

KEY PERCEPTION-REALITY GAPS CONFIRMED IN HK CONSUMER FINANCE INDUSTRY

While actual customers are more neutral, most HK consumers wary of borrowing from consumer finance companies, finds HKUPOP opinion survey

HONG KONG - MARCH 12, 2007 - There are significant misperceptions about the consumer finance industry and how it operates in Hong Kong, said 2 Finance, a consumer finance company that provides personal loans in Hong Kong. It commissioned Hong Kong University's Public Opinion Programme (HKUPOP) to conduct a consumer survey on perceptions of the consumer finance industry.

HKUPOP's survey on public perceptions related to Hong Kong's consumer finance industry was conducted in January. More than 500 Cantonese speaking adults in Hong Kong with household incomes between \$10,000 - \$30,000 and personal financing needs were interviewed.

According to Dr. Robert Chung, Director of HKUPOP, the public impression of the consumer finance industry overall is negative. Interest rates are perceived to be high, staff unprofessional and collection methods illegal. As a result, most respondents would prefer to obtain loans from banks.

"But as consumer finance companies and banks have co-existed in Hong Kong, the former must have their own competitive edge or value proposition," said Dr. Chung. "For example, more than 70 percent of respondents thought that the loan application process of consumer finance companies was simpler and easier."

Contrary to popular belief though, a more convenient experience for customers does not mean less stringent credit checks, said Ms. Winnie Au-Yeung, Director and Head of Personal Finance, 2 Finance.

"We are very focused on credit risk management and responsible lending," said Ms. Au-Yeung. "2 Finance has an efficient and systematic process to determine the creditworthiness of applicants. Once approved, customers have to visit one of our branches in person and our front line staff will advise them up front with clear disclosures about the financial commitment they are making, and to carefully consider their ability to re-pay."



Public Opinion Programme
The University of Hong Kong



“We believe that responsible lending is both a prudent business model and a code of conduct that benefits consumers, economic development and all retail financial institutions in Hong Kong.”

Ms. Au-Yeung added that such practices do not have to be at the expense of convenience or speedy customer service. 2 Finance can process applications and disburse the loan within the same day, all the while keeping delinquency rates low and well within industry standards.

Other Key Gaps Between Perception and Reality

Subject	Consumer Perception	Reality*
Interest Rates	Quite high compared to banks	Interest rates based on individual credit ratings and the principle of risk-based pricing Individuals with good credit histories may in fact get better interest rates than at some banks
Collection Methods	Illegal methods are used	2 Finance and other industry players are regulated by the Money Lenders Ordinance in Hong Kong and must comply with the law Collection methods are fully transparent and comparable to banks
Customers	Customers have low or unstable incomes. If they're from the middle-class, it's most likely because they were rejected by banks	Almost 50 percent of 2 Finance's customers have credit ratings and repayment histories within the approval range for most retail banks, and would have option of borrowing from a bank More than 70 percent of 2 Finance's customers have autopay payroll, a usual indication of stable income earners

* Based on 2 Finance data and operations



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Commenting on public perception that only low or unstable income earners borrow from consumer finance companies, Ms. Au-Yeung said: “We are proud to provide credit-worthy customers who happen to earn a lower income access to legitimate financial services. By doing so, we help many meet certain financial needs, and at the same time, enable them to establish a credit history.

“But in fact, more than 70 percent of our customers have stable incomes.”

Ms. Au-Yeung said that better community awareness and understanding of how the personal finance industry worked would lead to a more competitive marketplace with greater choice, and ultimately benefiting all Hong Kong consumers.

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ABOUT 2 FINANCE

2 Finance provides personal financial services to consumers in Hong Kong. Its key product areas are personal loans and debt consolidation. Established in 2005, 2 Finance now has branches in Mongkok, Causeway Bay, Kwun Tong, Tsuen Wan (2 branches) and Shatin.

ABOUT HKUPOP

The Public Opinion Programme (POP) at the University of Hong Kong was established in June 1991 to collect and study public opinion on topics which could be of interest to academics, journalists, policy-makers, and the general public. Since its establishment, POP has been providing quality survey services to a wide range of public and private organizations, on condition that they allow the POP Team to design and conduct the research independently, and to bear the final responsibilities. POP also insists that the data collected should be open for public consumption in the long run.

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