



Chairman's Statement

OPERATING PERFORMANCE

A Challenging Year

This past year has been challenging for all of us due to Covid-19 resurgence risks. With targeted efforts by the Singapore government to manage public health concerns with protecting livelihoods and improving external demand, the economy impact was less severe.

Amidst challenging operating environment, Hong Leong Finance ("HLF" or the "Company") continues to attain healthy growth in financial performance and maintain a strong capital position.

Supporting Our Customers

The Company has continued to support its retail and business customers in bad times as well as good. The pandemic has adversely impacted the financial health of many customers. In response, we deployed various measures such as relief facilities and repayment assistance to help them.

Accelerating Digital Transformation

The current environment has accelerated the shift to digital financial transactions and electronic payments as customers embrace remote- and hybrid-working and living. We intensified our digital efforts to help individuals and businesses adapt to and thrive in the new normal.

We continued to encourage the use of digital channels for our customers' financial transaction needs. This minimised Covid-19 risk exposure of our customers and provided convenience for them in their payment transactions. In 2021, we continue to see high digital adoption for payment channels such as AXS and PayNow, with PayNow transaction volume and amount more than doubled, as compared to 2020.

Furthermore, we rolled out new digital capabilities and updates to our digital platforms. We upgraded our digital vehicle loan application platform for enhanced efficiency and faster customer service. The convenient and scalable channel processed more than three-fold of car loan applications this year compared to a year before, with no additional manpower support. Our fixed deposit customers also enjoyed hassle-free transactions with the introduction of fixed deposit advice and e-payments based on online instructions. The Company also partnered with HDB on the launch of their new portal, HDB Flat Portal, to enhance buyer experience when purchasing their HDB flats.

These digital capabilities are increasingly crucial as it complements our existing physical channels to enable us to serve customers wherever they are. We will continue to invest and introduce more digital channels and efficiencies in our operational processes to facilitate effective digital transformation to suit changing customer needs.

Having a Customer-Centric Mindset

We are committed to listening to our customers and dedicate our service in fostering a positive customer experience at every stage of the customer journey. Our employees are our competitive edge who understand the importance of customer centricity.

While we transitioned to a new working model to safeguard the well-being of our employees, we established stringent safe management measures and standard operating procedures to ensure that we maintained our high customer service standards. Our employees continued to be trained and upskilled. We also invested in new technology and are adopting powerful tools, like Microsoft 365 that offers a suite of apps that will help our employees working in office and at home, to stay connected and getting things done well for customers.

Staying Relevant With Innovation

We live in a world of constant change. For HLF to stay relevant now and in the future, we need to innovate and adapt.

With the unprecedented challenges brought about by the Covid-19 pandemic, we experienced dramatic drop in face-to-face interactions with customers and observed a rapid pick up in exchanges on messaging apps. To enhance and build on this engagement, we launched an exclusive fun digital sticker pack to add more flavour to our conversations with them. The well-received stickers featured Egan, a sociable and cheerful dragon character, in common emotions like joy, love and surprise. It also advocated healthy and good practices with “Stay Safe” and “Go Green” messages.

Climate change is a growing concern for everyone and we make it an integral part of our strategy to address it. We actively promoted sustainable finance and the Company was the first in Singapore to announce green vehicle financing initiative for vehicle rental companies. The innovative programme offered Vehicle-Green Loan and Charger-Green Loan to the significant growing sector. According to Land Transport Authority figures, Singapore’s private hire car sector grew 142% over the last five years in 2020¹. Correspondingly, electric vehicles and hybrids grew 571%². With the government’s enhanced rebates on green cars in place, the green financing scheme helped the rental companies to be eco-friendly and improve their bottom line.

Strengthening Partnerships

We have strong relationships with our customers and partners like car dealers, property developers and agents that have been built over decades. Our strategic partnerships with our valued business partners have enabled the Company to enhance its capability and reach. We have significant opportunities to deepen and broaden our rapport with them and expand our business and marketing through the collaboration.

Heightening Governance Practices

The Covid-19 pandemic has cast greater emphasis on risk and compliance for business resilience.

The Company adopts robust and prudent risk management practices to support strategic business goals and create sustainable value for all. With leadership from the Board, the Management continues to invest in risk management and compliance capabilities to protect our business and safeguard the common interests of our stakeholders. We have in place strong governance structure, rigorous risk management practices and sound internal controls that leverage technology, to enhance our effectiveness and efficiency in conducting businesses within appropriate risk tolerance levels and in compliance with regulations.

¹ https://www.lta.gov.sg/content/dam/ltagov/who_we_are/statistics_and_publications/statistics/pdf/MVP01-1_MVP_by_type.pdf

² https://www.lta.gov.sg/content/dam/ltagov/who_we_are/statistics_and_publications/statistics/pdf/MVP01-4_MVP_by_fuel.pdf

Embracing Sustainability

HLF is committed in our Sustainability Framework in pursuing sustainable business priorities and enforcing responsible business practices, beyond making profits. We integrate sound environment, social and governance practices into the Company's operations.

We believe in driving value creation for key stakeholders and supporting our employees' well-being and development as our business priorities. Our responsible business practices, which anchor on strong and robust corporate governance, risk management, responsible finance and environment management, are our bedrock for business sustainability.

Maintaining Trust for 60 Years

HLF is a trusted financier that provides core services on financing, deposits and corporate finance services. Our strength in service for the past 60 years allows us to have a differentiated presence to compete.

We are humbled to be conferred the "Best Performing Bank in Singapore 2021" by The Banker, an international publication owned by The Financial Times Ltd, in recognition of the Company's outstanding performance in the banking and financial industry. It topped in three of the eight assessment categories, namely Asset Quality, Soundness and Leverage.

HLF has also been rated "Top 100 ASEAN Banks" and "TOP 1000 World Banks" by The Banker for the Company's healthy Tier 1 Capital and "Top 100 Singaporean Brand" by Brand Finance for its strong brand value for four consecutive years.

We firmly believe in excelling by staying true and relevant, focusing on driving performance in core businesses. Our customers clearly trust us and value the efforts we have been making.

OUTLOOK

There are signs of economic recovery based on external economic recovery and domestic demands. However the market remains susceptible to economic and geopolitical uncertainties. We therefore remain cautiously optimistic about what lies ahead. HLF will continue to strengthen our governance structures, improve our due diligence, and enhance the robustness of our systems and processes to drive sustainable long-term growth.

As we move into a world where we live with Covid-19 and is no longer a constraint on our operations, we seek to emerge stronger from the experience of the past year, stay the course of our transformation, and maintain excellent customer service as our competitive edge. With great teamwork, coordination and adaptability by our employees, we will continue to deliver high quality value propositions and innovative solutions that meet our stakeholders' needs.

APPRECIATION

I am deeply grateful to all our valued customers, shareholders and business partners for their continued support, trust and confidence in us.

I would also like to thank my fellow Directors for their invaluable advice and guidance during the year and to the management and staff for their commitment and efforts in 2021.

On behalf of the Board of Directors, I wish to extend a warm welcome to Mr Clarence Yeo Gek Leong, who joined the Board on 1 January 2022 as an independent non-executive Director. The Board is confident that Mr Yeo's experience, especially in the areas of information technology and digitalisation with elements of cybersecurity gleaned from his tenure with ICA, would provide further diversity to the core competencies and skill set of the Board and it looks forward to his contributions. The Board would also like to take this opportunity to express its sincere appreciation to Mr Ter Kim Cheu for his invaluable contributions to the Company since his appointment to the Board in September 2010. He stepped down as an independent non-executive Director of the Company with effect from 1 January 2022

KWEK LENG BENG

Chairman

23 February 2022