

HLB: Creating a digital-first future with innovative technology

2023 outlook

Company Insights

twimbit Purpose Score

Customer Experience



Employee Experience



Supplier Satisfaction



Shareholder Value



Society/Planet Impact

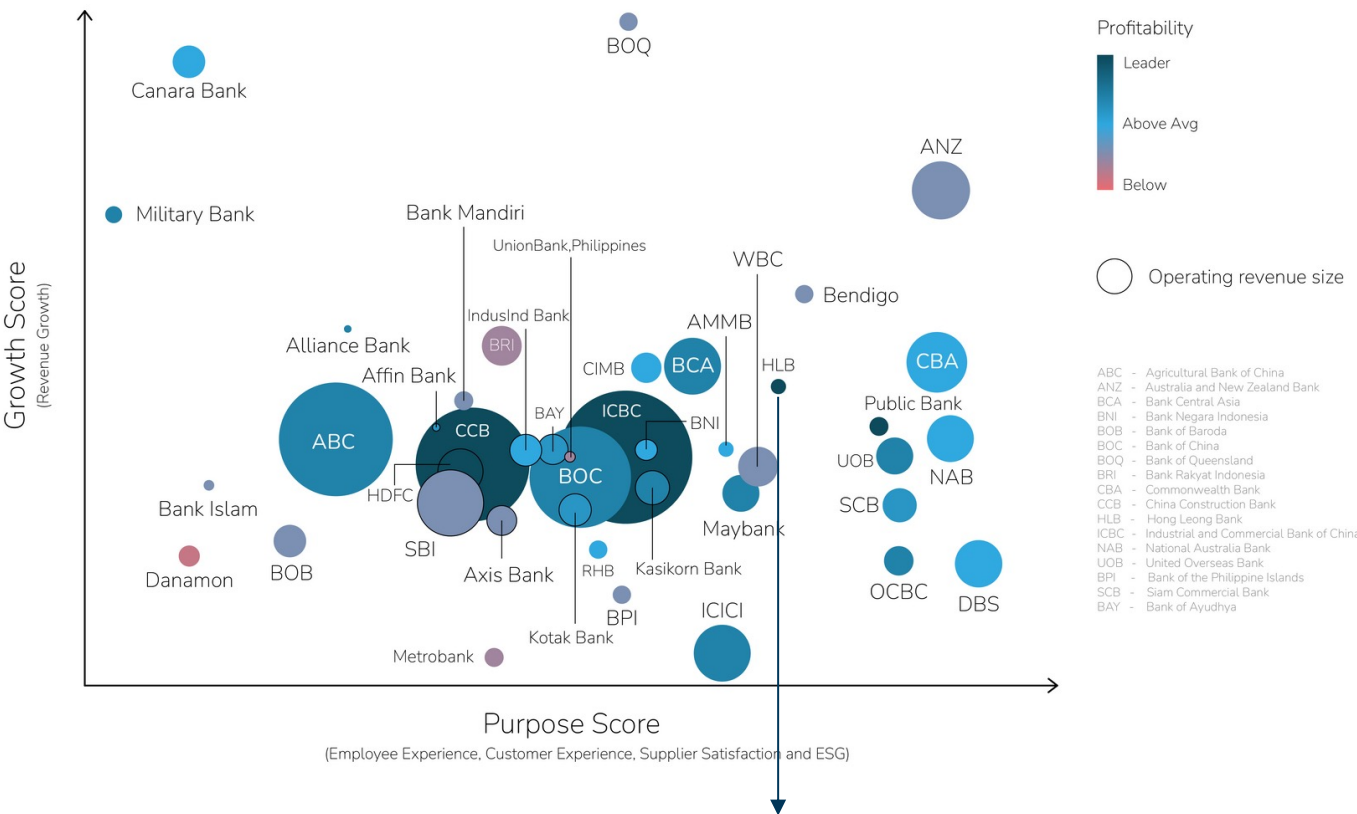


Aggregate score



*Changes vs twimbit Purpose Score 2020

Benchmarking HLB on the twimbit purpose index



HLB is here on the twimbit purpose index

- 1 HLB holds a growth score of 2.85 out of 5
- 2 The purpose score of 74% reflects that HLB is performing well in stakeholder experience
- 3 The bank's operating revenue is USD 5.6 billion, ranking it among the top 3 Malaysian banks
- 4 The colour of the bubble indicates that HLB is a leader in profitability

Executive summary – HLB at a glance



| | |
|----------------------------|---------------------------|
| Company Name | : Hong Leong Bank Berhad |
| Headquarters | : Kuala Lumpur, Malaysia |
| Employees | : 8,008 |
| Countries | : 5 |
| Branches | : 244 |
| Revenue | : USD 1.27 bn (RM 5.6 bn) |
| Common Equity Tier 1 Ratio | : 13.4% |
| YoY Revenue Growth (%) | : ▼ -3.05% |
| Annual IT Spending | : USD 8.1 mn (RM 35.4 mn) |

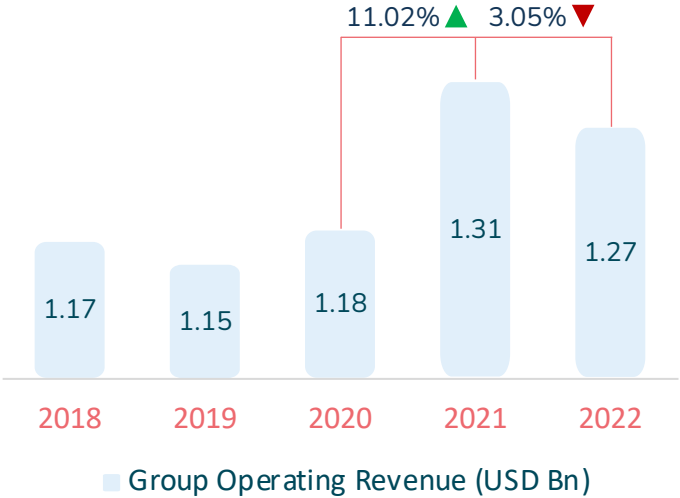
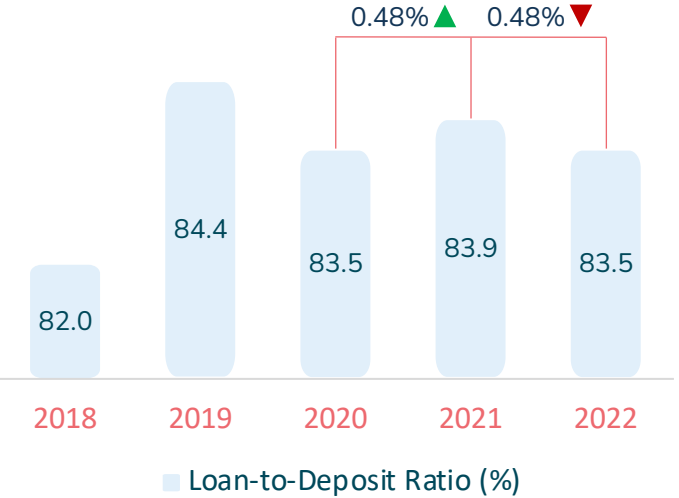
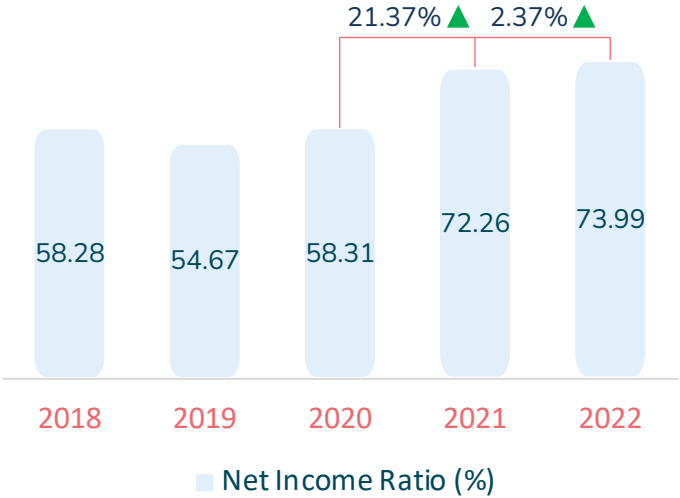
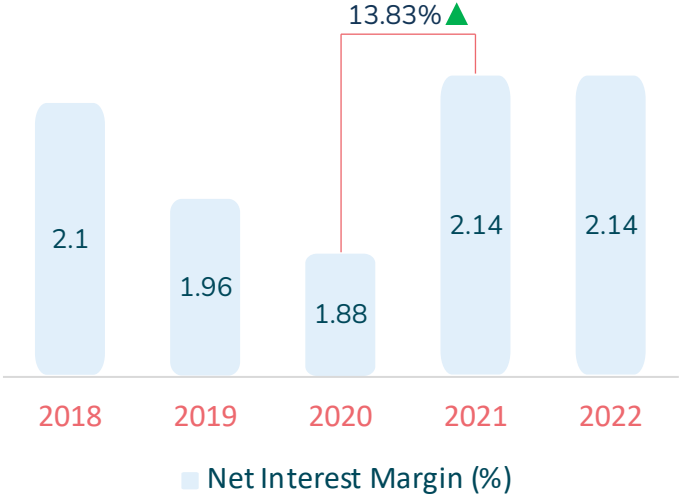
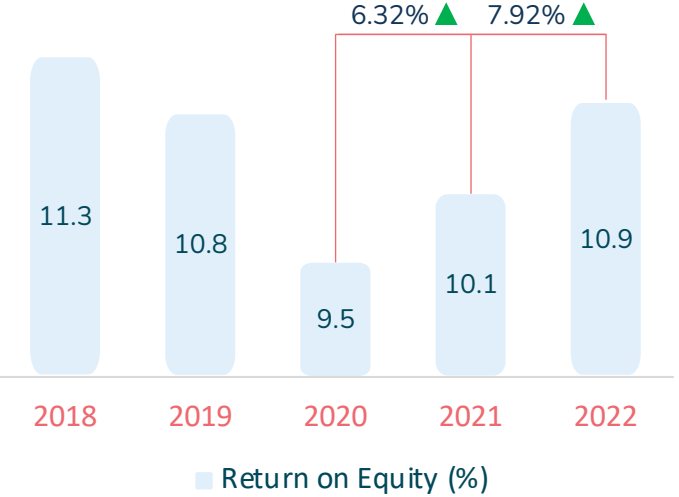
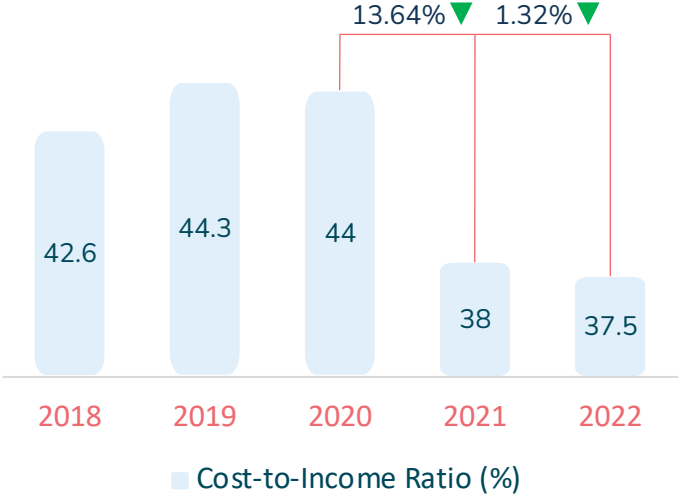
Strategic focus areas

- ① Digital at the core
- ② Building services around customers
- ③ Enriching employee growth
- ④ Environmental and social impact

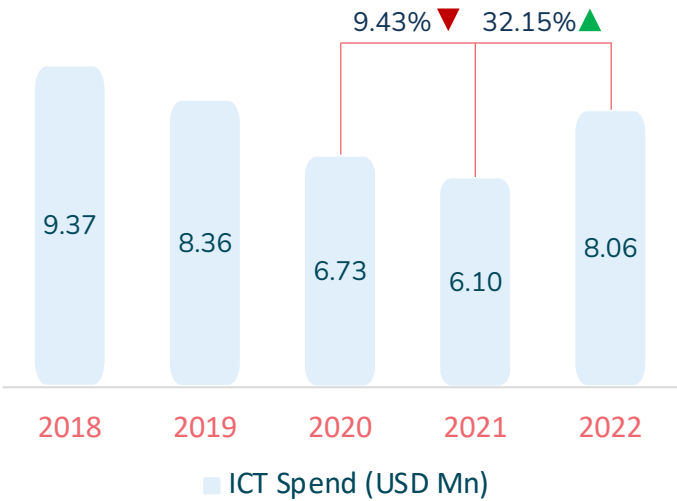
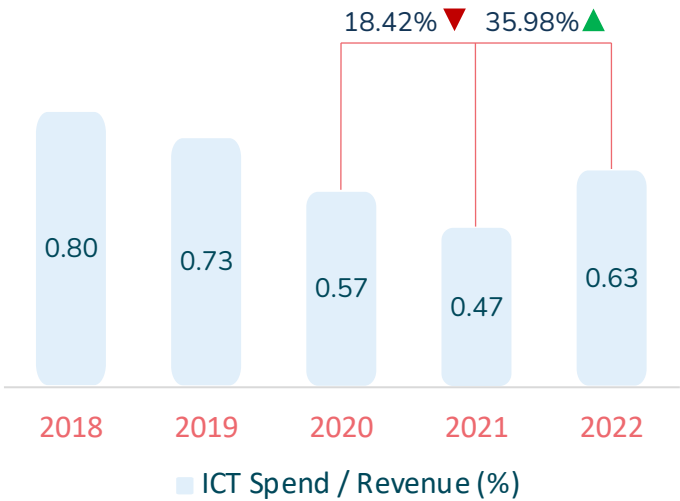
Awards

- ✓ Best Customer Insights Initiative-Overall by Digital CX Awards 2022
- ✓ Bronze for Best Career Development Programme by Employee Experience Awards 2022
- ✓ National Energy Awards 2021 by Sustainable Energy Financing - Conventional Financing 2021
- ✓ Best Digital Bank in Malaysia by AsiaMoney Awards 2021

Financial highlights



HLB expands its investments in ICT



Measures of success

USD 747.99 Mn (RM 3.29 Bn)

Net Profit for the Group (▲ 14.96% YoY)

33.5%

CASA ratio for the Group (▲ 11.5% YoY)

13.4%

Common Equity Tier-1 Ratio

> 2,340,000

Customers on HLB Connect Online (▲ 19% YoY)

160.6 sen

Earnings per share (▲ 14.9% YoY)

> 32,590

Customers registered via Apply@HLB app

Top 4 strategic focus areas

#1



Digital at the
core

#2



Building
services around
customers

#3



Enriching
employee
growth

#4



Environmental
and social
impact

#1 Digital at the core

Discovering innovative digital solutions to strengthen customer relationships

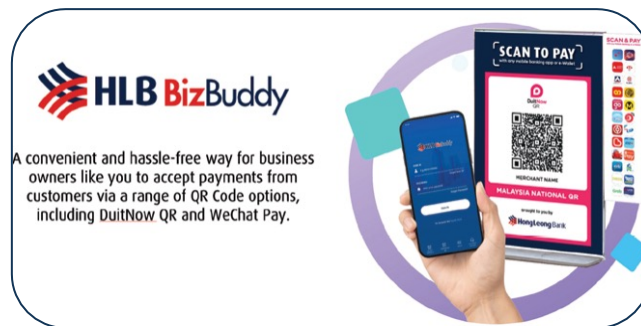


Key highlights in FY2022

- > 1.9 million users on the HLB Connect app.
- >2.34 million users on the HLB Connect Online platform.
- 91% of all banking transactions at HLB are conducted via the bank's internet and mobile banking platforms leading to a 23.6% increase from the previous year.
- 18% growth in customer base across all digital platforms.
- HLB launched ConnectFirst in early 2022 to cater to business customers and scale regional growth.

Supporting business customers through innovative solutions

- HLB's business mobile banking customer base grew by 284% YoY while the business internet banking customer base grew by 13% YoY.
- Launched an online Business Account Application feature that reduces onboarding time for new-to-bank business customers from 7 days to as short as 30 minutes; the entire process is completely paperless.
- Launched the HLB BizBuddy app, where business owners can accept customer payments via a range of QR code options, monitor transactions in real-time, and instantly refund any same-day purchase cancellations.
- Automated the analysis of customers' bank statements, shortening the bank statement/credit assessment turnaround time from 2 hours to as little as 1 minute.

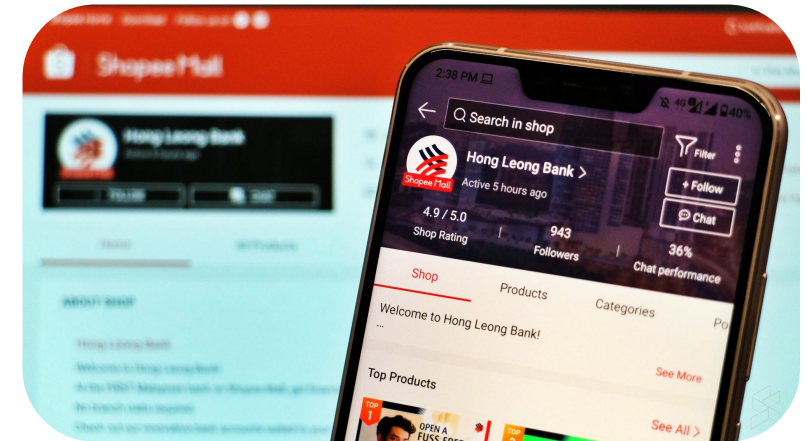


#2 Building services around customers

Driving seamless and convenient banking by meeting customer needs

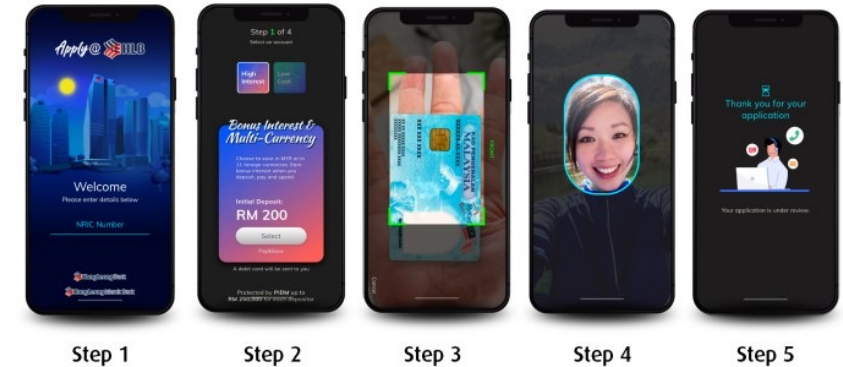
Shopee online store

- HLB is the first Malaysian bank to have an online store on Shopee.
- Established in FY2021 and an important channel in driving CASA growth.
- HLB's Shopee store offers a total of 8 HLB CASA products.
- The store has accumulated >100,000 followers and maintained a shop rating of 4.8 since its launch.
- Obtained >33,000 new CASA accounts through this channel alone.
- Customers who choose to open an HLB account via Shopee can do so without having to visit a physical branch.



Convenient account opening processes

- Customers can open a bank account through the Apply@HLB app or by arranging a visit from the bank's Deposit Relationship Manager, who will complete the onboarding process through HLB's Customer Onboarding and Servicing iPad solution, which was developed in-house.
- 85% of all new customers in FY2022 were onboarded digitally, either through the Apply@HLB app or via the iPad.



#3 Enriching employee growth

Through supporting its workforce, HLB strives to be the **employer of choice**

Fostering professional career growth

- Encourages its employees to experience multiple career paths within the organisation.
- Organised its first Career Day in FY2022 to offer insights into different career paths available within the bank itself.
- Trains its employees in sustainable business practices
 - Over 8,000 employees have been trained as of FY2022.
- Adapting employees to be proactive and take ownership of their own development, guided by the bank's 70:20:10 Learning Framework:
 - 70% on-the-job learning
 - 20% learning from others
 - 10% structured learning

Proactive learning and development

- Requires all HLB employees to fulfil a minimum of 40 hours of training per fiscal year, with at least one training day focused on subjects pertaining to digital and/or sustainability.
- Enables employees to stay ahead of the latest developments in the financial industry as well as outside of it.
- Offers over 50,000 e-learning courses via the Disprz platform on HLB@Workday in 2022.

Well-being as a priority

- PlusVibes, HLB's mobile-first well-being platform, helps employees build personal resiliency and strength, both physically and mentally.
- In October 2022, PlusVibes was relaunched with new features and improved user functionality.
- If an employee requires further assistance, they can connect with a qualified counsellor via the app.

#4 Environmental and social impact

Empowering students and rural communities to **shape a healthier planet**



Environmental footprint

- HLB Singapore launched Southeast Asia's first biodegradable debit card to enhance sustainability efforts. The card is created from bio-sourced materials, making it 82% biodegradable and minimising its ecological footprint.
- HLB's energy-saving measures have witnessed the bank's Scope 2 emissions fall by 17.3% in FY2022 compared to the baseline year (FY2019).
- HLB launched its first ever carbon offsetting initiative via its mangrove rehabilitation and conservation project, where the bank will plant 50,000 new mangrove trees in the Kuala Selangor Nature Park.
- Energy, water, and paper consumption fell by 6%, 19%, and 34.6% from the previous year respectively.

Financial literacy and accessibility for all

- The HLB@School and HLB@Kampung initiatives aim to promote financial literacy and drive the movement toward a cashless ecosystem in both schools and rural areas of Malaysia.
- These initiatives' overarching goals educate students with essential knowledge to manage finances and to bridge the socioeconomic gap within the country.
- HLB also launched a first-of-its-kind 'talking ATM' to serve visually impaired customers in Kuala Lumpur and Penang to drive financial inclusion.

HLB's digital strategies



Continuous system refreshes and replatforming

- Adopts newer, more scalable cost-effective technologies to maintain a cloud-ready, resilient ecosystem and continuously refresh the system.
- In FY2022, HLB's IT team:
 - Implemented 44 projects,
 - Completed 942 system enhancements, and
 - Reduced unscheduled downtime by 48% compared to the previous year.



Strengthening cybersecurity readiness

- Ensures continuous awareness on cybersecurity and risk by implementing gamification in its company-wide communications through a;
 - Cybersecurity pop quiz
 - Cybersecurity crossword puzzle
- Introduces a virtual cybersecurity ambassador in the form of an avatar to promote the best practices within the bank.

HLB's technology innovation

#1



HLB
ConnectFirst

#2



API ecosystem

#3



'Can You Hack
It' hackathon

#4



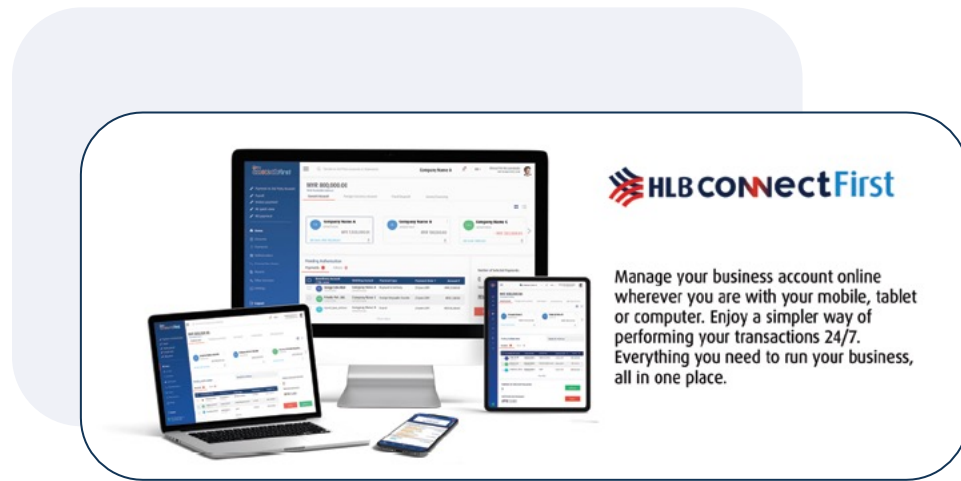
HLB DuitSmart

#5



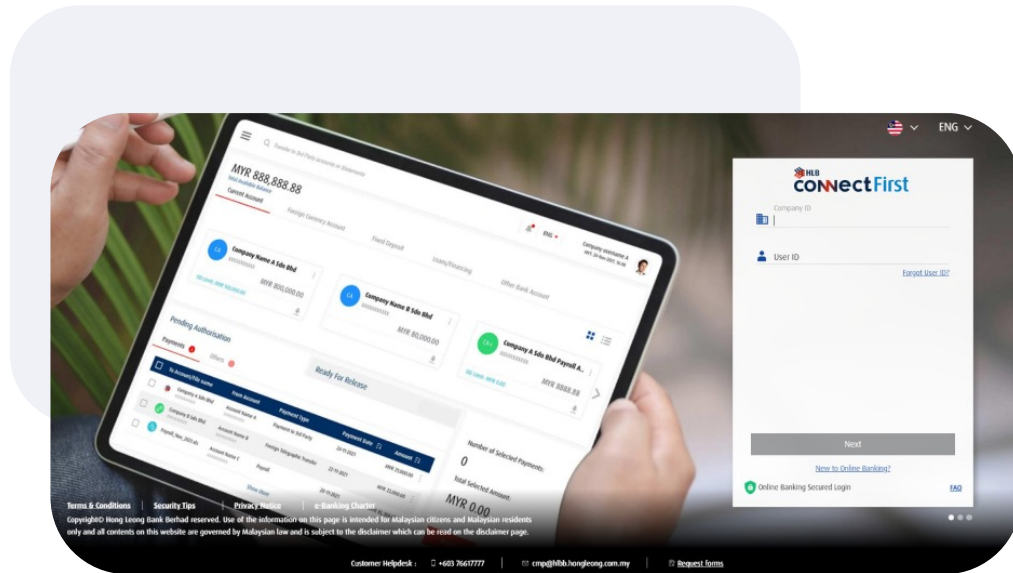
HLB LaunchPad

#1 HLB ConnectFirst



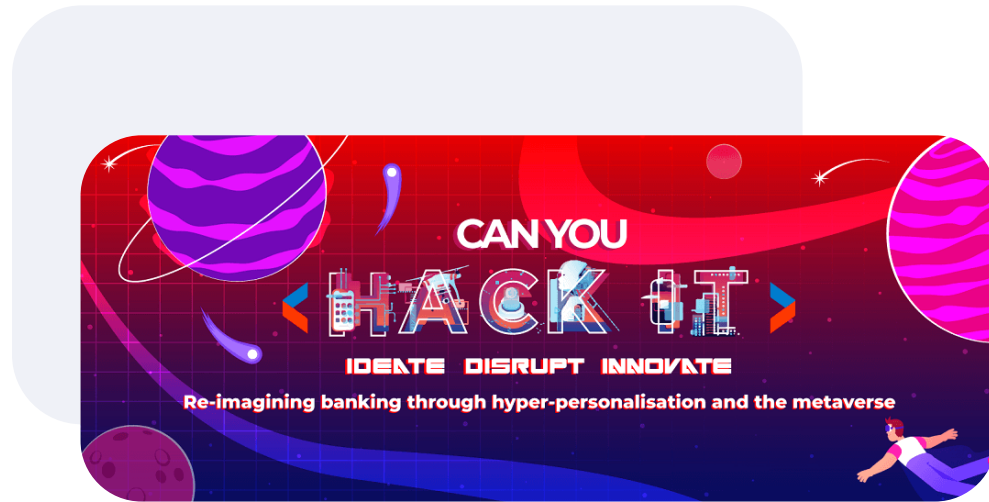
- HLB ConnectFirst – the next-generation digital banking platform for business customers.
- Provides a consolidated view of customer payments, transactions, and accounts alongside an intuitive UI/UX interface that is responsive across mobile, tablet, and desktop.
- Features account balances, transaction authorisations, and biometric-enabled eToken capabilities.
- Since the launch of the initial ConnectFirst platform, HLB's digital business customers have grown 11% YoY to nearly 100,000, with an average of 1.5 million financial transactions per month.

#2 API ecosystem



- Introduced the corporate settlement API, enabling customers to integrate their various operating systems with ConnectFirst.
 - Integrate payroll and accounting systems with ConnectFirst to enable seamless processing and payments of their payrolls.
 - Support a wide range of single, online and bulk payment/transfers.
- In addition to the settlement API, HLB's team has built and enabled an API for third-party SMEs.
 - Allows the third party to integrate and use HLB's payment rails to allow instant transfers from the third party's wallet to any financial institution in Malaysia.

#3 'Can You Hack It' hackathon



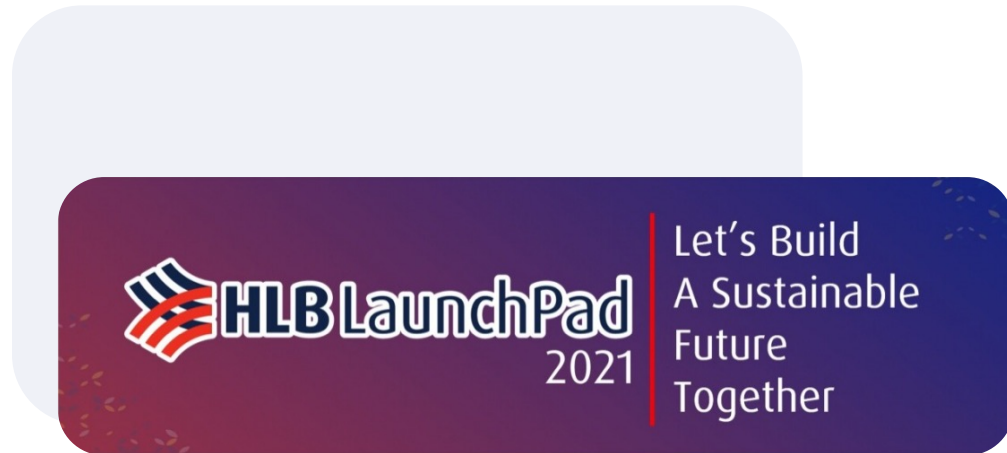
- In October 2022, HLB organised the 'HLB Can You Hack It' hackathon as part of the bank's efforts to build a pipeline of fit-for-future talents.
- Co-create innovative solutions focused on re-imagining banking experiences through hyper-personalisation and the metaverse.
- Participants were expected to create unique and personalised customer experiences that exploit the full potential of what the metaverse has to offer.
- The previous year's hackathon focused on solving ESG problem statements.

#4 HLB DuitSmart



- HLB DuitSmart is the bank's flagship financial literacy program, launched in 2019.
- Aims to make financial knowledge simple and accessible for all Malaysians through bite-sized and easily digestible content.
- Foster enthusiastic learning and application of financial principles.
- In FY2022, HLB DuitSmart was piloted through online workshops at secondary schools and tertiary education institutions, receiving exceptional feedback.

#5 HLB LaunchPad



- In 2017, the program was launched to seek support and mentor tech entrepreneurs and startups
- Aims to leverage digital capabilities to develop innovative solutions for better sustainable business resilience.
- In FY2022, HLB selected 3 partners (Datacultr, Alfie Tech, Qresit) with a focus on solving sustainability-related pain points to make a positive ESG impact, where alternative credit scoring and microlending are concerned.

Top 4 growth opportunities

#1



Buy Now Pay
Later

#2



Elevated CX

#3



AI in
everything

#4



Partnerships
for growth

#1 Buy Now Pay Later

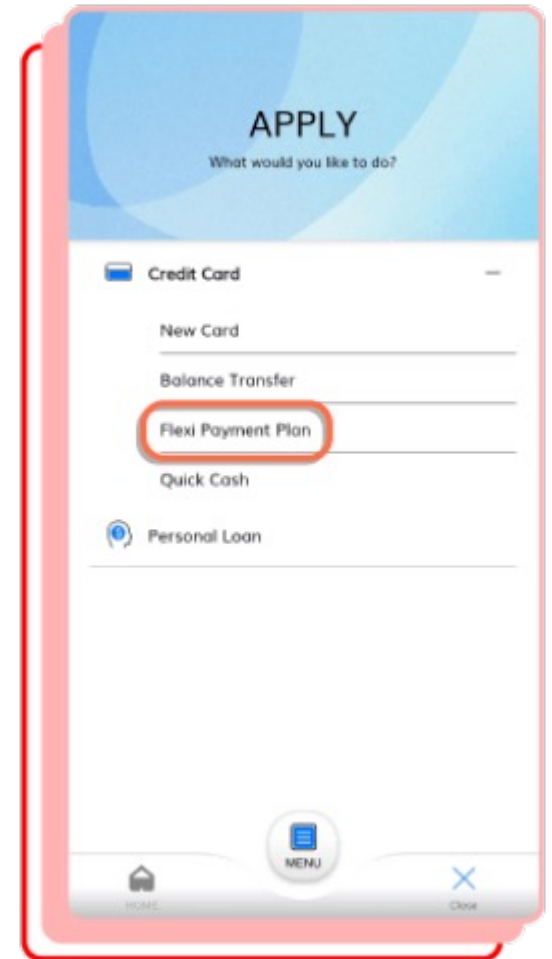
HLB's current offering

- Currently offers the Flexi Payment Plan (FPP) as their Buy Now Pay Later (BNPL) solution for the Malaysian market.
- Available to all HLB credit card customers via HLB Connect, both on the online banking platform and the app.
- Allows customers to convert any retail transaction of over:
 - RM 500 into a 6-month instalment plan
 - >RM 1,000 into an 18-month instalment plan
 - >RM 2,000 transaction into a 36-month instalment plan.
- FPP has a fixed interest rate of 8.99% p.a. but currently, a rate of 0% to 3.88% is applied till March 2023 as a launch promotion.

Competitor's offering – Atome

Atome is one of Malaysia's biggest players in the BNPL market.

- Delivers their BNPL service through the Atome app
- Offers a standard 3-month instalment plan for items purchased with their partners.
- Zero-interest charge on their BNPL services. Instead, Atome charges the partner merchants a service charge.
- Charges a flat fee of RM 30 to their customers for late payments.



#1 Buy Now Pay Later

Analyst View

Opportunities:

“Buy Now Pay Later payments in Malaysia could **double on an annual basis** to reach **RM2.65 billion in 2022**”

~ Malay Mail (June 2022)

Delivering a more competitive BNPL offering

- Offer a more appealing BNPL service to match local BNPL pioneers, such as Atome, that would attract new customers.
- HLB's current promotion of a 0% interest on 3-months tenure loans should be converted to a permanent offering.
- Provide BNPL options to existing customers and increase attachment rates.
- Maximise BNPL as an opportunity to onboard new customers, specifically, Gen Z to open other accounts with HLB.
- Partner with merchants to promote their BNPL service, such as having discounts on purchase when using their BNPL options.

Leveraging HLB's resources and brand

- Unlike Atome, HLB being an established institution should leverage their resources to develop innovative BNPL offerings, such as using AI to analyse customers' transaction history to determine the creditworthiness and BNPL for the customer.
- HLB should leverage their good brand name as a trustworthy banking institution to promote and attract customers

#2 Elevated CX



FY2022 CX performance

- Achieved customer satisfaction scores of 4.41 out of 5 by mobile banking users and 4.28 out of 5 by internet banking users.
- Recorded a score of 4.46 out of 5 by customers who called the bank's contact centre, indicating a 4.7% increase from the previous year.
- Reduced unscheduled downtime by 48%, as compared to the previous year.

CX Lab

- Promotes cross-departmental cooperation with conducive settings for product idea generation and prototyping.
- Gathers insights through various techniques, including A/B testing, gaze tracking, quantitative research, ethnographic research, and qualitative research.
- Enables the Lab to evaluate and act upon comprehensive consumer insights to better address consumer needs.
- In FY2022, the Lab ran:
 - 27 customer research projects,
 - 59 usability testing sessions,
 - 13 post-launch evaluation initiatives.

#2 Elevated CX

Analyst View

Moving forward with personalised insights

- HLB's 'Built Around You' ethos is the major driver of how the bank caters to all customer segments:
 - HLB Connect for retail customers
 - HLB ConnectFirst and BizBuddy for business customers
 - Pocket Connect for junior customers
- Enabled chatbot availability on its web platform and mobile apps to quickly address customer queries.
- However, the apps and web platforms currently do not provide customers with personalised financial insights that will enable them to make better informed financial decisions.
- Through machine learning, customers can receive personalised prompts e.g., a customer with extra funds in their account can be prompted to transfer the balance to a separate savings or fixed deposit account.

Gamification

- Currently, HLB's Pocket Connect app for junior savers has the 'Earth Hero', an eco-friendly mission to encourage young customers to earn, save, and spend while contributing to reforestation efforts.
- HLB should extend these efforts to its adult customers via the HLB Connect app to further boost environmental appreciation efforts, as well as encourage customers to engage with the app (e.g., CIMB).

Customer journey mapping

- A method of visualizing customer interactions by putting employees in the customers' shoes.
- The top leaders of HLB should take charge of owning customer journeys (e.g., DBS) or actively participate with the bank's existing CX Lab.

#3 AI in everything

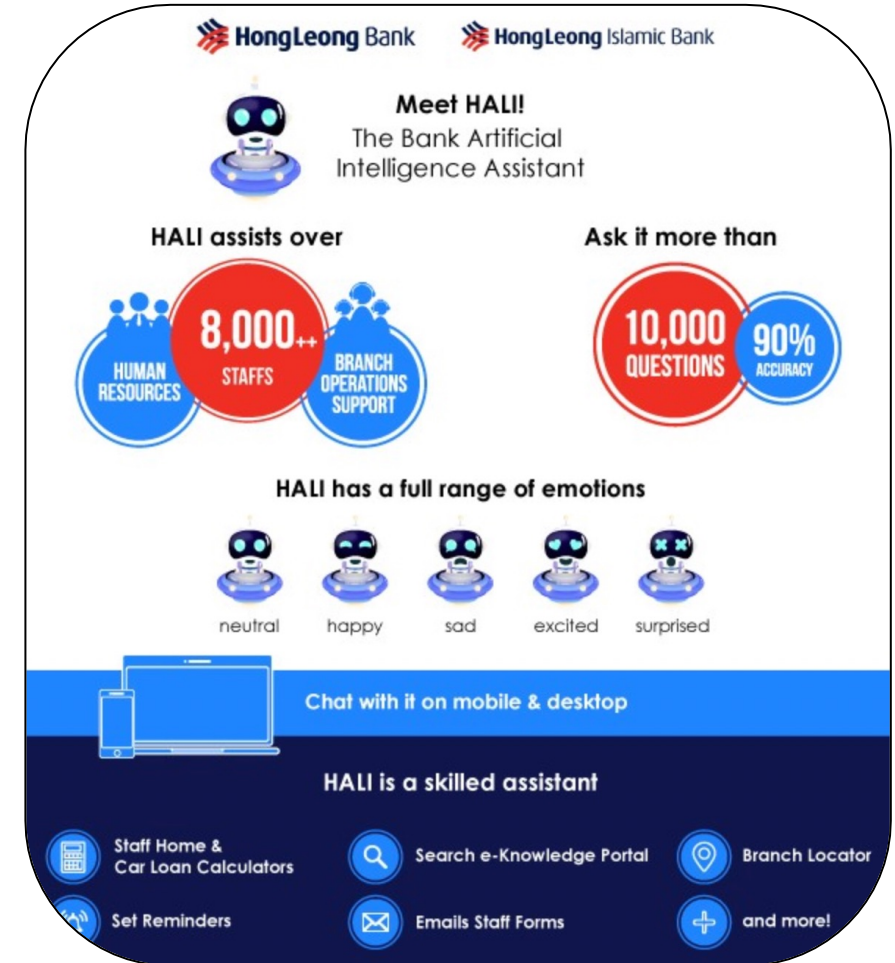
Analyst View

Chatbots for employees and customers

- Enabled HALI, an AI-powered chatbot, for its employees.
- Launched in 2018 to provide answers on HR and Branch Operations Support policies and procedures queries.
- Implemented HALI in 2019 under the bank's recruitment process, alongside a Virtual Recruitment Assistant to match suitable candidates with high-skill jobs.
- HLB also has an AI-powered chat service for its web platform and apps to serve its customers.

Expanding AI use cases within the bank

- Use AI as a powerful tool for credit scoring to reduce bias and accelerate financial inclusion.
- Implement AI in fraud prediction and detection (e.g., CIMB).



#4 Partnerships for growth



Partnerships in FY2022

- Rolled out 'Project Cashless Kampung' with Payments Network Malaysia (PayNet) in Sekinchan to ensure all 24,000 Sekinchan residents have access to banking facilities and services.
 - Initial phase will oversee HLB facilitating bank account openings and debit cards issuance for residents on an entirely digital basis.
- Collaborated with ecosystem partners and completed the fourth iteration of the 'HLB LaunchPad' mentorship program.
 - Aims to nurture young Malaysian entrepreneurs and foster collaboration with the emerging generation of fintech practitioners and other tech-savvy startups.
- Actively engages with social enterprises.
 - Onboarded its 5th social enterprise, Benak Raya Enterprise, which is an Indigenous-led social enterprise.
 - Partnered with HLB LaunchPad alumni, SURI Lifestyle, to drive community development.

#4 Partnerships for growth

Analyst View

Enable growth with technology partnerships

- Collaborated with ecosystem partners (MBAN, Cradle, Malaysia Digital Economy Corporation, PitchIn, and MaGIC) to launch and execute HLB LaunchPad.
- Has established ongoing partnerships with proptech and fintech partners, such as Urbanmetry, to enhance the property buying and financing journey for customers.
- The bank's absence in technology partnerships encourages the need for expansion into blockchain-based smart contracts (e.g., OCBC, UOB), which will enable finance documents to be securely verified.
- Additionally, HLB should explore the application of smart contracts for:
 - Internal business
 - Retail consumers
 - Peer-to-peer transfers
 - Trade finance

Appendix

Key decision-makers



Domenic Fuda



Group MD and CEO

- Appointed as Group MD and CEO in February 2016.
- Previously worked at DBS and Citigroup for 21 years.

Aspirations for the future

“ We are well positioned to continue delivering relevant products and services, anticipating a new set of challenges and customer expectations as we move into the post-pandemic era.

”

Promise to customers

“ We remain committed to innovation, building products and services propositions for our customers that ring true to our brand promise of ‘Built Around You’. We also remain resolute to provide financial assistance, digitization initiatives, and invest in sustainable practices to ensure robust medium to long term growth for our clients.

”

twimbit be more



Insights



Immersions



Challenges

How can we help?

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