



Chairman's Statement

OPERATING PERFORMANCE

2020 was an unprecedented year with the global Covid-19 pandemic creating upheavals in everyone's daily life. Businesses and individuals were deeply affected as countries impose stringent controls including economy lockdown and border restrictions to curb the spread of coronavirus. Many companies' operations were disrupted and the impact was extended to staff and their families.

Making Your Well-Being Our Top Priority

At Hong Leong Finance (HLF), we put the well-being of our customers and staff as our top priority in the pandemic environment. In line with the Singapore government's efforts to promote social distancing, we temporarily closed some branches and SME Centres to enable a part of our staff force to work from home.

Our open branches observed the mandatory safe management measures. We also dedicated priority branch hours to serve the vulnerable customers, including those who are pregnant and aged.

Opening New Convenient Transaction Channels

Amidst a time of rapid change and disruption, HLF remains adaptable. We worked hard to roll out new transaction channels to continue serving our customers to meet their financial needs while encouraging them to stay at home and reduce branch visits.

We introduced online application for customers seeking for loan relief during this challenging time, accepted online instructions for deposit transactions including Fixed Deposit renewal, took in funds transfer via PayNow for deposit placement and made e-payments for funds withdrawals. These convenient contactless transaction channels have proven popular with our customers and many have become the new "normal" channels.

Staying True as a Financier

The impact of Covid-19 pandemic had caused many companies to suffer a dip in earnings and individuals to lose jobs and take pay cut. As a committed and prudent financier with robust risk management controls in place, HLF acted swiftly and responsibly by implementing loan relief schemes, such as mortgage loan moratoriums and loan period extensions, to tide our customers through the economic difficulties. We continue to provide assistance to some who needed further help to restart their loan repayments in 2021 under Extended Support Scheme.

Collateral-free loans at competitive interest rates with processing fee waived were also offered to small and medium-sized enterprises (SMEs) with viable business models and potential to grow. We ran a digital outreach campaign to create awareness of the support we provide. We believe that rendering support to SMEs and individuals to weather the pandemic shock is crucial to our core business.

Embracing Resilience through Collaboration

To address the increasingly complex challenges and opportunities that constitute a new “climate for business”, our resilience planning involved multiple parties with varying interests, issues and goals.

We collaborated with business, government agencies and the community to be more resilient against systemic risks. Having strong networks of partners and agreed action plans are crucial. With the escalated growth of digital adoption partly driven by Covid-19 pandemic, together with our strategic partners like Inchcape and Porsche Financial Services Group (PFS), we launched a hassle-free car loan end-to-end digitalised secured platform that leveraged on SingPass authentication for loan application, approval and agreement delivery. Govtech’s MyInfo for efficient retrieval of consented applicant’s personal data and automated rules engine for expedient underwriting were tapped on. The new loan platform was well-adopted by customers and we are looking forward to on-boarding more new partnerships onto it while we continue to fortify our relationships with the existing partners like PFS, which we won Porsche Financial Services’ Global Top Contributor Award for three years running.

Retaining Personal Touch in Digital Transformation

We differentiate on service with our personal touch and it is important that we retain our brand’s competitive edge. While we believe the acceleration in the adoption of digital services will become a long-term shift in customer behavior, resulting in more of them turning to digital solutions and services, we are purposeful in our digital transformation about how we interact with customers in order to make the most of every interaction meaningful.

Customers value personal touch and want to be served as individuals especially when they are making important financial decisions, such as taking up their first loan for a house or factory or opening a first deposit account. They want to do it right the first time and so finding a trusted service is crucial. To this end, we believe that our staff are the ones who make the difference for us and digitalisation is an essential complementary service.

Innovating to Stay Relevant

Serving the current moment by adapting and innovating is paramount to stay relevant and ahead of the curve. Hence we keep an eye on the emerging market trends and anticipate customer needs so that we can serve them effectively.

Given the uncertainty in economic recovery, we reckon that keeping cash at hand matters more to customers than before. Many prefer to leave their aspirations, such as business expansion and asset acquisitions, unspoken. To address their concerns sustainably, we created innovative financing solutions based on the market dynamics. New flexible first-year-interest-payment-only Hire Purchase schemes for medical equipment and selected car makes were introduced. Customers were appreciative of the cash they could retain for not having to make principal repayment in the loan’s first year. It is relevant schemes like these that have further boosted our base of connected customers.

In recognition of our outstanding performance, responsiveness to challenges and success in introducing meaningful and innovative initiatives to the fast-transforming financial industry, HLF was honoured ASEAN Best Finance Company Award for the seventh consecutive year by Asian Banking & Retail Banking. We are also humbled to be bestowed Top 100 Singaporean Brand Award for a third year by Brand Finance for being a strong and trustworthy brand.

Managing Risk and Compliance

While we drive towards success, continual assessment of our business and processes is vital to properly safeguard the interests of the Company and our customers and to comply with the stringent regulatory requirements.

To deal with heightened risks from contactless transactions and rising sophistication in cyberattacks, confidentiality issues, frauds and scams, we strengthened our risk management and control environment as well as our operational resilience. The scope included enhancement in non-face-to-face verifications, anti-money laundering and countering financing of terrorism transaction monitoring, enterprise-wide risk assessment and continuous staff education and awareness reinforcement of best practices and guidelines relating to data management.

We also maintained robust capital and healthy liquidity positions at all times to overcome potential stress arising from volatility, uncertainty, complexity and ambiguity attributable to changes in the operating environment such as the pandemic situation. HLF was named Top 1000 World Bank and Top 100 ASEAN Bank for three successive years by The Banker, a testament of our strong Tier 1 Capital.

OUTLOOK

2020 had been an extremely eventful and challenging year. We are cautiously optimistic that the operating environment for 2021 will improve with the containment of the pandemic both globally and domestically, mainly because of promising vaccine developments.

As we all try to respond to the pandemic, it is more apparent than ever that we are all responsible for one another. We will reach out wide and deep to build a more resilient organisation, supported by customers, partners, staff and communities, to create new value by fostering development and innovation and promoting financial inclusion.

The financial industry's operating environment is undergoing drastic changes, driven by the rapid digital transformation and the pandemic. We are paying close attention to the commercial risks and are positioned for growth when the economic rebound and consumers and business regain confidence for post-Covid-19 recovery.

APPRECIATION

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

I would also like to express my appreciation and thanks to my fellow Directors for their invaluable advice and guidance during the year and to the management and staff for their commitment and efforts in 2020.

On behalf of the Board of Directors, I wish to extend once again a warm welcome to Mr Christian Gautier de Charnace, who joined the Board on 5 August 2020 as Independent Non-Executive Director. I am sure the Company will benefit from his contributions from his management and professional experience and am confident that he will provide further diversity to the core competencies of the Board and allow for fresh perspectives on the Company's strategies and business. I would also like to express our heartfelt gratitude to Mr Chng Beng Hua, Mr Cheng Shao Shiong @ Bertie Cheng, Mr Po'ad bin Shaik Abu Bakar Mattar and Mr Raymond Lim Kiang Keat for their invaluable contributions to HLF since their appointment to the Board in July 2000, April 2004, April 2009 and March 2012 respectively. They will be stepping down from the Board upon the conclusion of the Company's annual general meeting to be held in April 2021.

KWEK LENG BENG

Chairman

25 February 2021