

12 September, 2014

The Sun: RCE Capital expects drop in consumer financing business

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By LEE WENG KHUEN

Friday, September 12, 2014



**Loh (right) and Yap at the press conference yesterday. Sunpix By: Zulkifli Ersal.**

**KUALA LUMPUR:** Non-bank financial institution RCE Capital Bhd may see a drop in its consumer financing business due to unfavourable market conditions but expects to maintain its profitability this year, said CEO Loh Kam Chuin (*pix*).

For the first quarter ended June 30, RCE Capital managed to return to the black with a net profit of RM6.88 million against a net loss of RM27.78 million in the previous corresponding period.

Loh said the group should be able to sustain its profitability, if it maintains its performance of the first quarter.

Speaking at a press conference after the company's AGM here yesterday, he attributed the possible dip in personal financing to responsible lending guidelines by Bank Negara to contain high household debts.

Loh said the group is "very cautious" on the loan growth and doesn't want "to grow for the sake of growing", but instead focus and be selective on the quality of the loan base.

"The environment has changed, with the central bank issuing guidelines on responsible lending and limiting the loan tenure (for personal financing) to 10 years.

"The pursuit is not on growing the loan ... it (loan growth) will come down but it will be replaced by quality loans," he said. RCE Capital principally provides loans to civil servants and its direct competitors include Malaysia Building Society Bhd, Bank Rakyat and Bank Simpanan Nasional.

Consumer financing is the largest contributor to group revenue, at 90%.

Loh said the group's total loan base shrunk by 2.7% last year. He declined to reveal total loan portfolio numbers.

He also declined to reveal its non-performing loan (NPL) ratio, but said that it is at a "manageable" level.

Loh said the group has seen compressed margins due to increased competitiveness in the market, but declined to reveal net interest margins.

On the recent hike in the overnight policy rate (OPR), Loh said he believes it will not have a significant impact on RCE Capital's business operations and that costs are still manageable.

RCE Capital has not increased its interest rates despite the hike in OPR by 25 basis points, Loh said, as loans with non-bank financial service are higher than other commercial banks anyway.

For the commercial financing segment, Loh said the group will "grow it" when there is an opportunity despite relatively smaller earnings contribution.

"If not, we just let it be (for the commercial financing), we're not out to pursue the growth, (it's more to gain) market share strategy," he said.

While looking at expanding its reach to other financial-related segments, he said RCE Capital is not in talks for any acquisitions.