquency (90+ DPD)	0.10%	0 bp

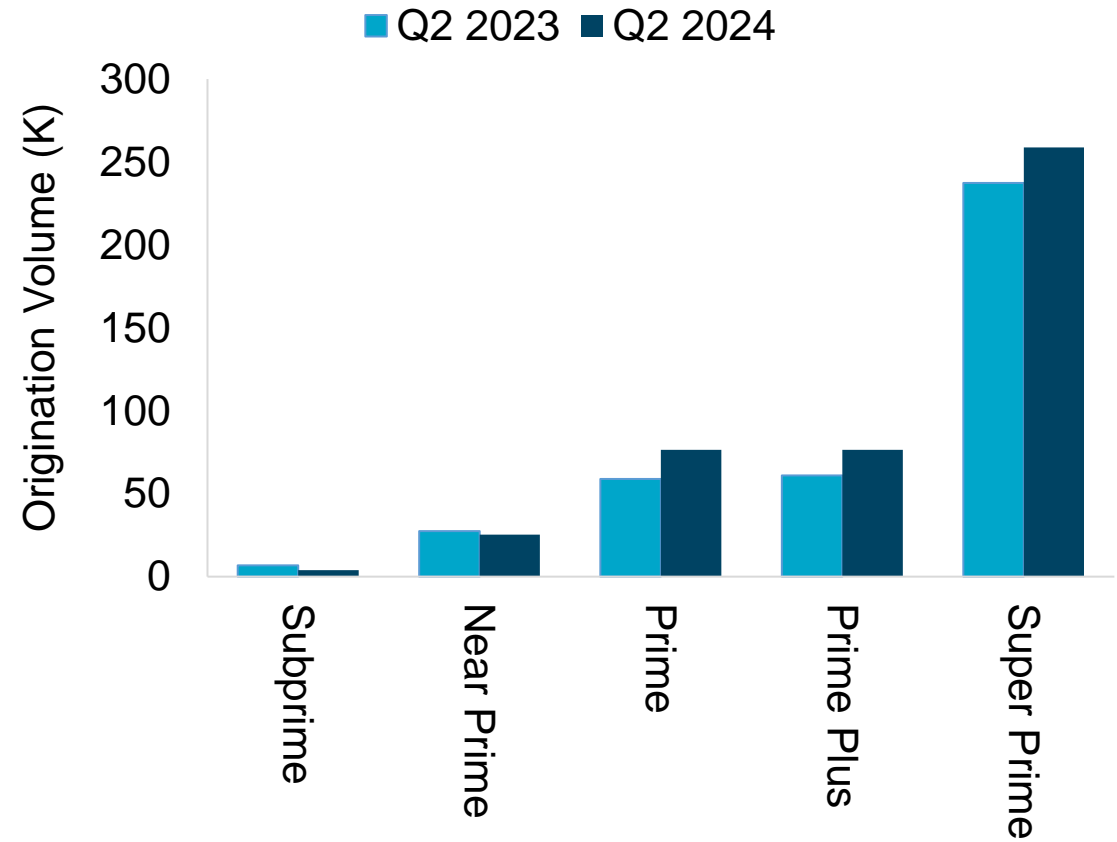


Rebound in card origination growth in Q2 2024 was due to reward-driven demand and increased consumer spending outside of Hong Kong

Credit Card Origination Volumes



Credit Card Origination Volumes by Risk

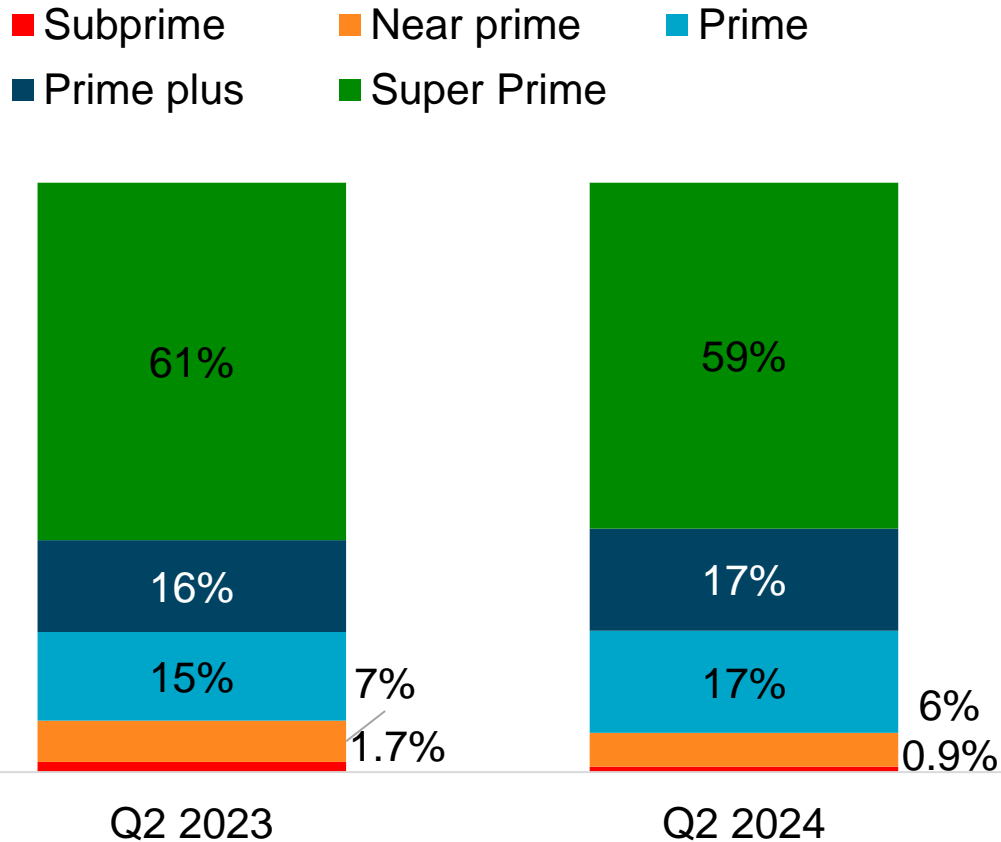


TransUnion CreditVision® risk score: Subprime = JJ to II; Near prime = HH to DD; Prime = CC; Prime plus = BB; Super prime = AA

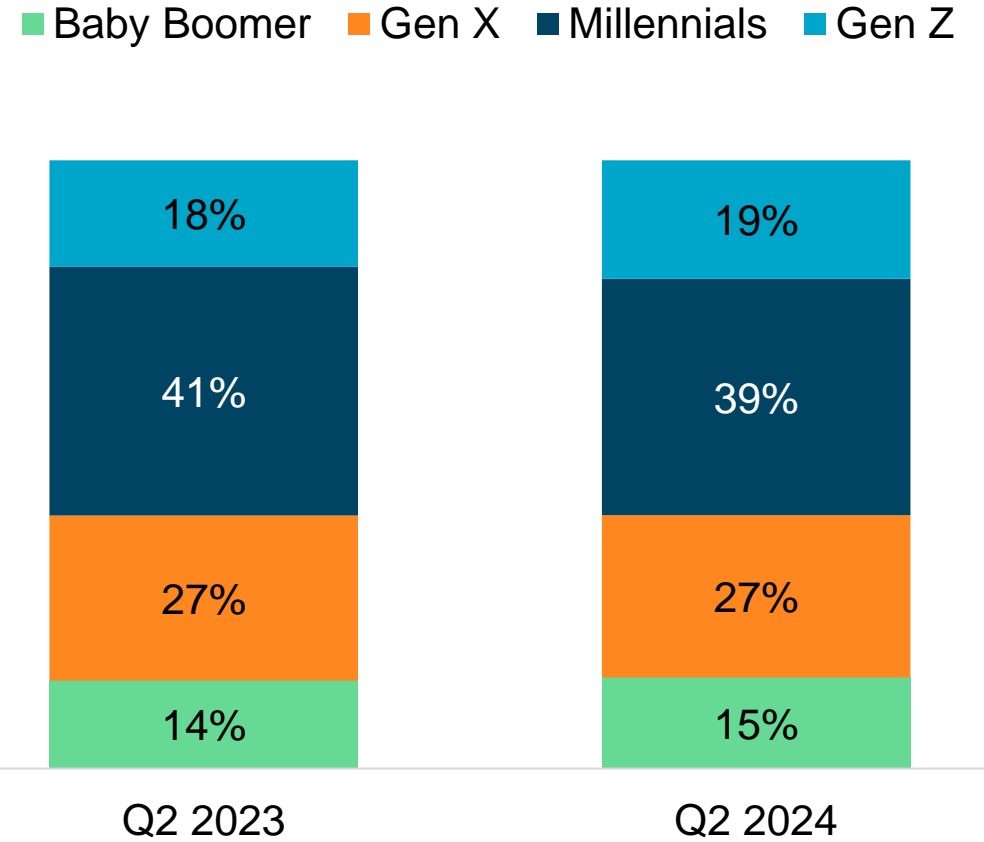


Gen Z's share of credit card originations increased in Q2 2024 as they embraced credit for consumption needs

Origination Distribution by Risk

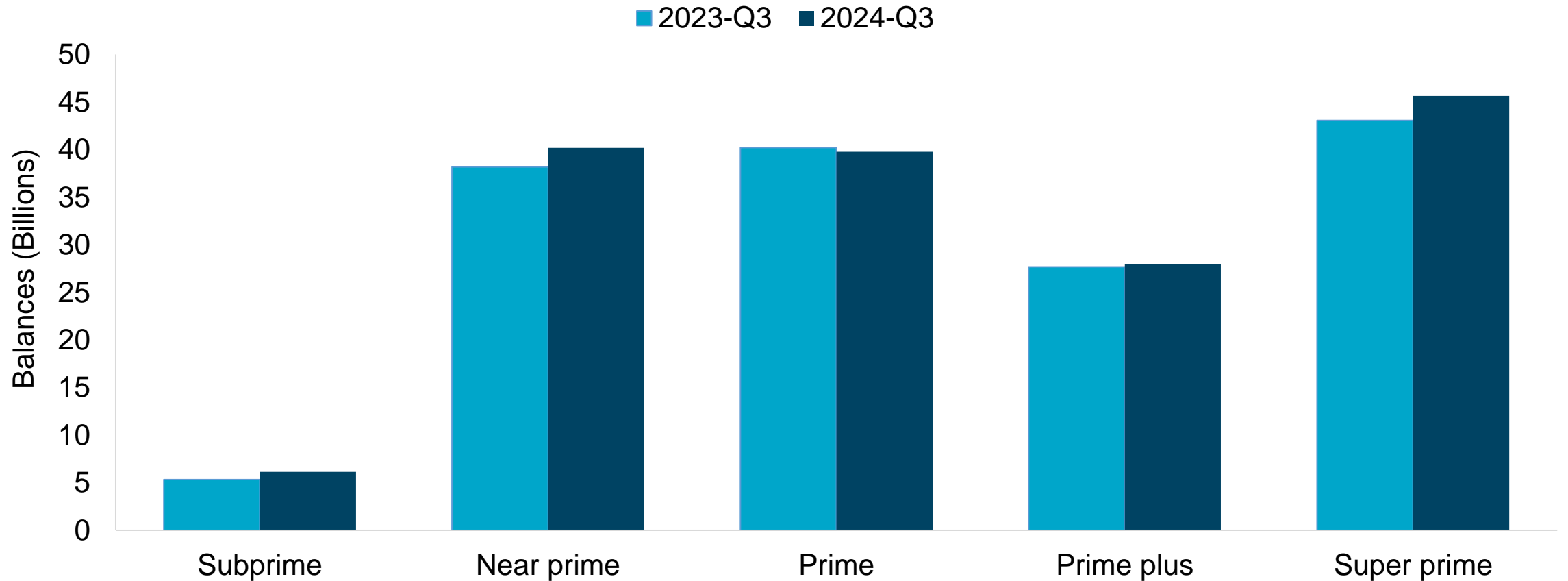


Origination Distribution by Generation



Re-engaged cardholders drove broad-based growth in outstanding credit card balances across risk tiers

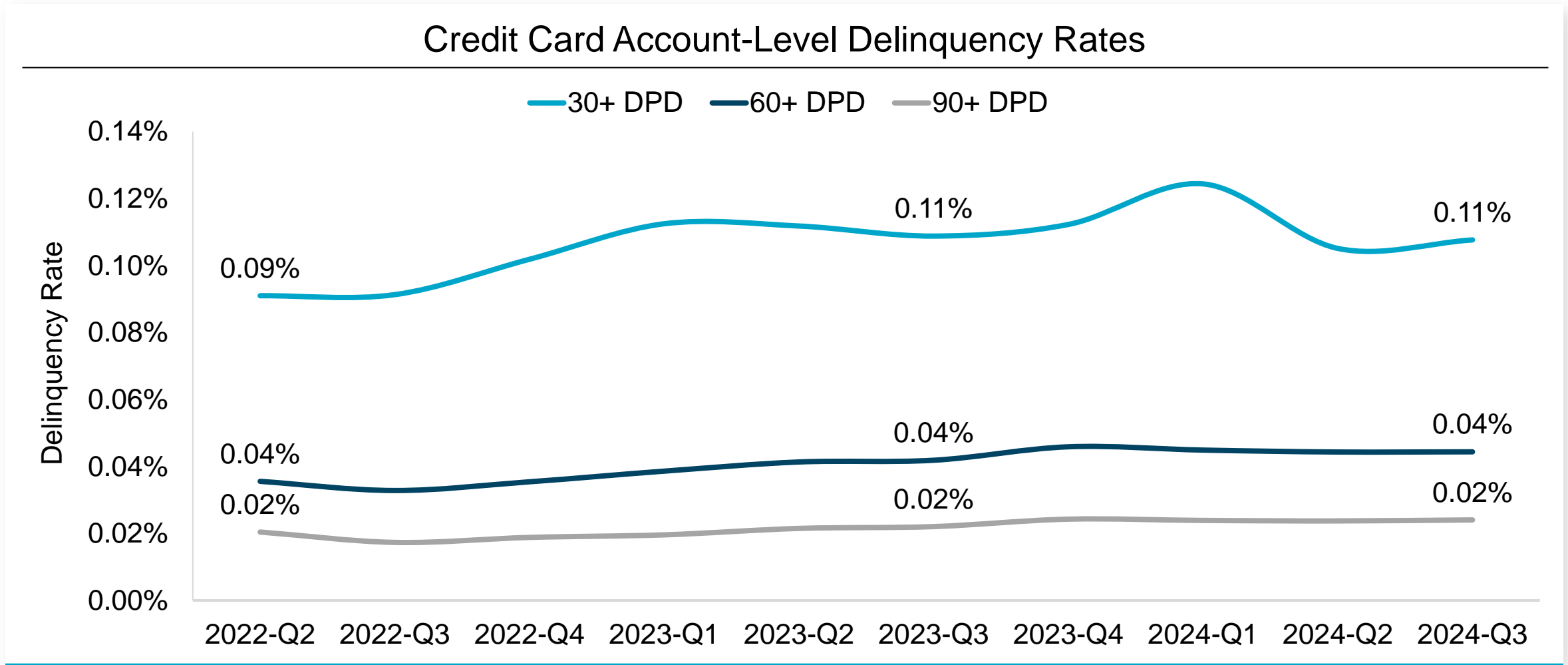
Outstanding Balances by Risk Tier



TransUnion CreditVision® risk score: Subprime = JJ to II; Near prime = HH to DD; Prime = CC; Prime plus = BB; Super prime = AA



Credit card delinquency rates remained consistent with the prior year despite growth in new account activity





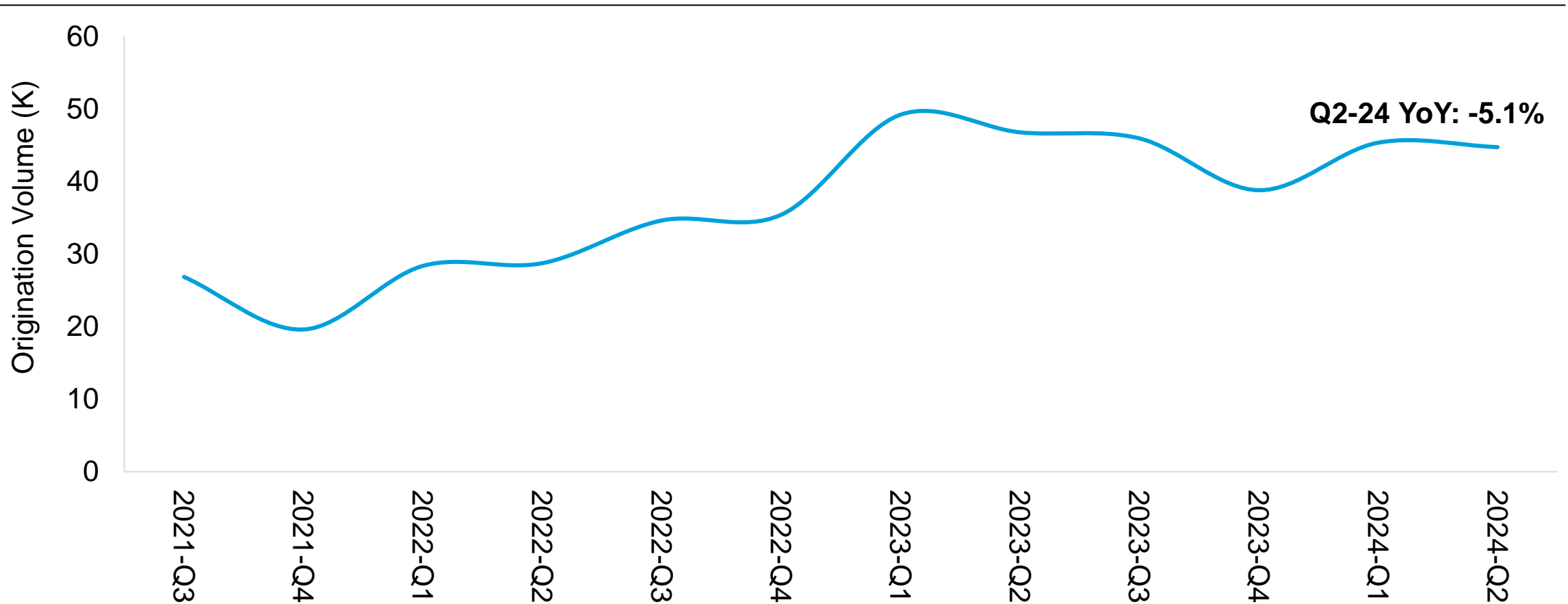
Loan on card

	Actual Values	YoY Growth
Q2 2024 Originations	44.7K	-5.1%
Q2 2024 Average Balance of Originations	\$61.8K	-16.4%
Q3 2024 Outstanding Balances	\$43.8B	-3.3%
Q3 2024 Number of Consumers	363K	1.5%
Q3 2024 Consumer Delinquency (60+ DPD)	0.00%	0 bp



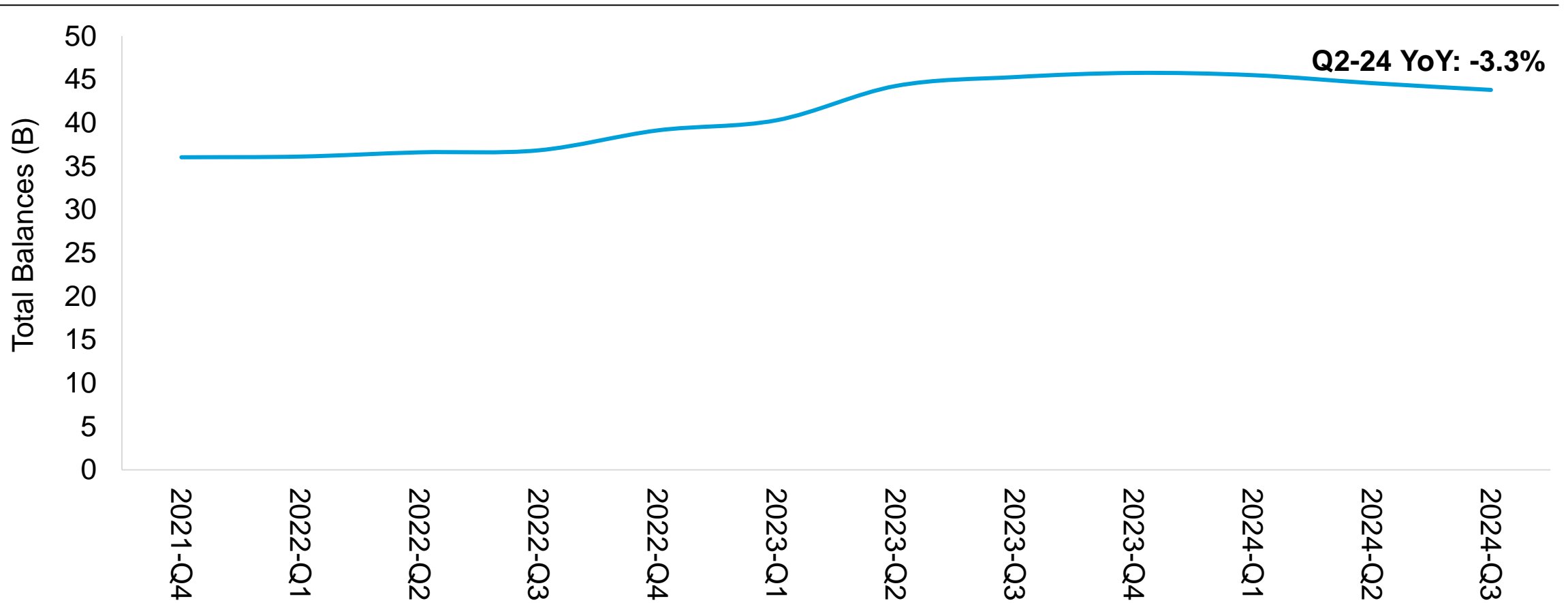
Growth in loan on card originations fell in Q2 2024, but adoption remained high as the number of consumers with an active trade increased

LoC Origination Volumes



Outstanding balances were down due to lower originations volumes and values

Total LoC Balances



Q2-24 YoY: -3.3%





Unsecured Personal Loan





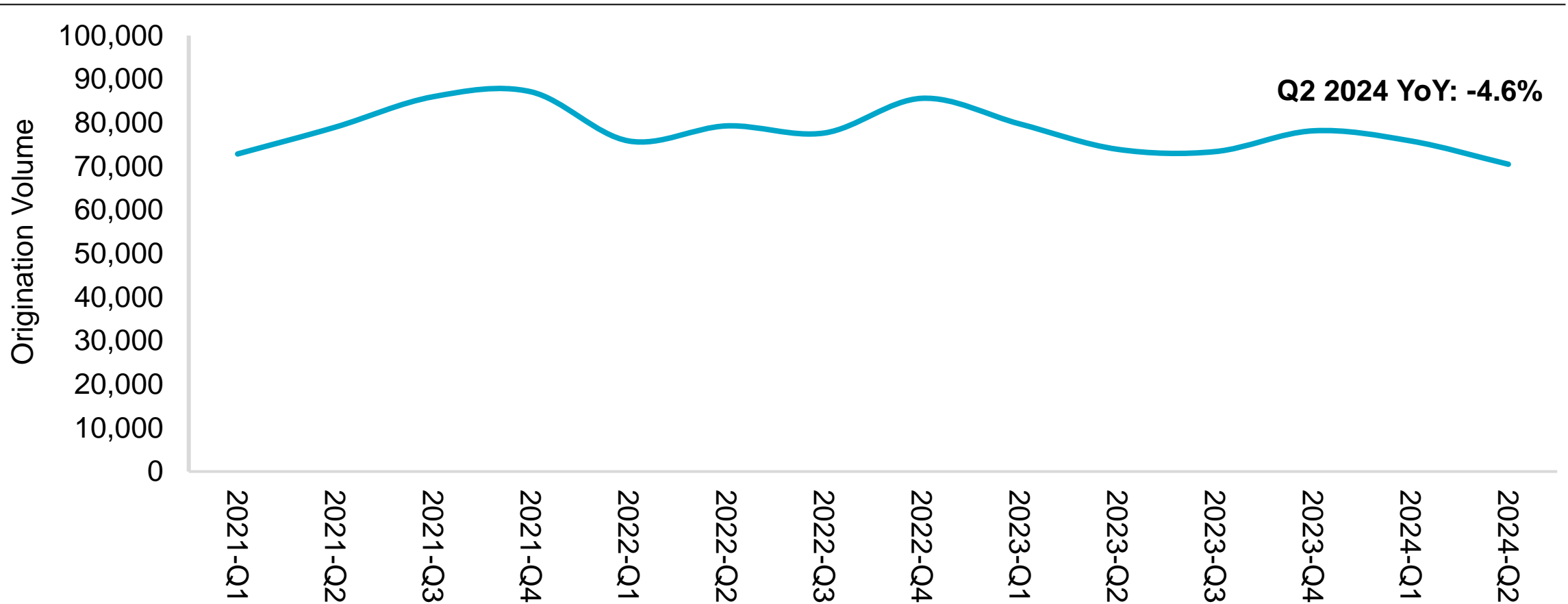
Personal loan

	Actual Values	YoY Growth
Q2 2024 Originations	70.5K	-4.6%
Q2 2024 Average Balance of Originations	\$206K	-0.6%
Q3 2024 Outstanding Balances	\$107B	-0.4%
Q3 2024 Number of Consumers	405.3K	-0.6%
Q3 2024 Consumer Delinquency (60+ DPD)	0.98%	2 bps



Q2 2024 personal loan origination volumes declined as lenders remained tight on risk appetite

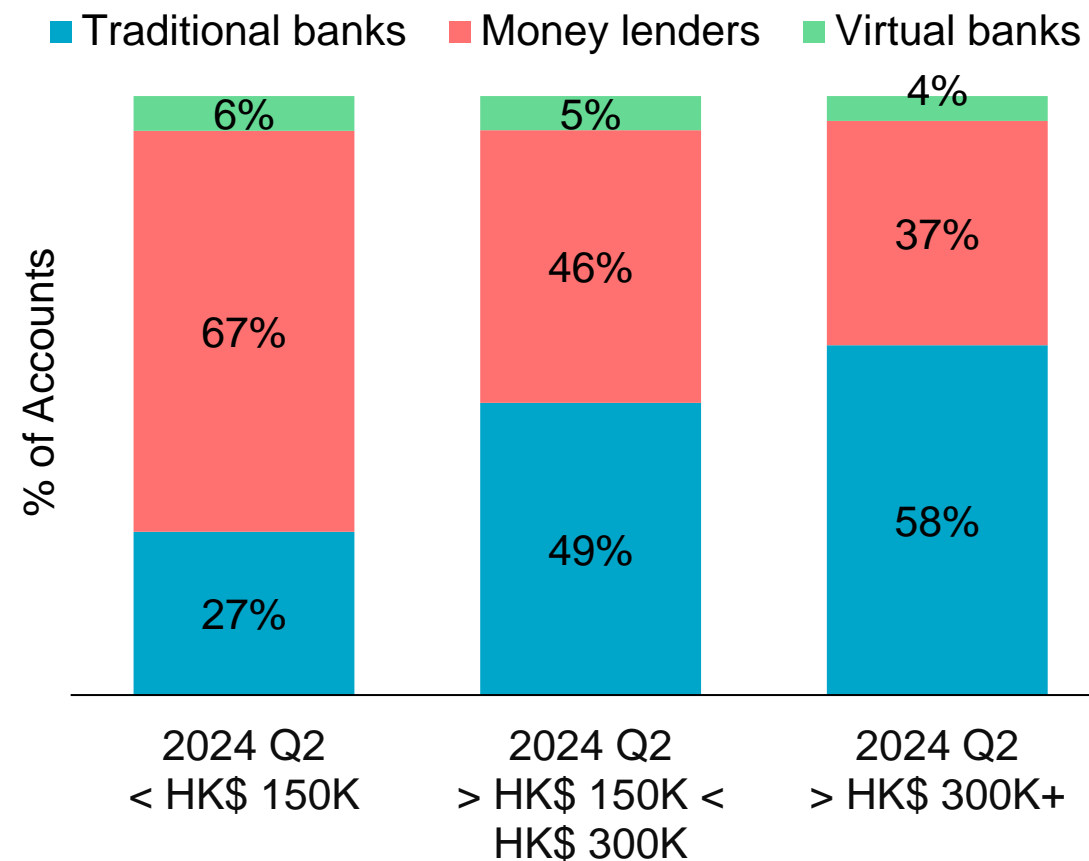
Personal Loan Origination Volumes



Hong Kong's personal loan providers addressed diverse borrower liquidity needs, but most loans fell between \$0–\$150K range

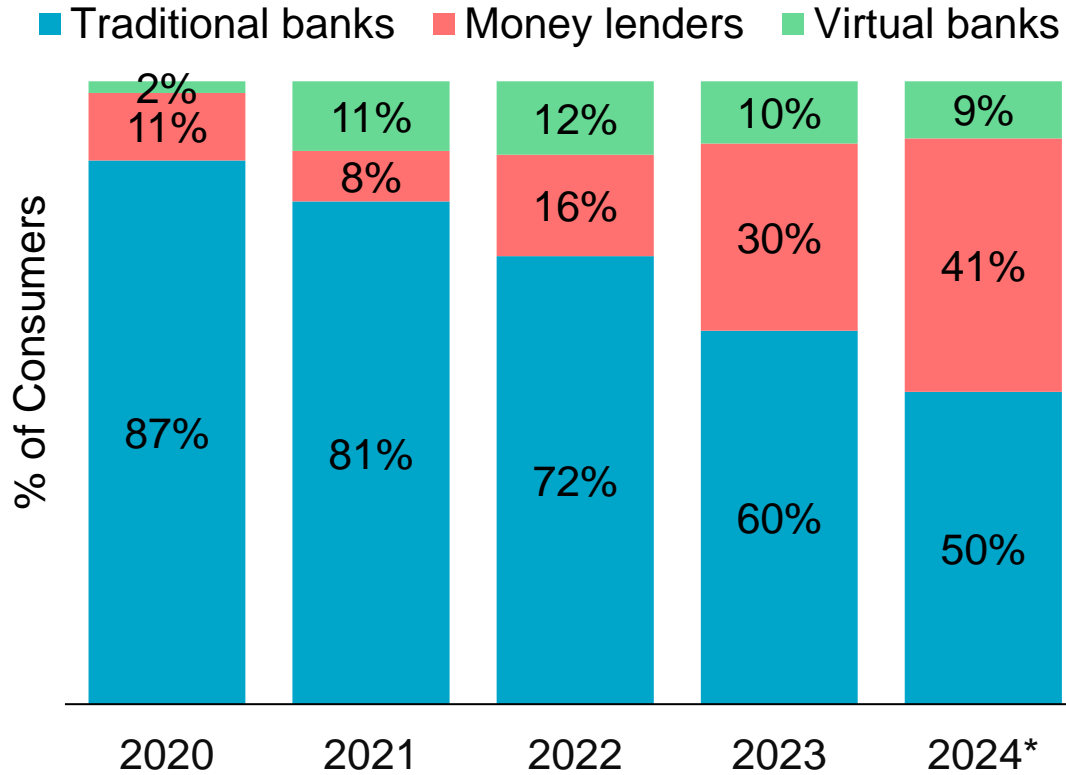
HK\$	<150K Loan Amount	>150K < 300K Loan Amount	> 300K+ Loan Amount
Share of Active Loans	66%	17%	17%
Total Loan Originations Q1	44.3K	13.4K	14.3K
Share of Originations	61%	19%	20%
Number of Consumers	223K	86K	113K
Share of Consumers	53%	20%	27%
Gen Z Borrowers	69%	19%	13%
Millennial Borrowers	52%	22%	26%
Share of Score <Prime	53%	20%	27%

Origination Share By Value and Lender Type

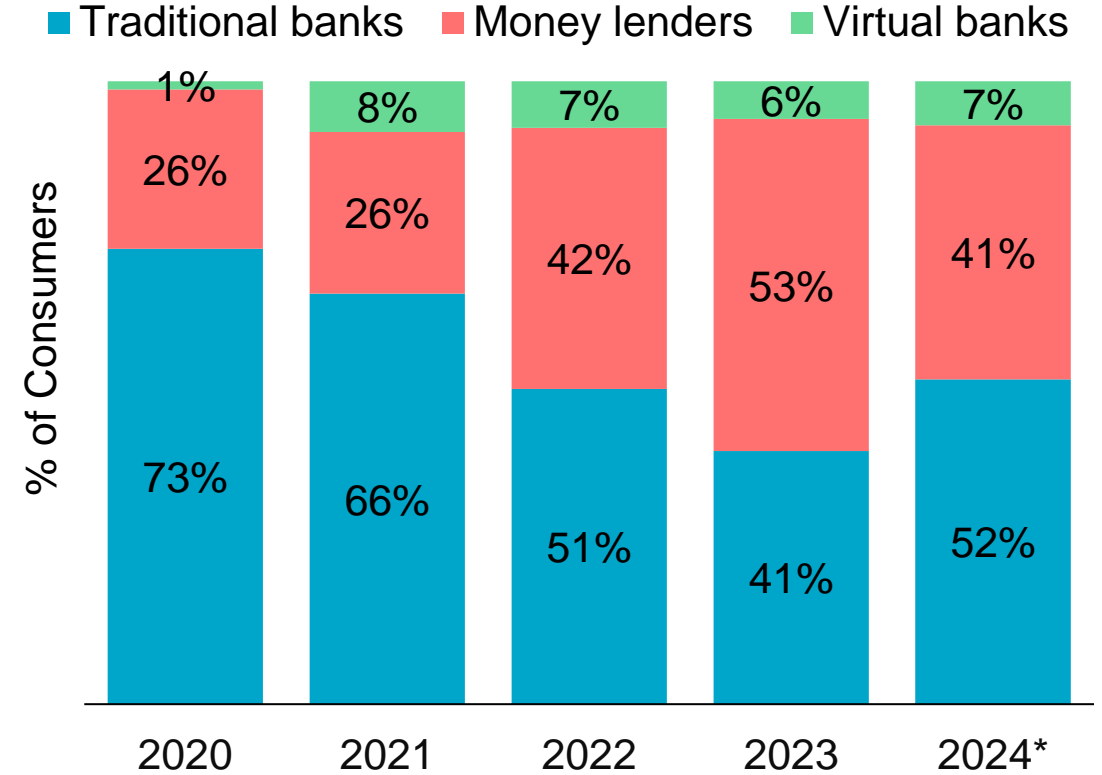


Traditional banks' share was equal in both new-to-product and repeat borrowers in 2024

Origination Share of New-to-Product Borrowers

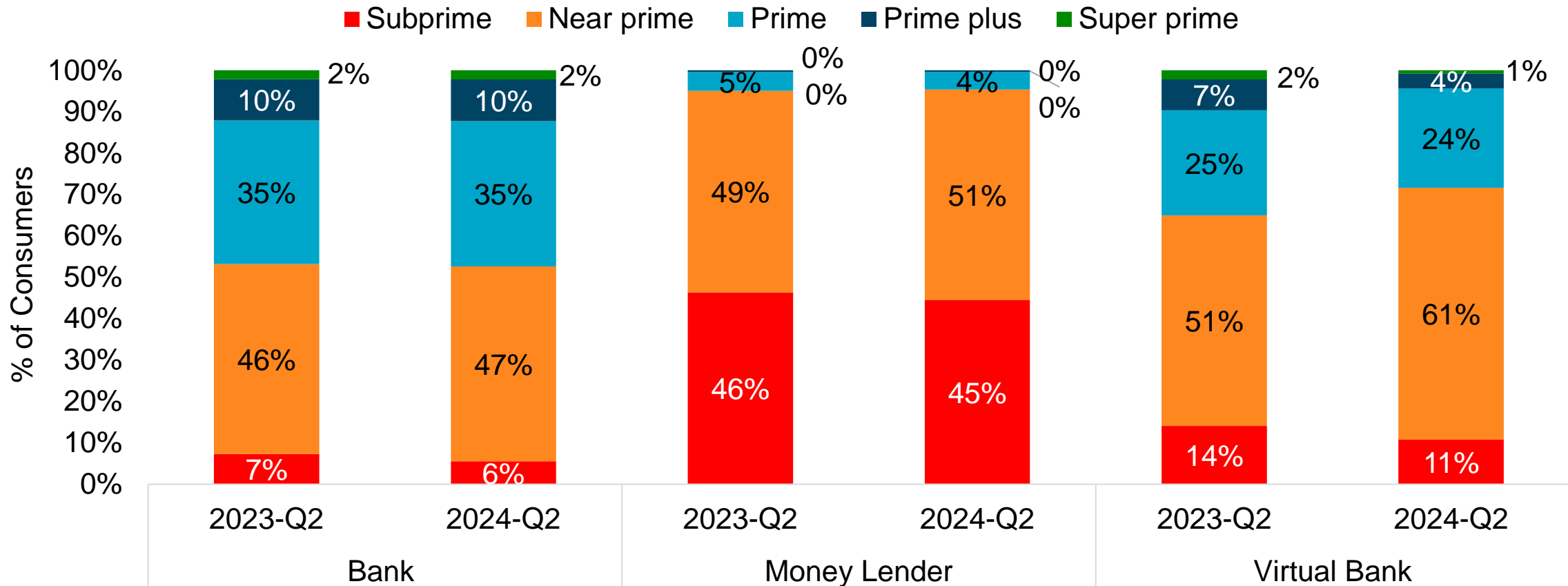


Origination Share of Repeat Borrowers



Risk tightening led to the decline in subprime borrowers' share of personal loan originations across different lender types

Risk Distribution of Quarterly Personal Loan Origination Volume by Lender Type

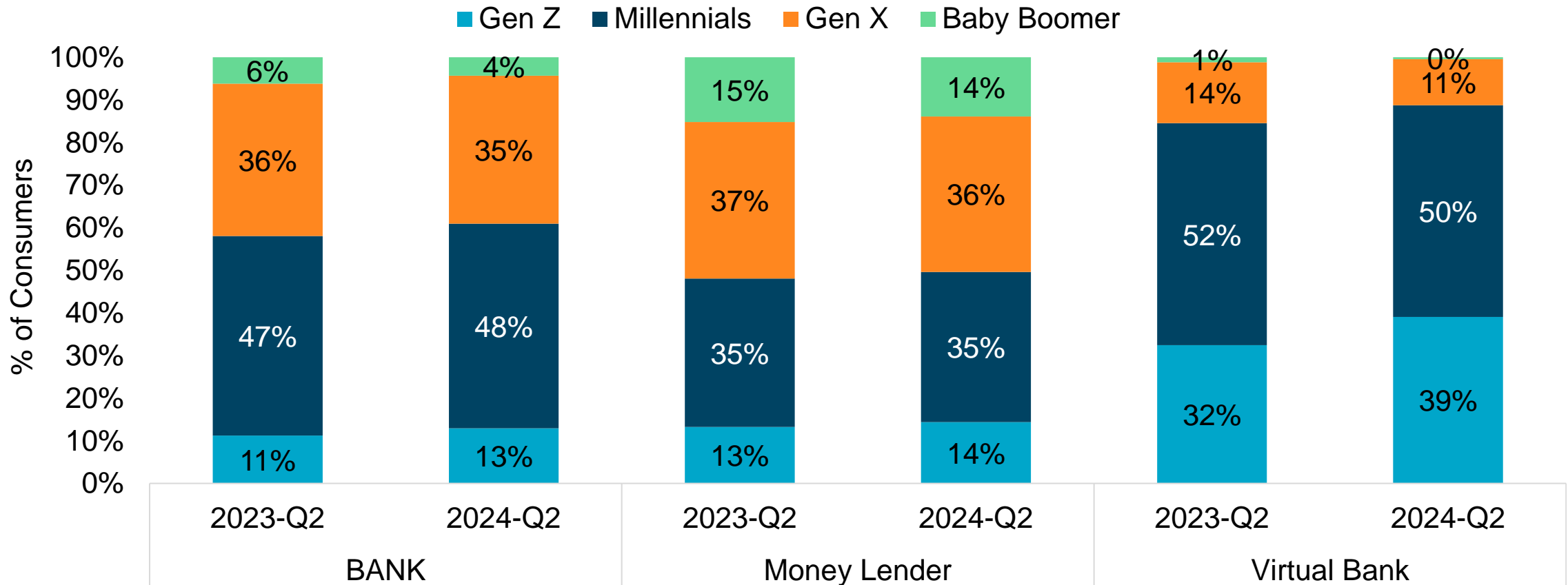


TransUnion CreditVision® risk score: Subprime = JJ to II; Near prime = HH to DD; Prime = CC; Prime plus = BB; Super prime = AA



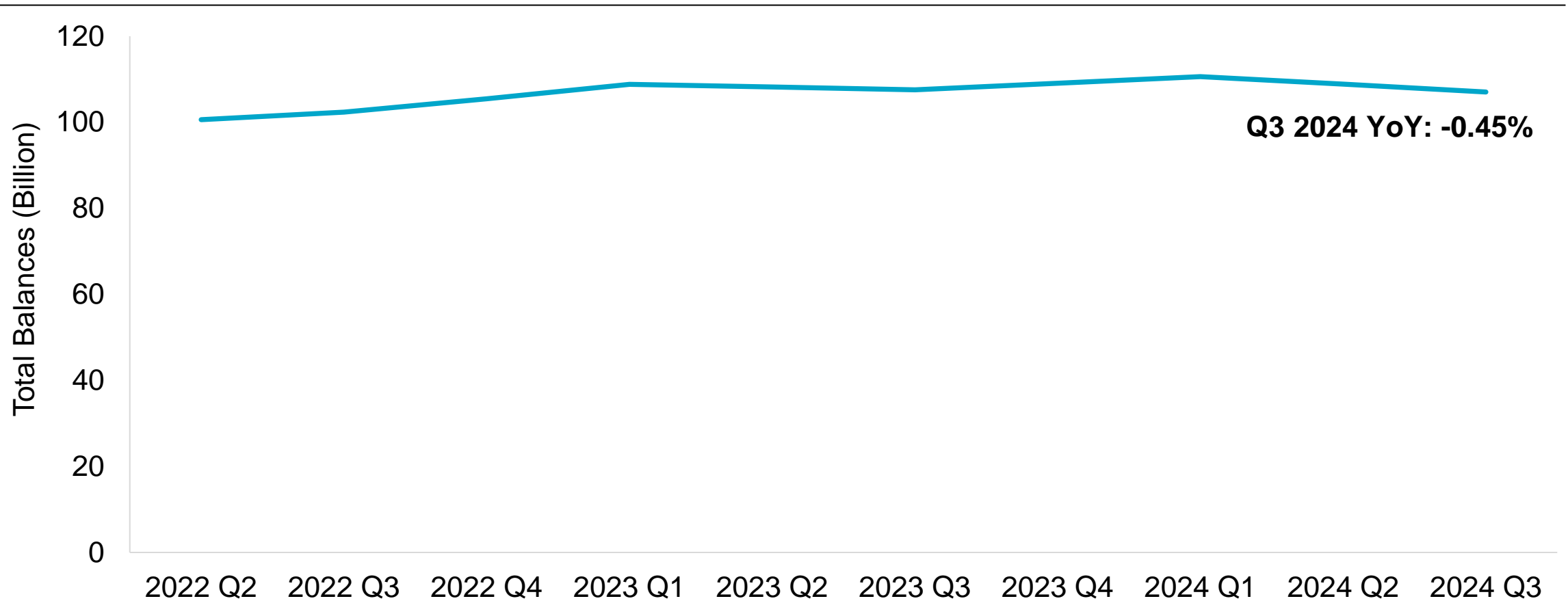
Virtual banks resonated a lot more with younger consumers as evidenced by the age distribution of new loans provided

Origination Distribution by Generation and Lender Type



Lower origination volumes and loan values led to a decrease in outstanding balances

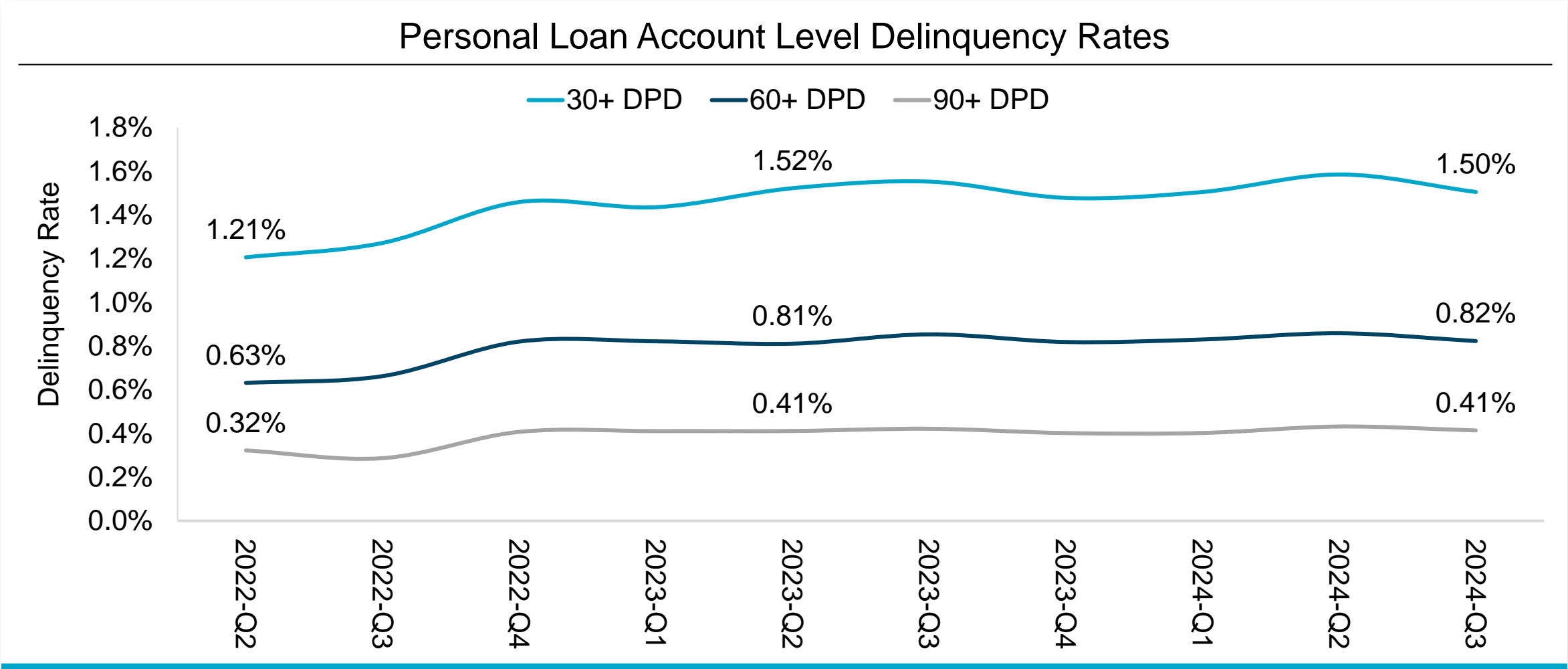
Personal Loan Total Outstanding Balance



Q3 2024 YoY: -0.45%

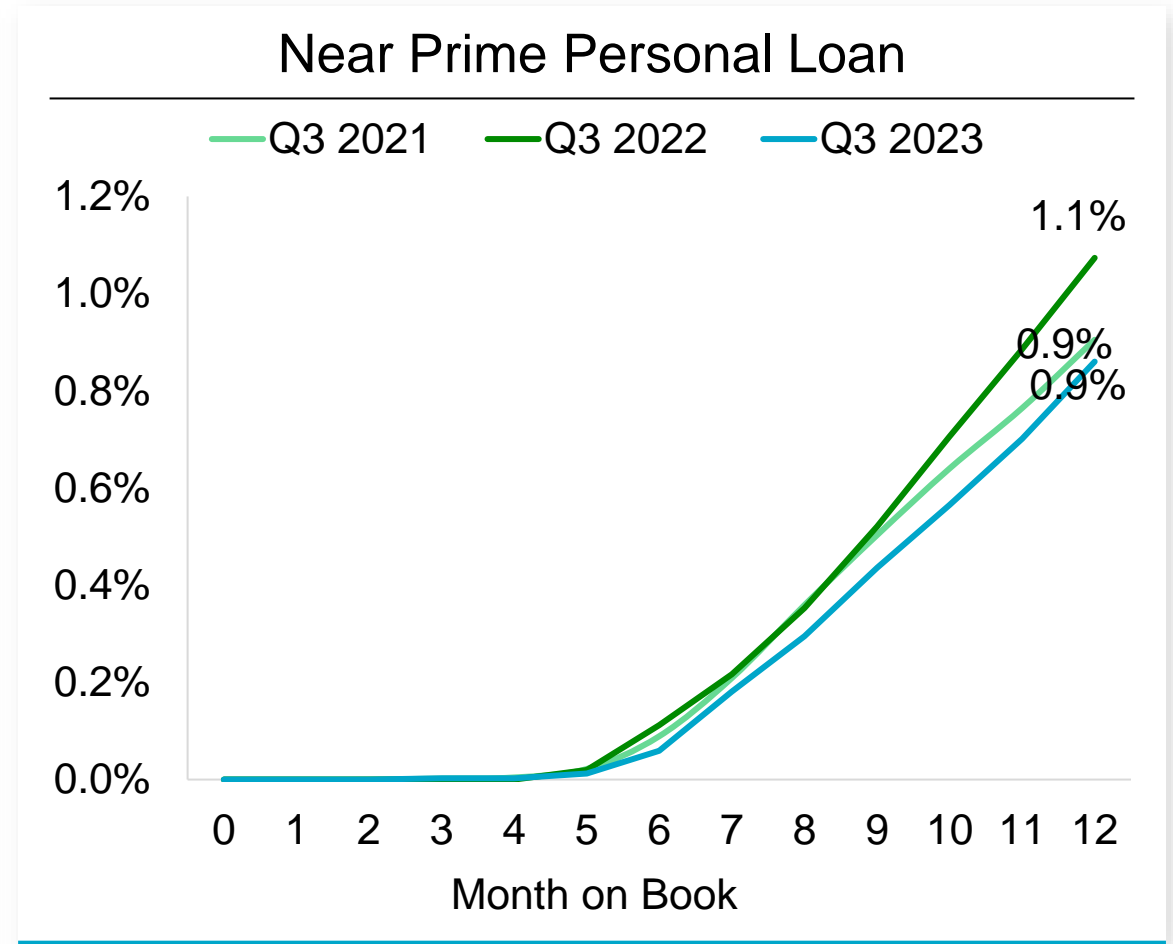
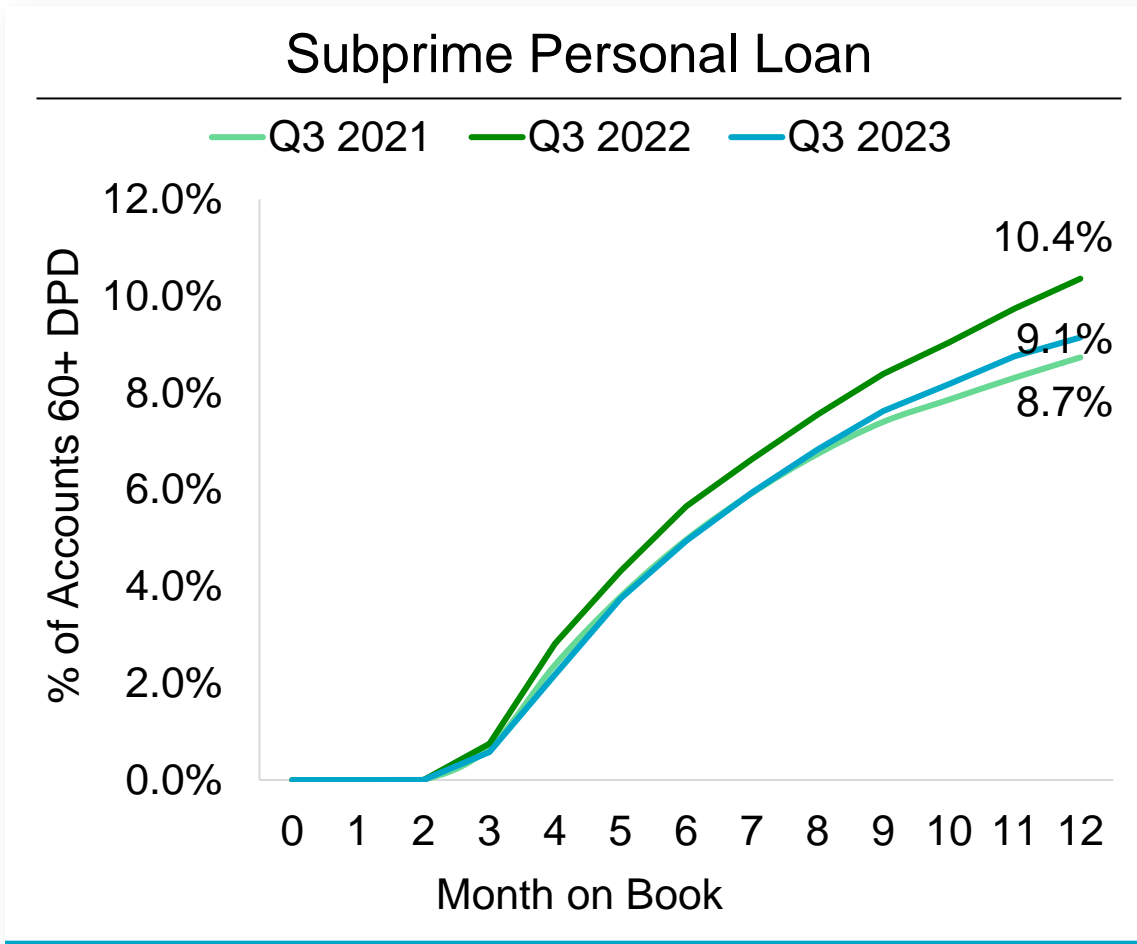


Delinquency rates on loan accounts 30 days overdue improved from the prior year, but longer-term delinquencies remained higher



Loans originated in Q3 2022 performed remarkably worse after 12 months on book

Vintage Delinquency Rate Personal Loan 12 MOB



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Unsecured Revolving Line





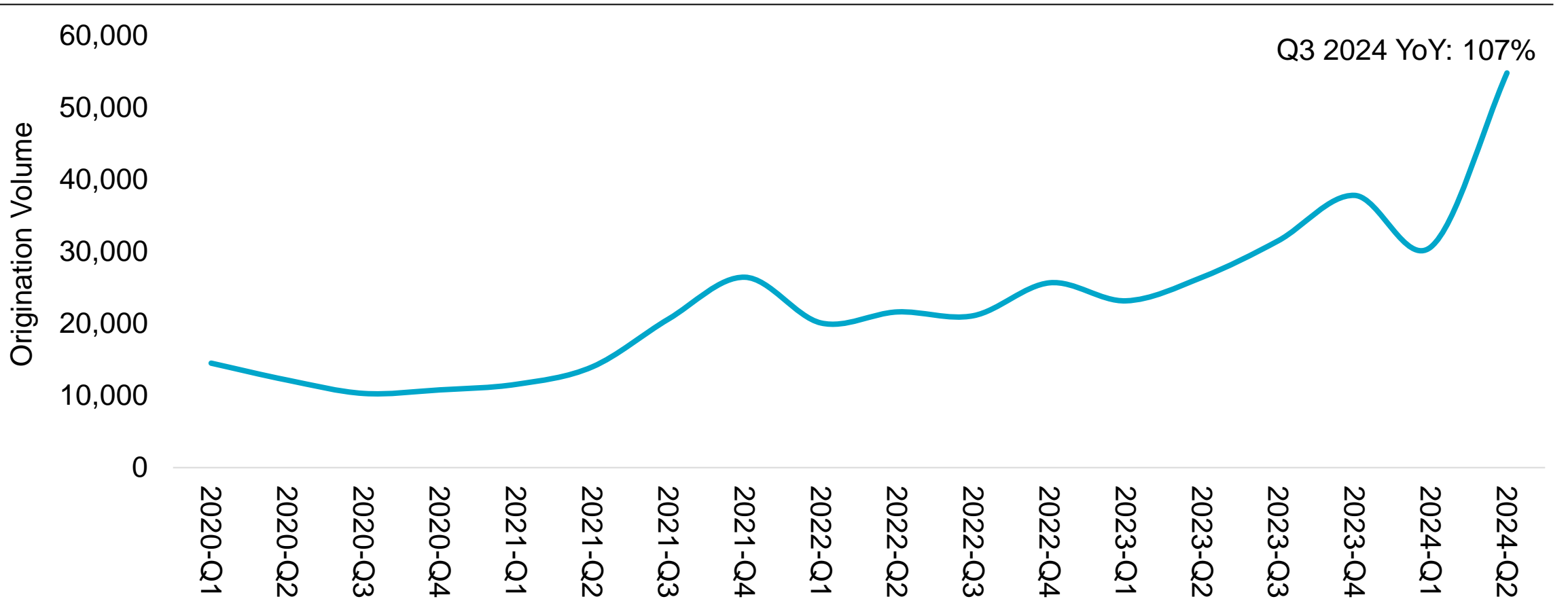
Revolving line

	Actual Values	YoY Growth
Q2 2024 Originations	55K	107%
Q2 2024 Average Credit Limit of Originations	\$45.5K	-42.8%
Q3 2024 Outstanding Balances	\$16.7B	-6.2%
Q3 2024 Number of Borrowers	550K	15.7%
Q3 2024 Consumer Delinquency (60+ DPD)	0.75%	2 bps

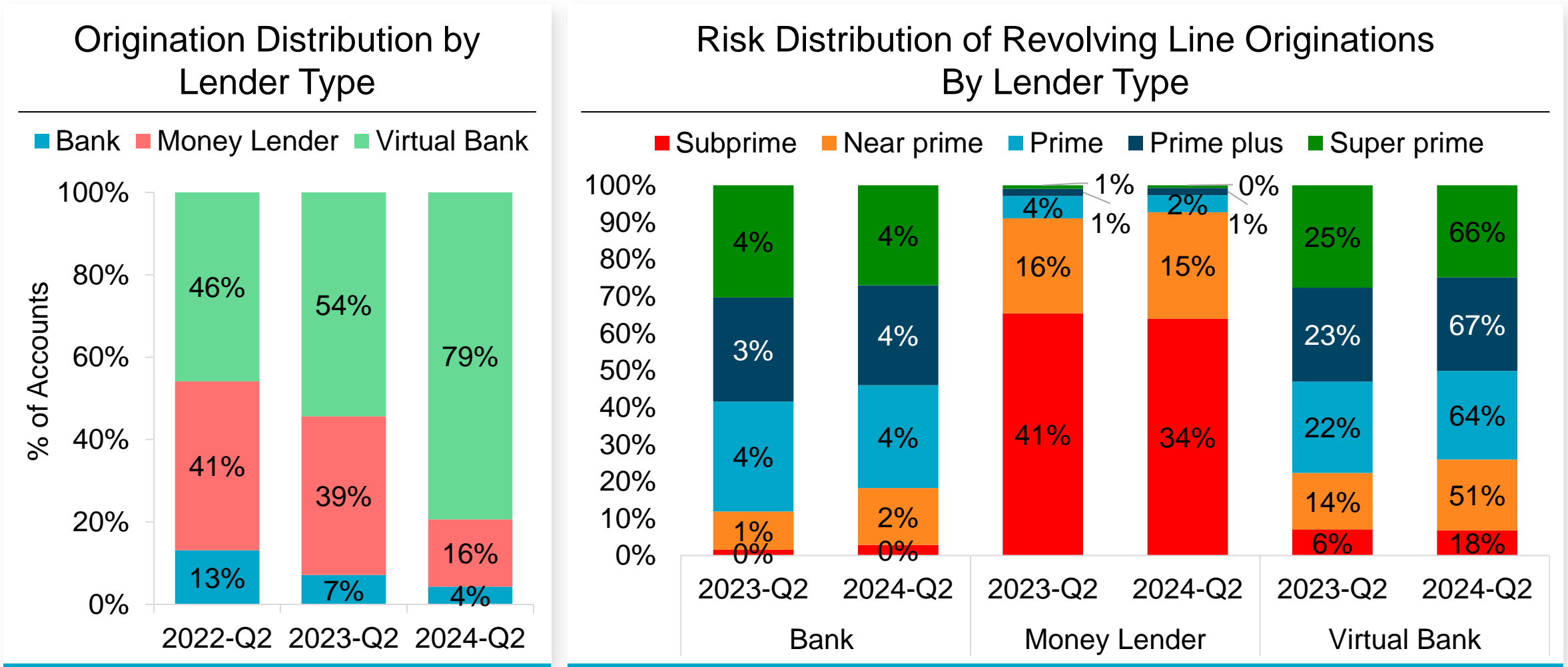


Revolving line originations continued to show strong year-over-year growth as virtual banks meet demand while expanding market share

Revolving Line Origination Volumes



Virtual banks dominated 79% of revolving line originations as below prime risk rises year over year

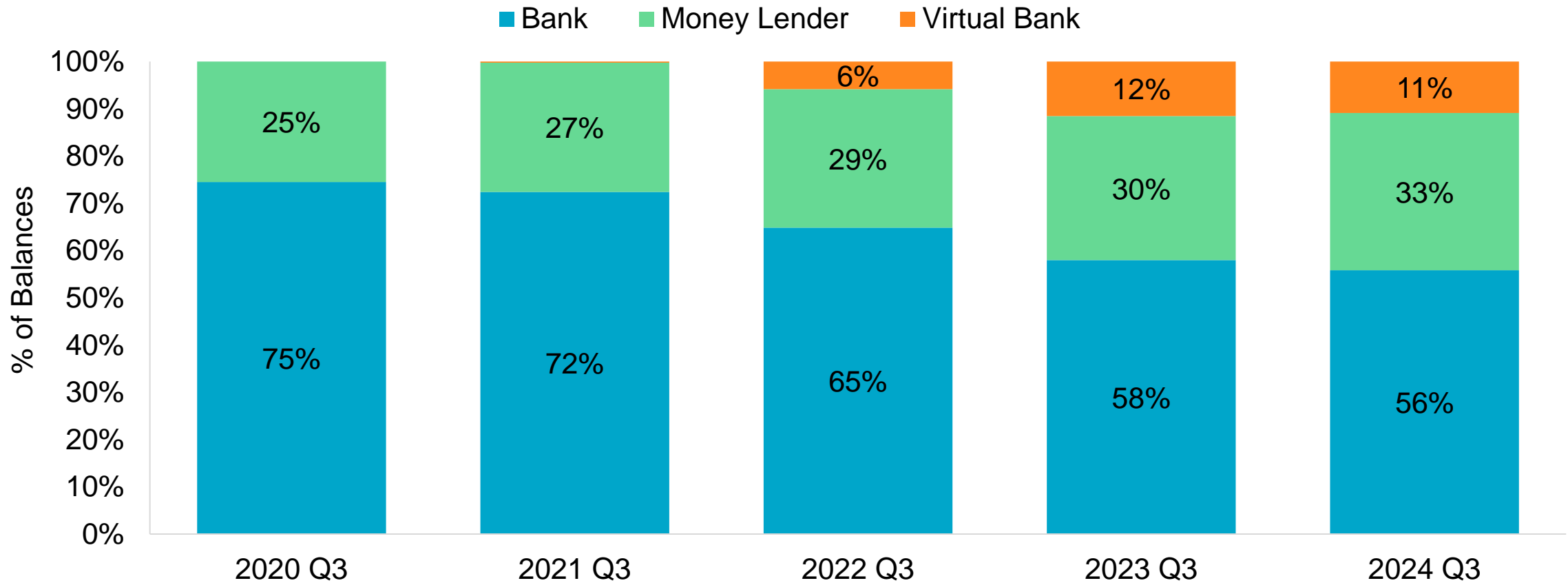


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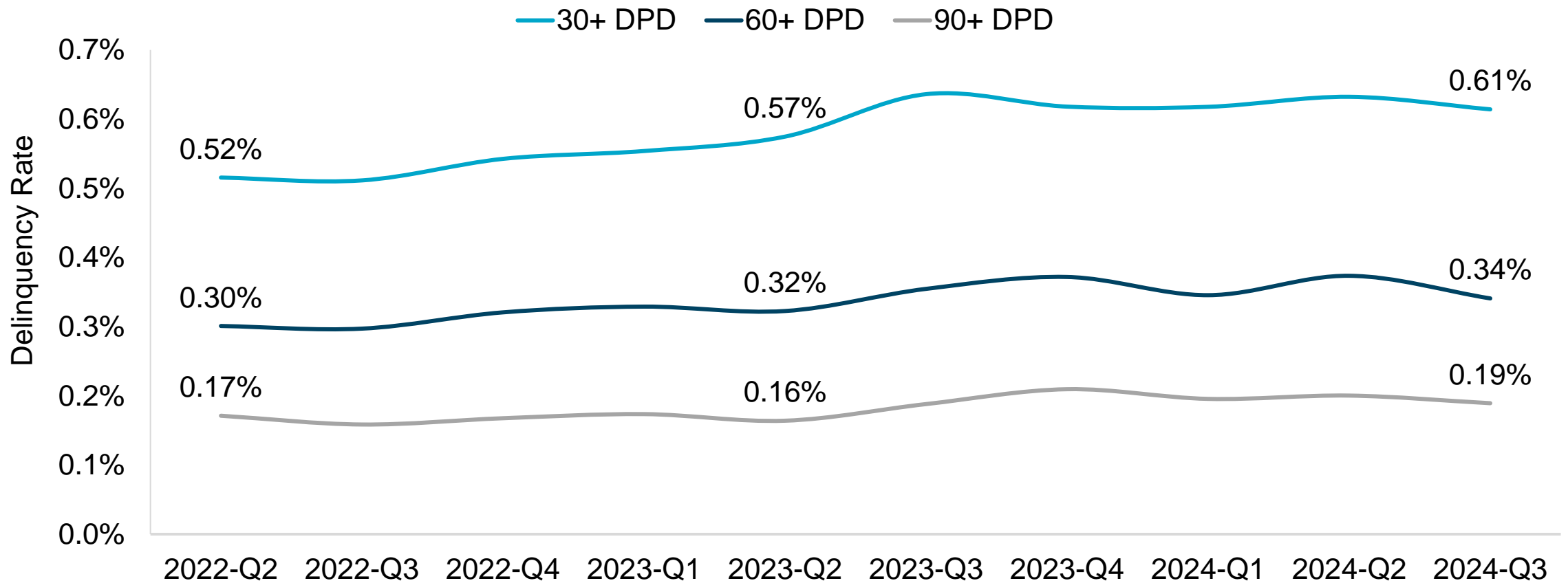
Rising share of outstanding balances with money lenders in Q3 2024 requires lenders to carefully monitor their exposures and collection strategies

Balance Distribution by Lender Type



Rising delinquency rates across all time periods requires lenders to revisit their risk management and collection strategies

Revolving Line Account Level Delinquency Rates





Consumer Sentiment Considerations



Hong Kong consumers' sentiments reflected mixed viewpoints — with further rate cuts expectations still high, an important factor for credit appetite

Four in 10 consumers said interest rates will have a **moderate** impact on their appetites to apply for credit over the next 12 months

35% of consumers believed their household incomes were **better** than planned at the end of Q3 2024, but this figure increased during the latest survey in Q4 (40%)

One in three consumers believed a HK\$1K to HK\$5K increase in monthly expenses (rent, mortgage, dining out, entertainment) would cause significant changes to their spending

52% of consumers remained optimistic about their household finances in the next 12 months (within the Q4 period) — an improvement from the prior quarter

Plans to help pay current bills and loans:
Use credit card balance: 22% (-5% YoY)
Take out personal loan: 20% (-6% YoY)

53% of consumers surveyed believed access to credit/lending product is very or extremely important to achieve financial goals





If you have any questions regarding this session, please send them to weihan.sun@transunion.com

THANK YOU!

