



## **Chairman's Statement**

### **OPERATING PERFORMANCE**

In the past year, Singapore's economy demonstrated resilience despite the gloomy global outlook with geopolitical conflicts, rising inflation and energy costs, as well as disruption in supply chains and workforce availability.

The Covid-19 pandemic posed significant challenges to small- and medium-sized enterprises (SMEs), especially to their profitability. Many businesses had to enhance capabilities in digital transformation, products and operations, with a greater focus on sustainability. Individuals were also impacted by high inflation and increased costs of living.

Learning to live with Covid-19 has seen an acceleration in the transformation towards a more digital, inclusive, and greener economy.

Hong Leong Finance ("HLF") is dedicated to making a positive difference. We recognise the importance of sound economic, environmental, social and governance ("EESG") practices as part of our responsibilities to our stakeholders. To create enduring value, we continue to strengthen our business and operational resilience and enhance our capabilities to provide more customer-centric services and solutions.

### **Building A Best-In-Class Customer-Centric Organisation**

To drive continuous profitable growth for the Company, we believe in offering superior service and value propositions to our customers. To this end, we focused on digital transformation, customer-centric solutions, strong employee collaboration, business resilience and high governance standards.

#### **Digital Transformation**

Technological progress in the form of improved capabilities and processes, talent and resources, is linked to better economic outcomes. To strategically align with customer needs, we stepped up digitalisation to be more inclusive in our customer offerings and provided training to our employees to support this change.

Significant digital initiatives were rolled out to further enhance our customer service. We built an in-house consumer loan origination system that leveraged system automation to shorten loan disbursement processing time.

We continued to foster partnerships with authorised car distributors and used car dealers to improve customer experience for car loan applications and simplify the purchasing process. In the past two years, we introduced paperless loan application via integration with some partners' systems for straight-through processing. In 2023, an enhanced digital loan application process will be implemented to serve more car dealers and provide greater security and convenience to our customers.

With increased demand for digital payment solutions, HLF partnered a fintech company to launch HLF FASTPAY, a multi-currency e-wallet that enables customers to enjoy more payment solutions conveniently and securely. The innovative solution offers low transaction costs and attractive exchange rates for over 20 commonly used currencies for ease of travel spending and overseas remittance. Customers found the launch timely as their travel interest was rekindled post-pandemic.

We adopt an omnichannel approach to engage customers of all generations by serving them through their preferred service channels. While we continue to enrich our digital banking solutions to offer financial transactions anytime and anywhere, our network of 28 branches remains a convenient channel for customer interaction especially to those who prefer in-person banking. We will continue to identify and relocate our branches to strategic areas and facilitate closer accessibility to the wider community.

We are honoured to be the Best Performing Bank in Singapore 2022, an accolade awarded by The Banker for two consecutive years since the inauguration of the ranking in 2021. We will continue to invest and grow our capabilities to offer better service to our customers in the future.

### Timely and Relevant Solutions

To drive and maintain business partnerships, enhance customer loyalty and improve overall growth, understanding our customers' needs is important to provide satisfying solutions that benefit them.

With the re-opening of borders post-pandemic that promoted economic activity, we helped SMEs stay afoot in their business recovery. We assessed their historical financial performance against their challenges and provided financial support and solutions.

Furthermore, we rendered corporate finance services to growth companies in areas such as corporate restructuring and corporate governance advisory. We also continued to sponsor several Catalist companies.

In a volatile economic climate, we transited to SORA-based interest rates to offer transparent and reliable borrowing rates to commercial property borrowers, and rolled out a new working capital financing called BizCap Loan to improve SMEs' liquidity.

To help individuals manage inflation, we offered higher deposit rates for customers to grow their savings and fixed rate home loans to protect them from rate hikes.

Our awards, such as Euromoney Market Leaders in Singapore 2022 for Corporate Banking and SME Banking and ASEAN Finance Company 2022 by Asian Banking and Finance, are a testament to our positive contributions towards our customers in the face of changes and unforeseen challenges.

### Strong Employee Collaboration

Customer needs are rapidly changing, and the Company will continue to evolve and keep up with the increasing demands and expectations. Teamwork among our employees is imperative to achieve this goal.

To maintain our high service standards, we provided employee training on new digital capabilities and upskilling to improve collaboration and for creation of more positive and personalised customer experiences.

With our employees' service dedication, the HLF brand has remained strong as a household name for more than 60 years. It is in the Top 100 Singaporean Brand 2022 for the fifth year.

### Business Resilience

The pandemic has underlined the importance of business resilience. New variants may emerge, and the situation could change quickly. We are also wary of other threats, such as terrorist attacks, sabotages, natural disasters, and climate changes that may impact business continuity.

To build resilience in unexpected scenarios, we continue to strengthen our business continuity management. For example, business impact analyses are performed regularly to enhance our risk mitigating strategies and response capabilities.

We embarked on a review of our operational footprint, starting with our support operations, to manage risks. Adjustments will be made across the operations to keep our employees, processes, systems and business resilient.

## High Governance Standards

We continue to revise and strengthen our governance framework, underpinned by a strong risk management culture, leadership, accountability, fairness and transparency. The corporate governance principles are embraced by the leadership team and embedded in the corporate culture.

Our sustainable corporate governance efforts are highly regarded by the investor community. HLF was awarded the ASEAN Corporate Governance Scorecard Asset Class 2022 and was ranked in the Top 80 in the Singapore Governance Transparency Index 2022 among public listed companies.

Recognised for our strong capital position, HLF was in the Top 1000 World Banks 2022 and Top 100 ASEAN Banks 2022 leaderboards by The Banker.

## **Sustainability and Climate Change**

We enhanced our sustainability governance to ensure material EESG topics are identified and being worked on.

We actively promote hybrid and electric vehicle loans and seek collaboration with like-minded partners to finance green buildings. We also conduct regular EESG risk assessments for all business loan applications and perform annual checks for those operating in high-risk sectors for a low-carbon future.

Managing our offices' direct ecological footprint is also important. Through active employee engagement, increased adoption of paperless workflows and higher usage of energy-efficient devices, our paper and energy consumption levels remained stable despite our employees returning to office.

## **OUTLOOK**

Amid global uncertainties coupled with rising inflation, Singapore's economic growth for 2023 is expected to be slower compared to 2022.

As customers manoeuvre an increasingly challenging and uncertain future, HLF remains committed to supporting their financial needs and help them work towards long-term sustainability. We will also continue to focus on sourcing strategic opportunities, accelerate digital adoption and innovation, and exercise financial prudence with our strong governance practices.

We remain resolute in our collective pursuit to build a resilient customer-centric organisation anchored on sustainable profitable growth for a stronger and greener economy, happier customers and stakeholders.

## **APPRECIATION**

I would like to express our sincere appreciation to our valued customers, partners and shareholders for their continued support, trust and confidence in us. I am also deeply grateful to my fellow Directors for their invaluable advice and guidance during the year and to the management and employees for their commitment and efforts in 2022.

**KWEK LENG BENG**

**Chairman**

24 February 2023