

Customer Centricity

The Bank places its customers at the centre of all its activities, in its endeavours to enhance their overall experience. This calls for a perfect understanding of the customer, in addition to developing and delivering products and services in ways that exceed their expectations, despite the many challenges. Accordingly, the Bank has segmented the market in terms of a number of criteria and identified the channel and products/services mix for each market segment based on their perceived preferences. This has enabled us to differentiate our value proposition and build customer loyalty.

[Refer to page 43].

- | | | |
|--|--|---------------------------------------|
| 50
Growing corporate customers | 51
Remaining relevant to mass market customers | 54
Supporting SME customers |
| 54
Strengthening ties with micro customers | 55
Continuing to focus on high net worth customers | |



Customer centricity over the year

Credit card growth as at December 31, 2018

34.61% ↑

2018	Rs. 12.982 Bn.
2017	Rs. 9.639 Bn.

Market share in imports ↓

2018	10.20%
2017	10.56%

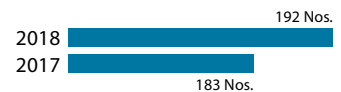
Market share in exports ↑



Growth in Divisaru savings

53% ↑

Off-site ATMs as at December 31, 2018 ↑



Total ATMs as at December 31, 2018 ↑



Growing Corporate customer base

Our corporate customers rely on us to be a trusted partner for their success and we always strive to fulfil this obligation as we strongly believe in being an integral part of our customer's growth. Living up to their expectations and continuing their loyalty is the key to our success and we do so by using our global and local networks, insights, and experience to enable them to reach their full potential in the industries and communities within which they operate. In addition, our team brings a vast range of expertise coupled with an unmatched experience in corporate lending, international trade, project financing, investment banking and Islamic Banking.

The Bank managed to maintain balance between growth and asset quality despite the challenging environment faced by our customers. We have managed to keep the NPA level below the industry average. The Bank has focused on strengthening the monitoring mechanisms and taking proactive measures to mitigate the impact on NPLs in the years to come.



Corporate Banking

Contribution to total assets

24.47%

Bank's share of the Country's imports

10.20%

Bank's share of the Country's exports

19.49%

Funds raised by Investment Banking Unit

Rs. 14 Bn.

Contribution to profits before tax

22.06%

* Based on management accounts.

Pledge loans

This year, we partnered with a reputed logistics company to re-launch Pledge Loans. Previously this product line was inactive due to the excessive manpower and resources needed on the part of the Bank to keep a track of pledged stock. However, with the logistics company now taking on the role of gatekeepers on behalf of the Bank, the Bank is ready to serve this customer segment once again.

Credit card securitisation

During the second half of the year, we launched credit card securitisation which offers all our credit card merchants the chance to borrow against their credit card proceeds. This product is also open to non customers who route their proceeds through our accounts, ensuring that we strengthen the flow to our CASA funding as well.



Commercial Bank POS power for retail outlets at Colombo City Centre

Retail outlets at Colombo City Centre, Sri Lanka's trendiest shopping mall, have been powered by Point-of-Sale (POS) machines supplied by the Bank.

Corporate card

Current regulations in Sri Lanka require a company credit card to be issued in the name of an employee who is accountable for the payment of funds despite it being settled by the company. Plans are under way to re-launch a corporate card in early 2019 improving customer convenience.

Trade financing

In supporting our corporate customer, the Bank has invested resources in strengthening the trade finance arm by the end of 2018,

and was able to grow the Bank's share of the country's exports up to 19.49% (November 2018) from 18.58% in 2017, while our share of the country's imports (including crude oil) decreased marginally to 10.20% from 10.56% in 2017. The increase in transaction volumes of our trade financing arm has contributed to the increase in fee-based income by 17.89% in 2018. Our focus in 2019 is to achieve a further growth in our share of the country's exports and imports business.

Investment banking

During the year, we entered into a collaborative alliance with Asia Securities Holdings (Private) Limited in order to provide customers of both institutions with investment banking services. The Memorandum of Understanding (MOU) signed between the two parties will facilitate our corporate customers experience a wide range of investment banking services, including equity and debt capital raising through listed and unlisted instruments, mergers and acquisitions (M&A) advisory, shareholder value maximisation advisory as well as corporate financial restructuring advisory services.

The Bank's Investment Banking arm helped finance several large-scale renewable energy generation projects during the year, as well as projects in waste management, and pollution control systems through dedicated loan products (refer page 59 under Spreading green banking for more details).

Offshore Banking Unit

Our Offshore Banking Unit (OBU) maintains retail and other accounts of non-resident Sri Lankan customers and the corporate accounts of BOI companies registered under section 17 of the BOI Act.

The OBU has aided many local corporates to conduct their banking activities in overseas markets with ease and familiarity. The unit continues to canvass existing customers with off-shore interests while approaching non-resident customers for deposits with the support of our BPOs and overseas representatives offering attractive rates.

The OBU's trade and current transaction volumes remained robust during the year, resulting in total commission and fee-based income recording a substantial growth over the previous year.

Islamic Banking

Commercial Bank’s Islamic Banking Window – Al Adalah – has been in operation since June 2011 offering Sharia-compliant products to customers based on the concept of “profit and loss sharing” as an alternative to conventional interest-based financial transactions.

One of the clear strengths for Commercial Bank is its increasing experience and knowledge in Islamic banking backed by the overall quality of other services on offer.

The Bank continued to focus on marketing Islamic Banking offerings through the branch network. The Islamic Banking Unit also continued to provide financing through Offshore Banking and International Trade and Finance facilities.

The Islamic Banking Unit intends to conduct a review of processes to enhance service efficiency and customer convenience.

Remaining relevant to mass market customers

Our Personal Banking customers, whose interests are predominantly transactional banking, continue to drive growth for the Bank. Having understood the importance of this customer segment, the Bank has taken measures to stay relevant.

During the year the Bank introduced and relaunched products and services to be in line with our changing customer needs. This year the Bank has also made many significant investments to keep abreast of technological advances and evolving digital platforms.

In line with this stance, the Bank integrated its ATM switch to the core banking system for customer transactions to be recorded in real time. We also supported our customers through revisiting lending products and services to better suit their requirements in a tough operating environment. In the near future we will be leveraging many technological innovations in the market – from automation to artificial intelligence – to launch convenient customer solutions.



Commercial Bank’s milestone 800th ATM installed at Giriulla branch

Enhancing convenience

We introduced online loan approval to our customers in 2017 and also extended this facility for loans against electronic fixed deposits based on a rating model. With the necessary documentation the loan amount will be released to the customer’s account immediately – a convenience we hope to extend to other loan products and for credit cards in the near future. During the year 2018, the Bank committed to leverage on this initiative.



Personal Banking

Contribution to total assets

42.28%

Growth in advances

18.71%

Growth in credit cards

34.61%

Growth in deposits

14.81%

Contribution to profits before tax

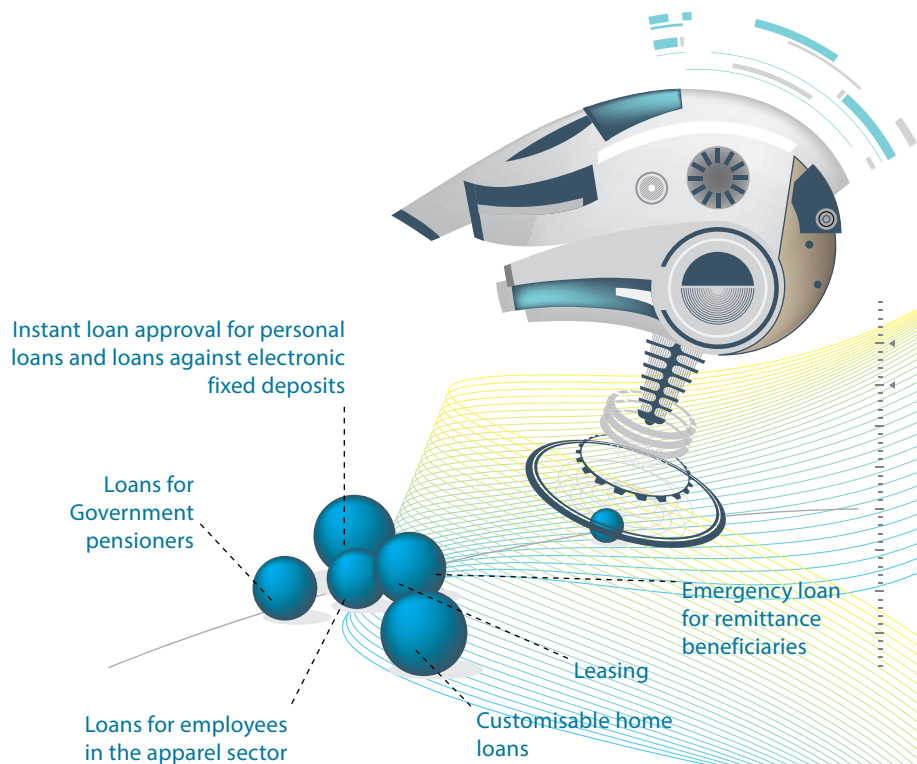
45.08%

Bank’s share of the Country’s foreign remittances

17.5%

Supporting the mass market

Figure – 14



Our mass market customers continue to drive growth, adding to our CASA portfolio. Through the range of loans on offer, they are able to finance all their funding requirements.

* Based on Management Accounts.

Loan schemes

Our loan scheme for government pensioners too has shown strong growth. The Bank offers loans of up to Rs. 2.5 Mn. for up to 10 years for pensioners under the age of 69 years. Availability of loan insurance cover makes the product even more attractive.

During the year, we also launched a special personal loan scheme for employees in the apparel sector, the largest foreign exchange earning sector in the country. Through these loans the Bank is able to help this customer segment to fund their requirements enhancing their quality of life.

The Bank's housing loan scheme has recorded a satisfactory growth of Rs. 62,388 Bn., 16.33% over the previous year. Our systems are able to provide customers with a range of repayment options to suit their capacity to repay, ensuring that the product continues to gain customer acceptance.

Leasing

The Bank recorded a reasonable growth in its leasing portfolio during the first half of the year. However, the full year performance was affected due to the industry-wide increase in NPL's during the latter part of 2018. The Bank is optimistic of a favourable operating environment to improve its focus in this area and has already made plans to grow this segment going forward.

Power Bonus Account re-launched

During the year, the Bank launched an improved version of its "Power Savings" Account, renamed "Power Bonus Account". This product aims to incentivise minimal withdrawals. It offers an attractive 60% bonus on the regular interest of the "Power Bonus Account" on a quarterly basis and also has the flexibility of a Savings Account with the attractiveness of a Fixed Deposit.



Commercial Bank offers 60% bonus on interest with "Power Bonus" account

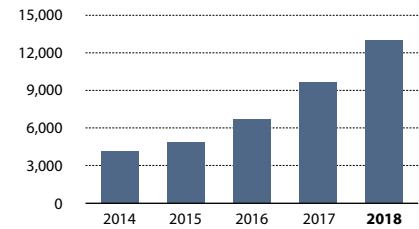
Credit cards

The Bank has introduced many firsts to the market, leading to credit cards witnessing a 34.61% year-on-year growth despite a year where managing NPAs was a key challenge

Credit card advances

Graph – 04

Rs. Mn.



Commercial Bank issues UnionPay cards for the first time in Sri Lanka

The Bank has become the first Bank in Sri Lanka to issue UnionPay Credit and Debit Cards, the card brand with the largest customer base in the world, making Sri Lanka the 51st market in the world to issue UnionPay cards.

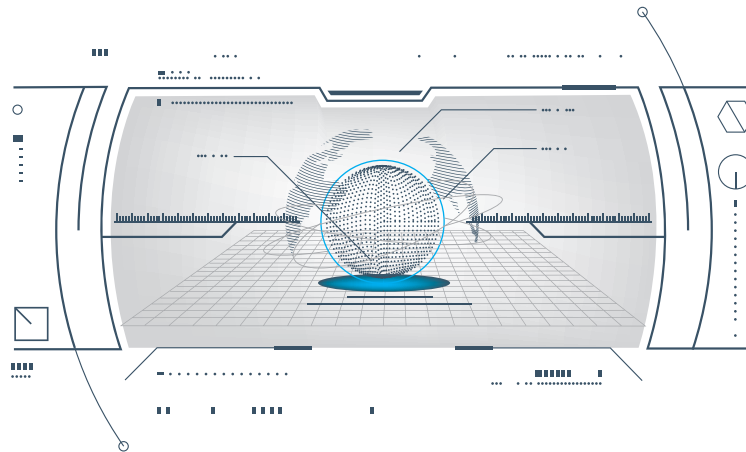
UnionPay credit and debit card holders are able to withdraw money from more than 780 Commercial Bank ATM terminals in Sri Lanka. This partnership between Sri Lanka's largest private bank and one of the world's largest payment card schemes – China UnionPay, will facilitate tourist visits to Sri Lanka from China and a further 125 countries where UnionPay cards are accepted.

The Bank was the first to start acquiring UnionPay cards on the ecommerce platform.

Achievements in credit cards

Figure – 15

- ATM withdrawals for UnionPay cardholders
- App for mobile digital banking system
- First to market with WeChat Pay, AliPay and Union Pay



- Soon to begin UnionPay ecommerce acquiring
- First to introduce NFC-enabled credit cards
- First to introduce tokenisation (one-click online purchasing)
- First to be fully EMV compliant

Mobile digital banking system

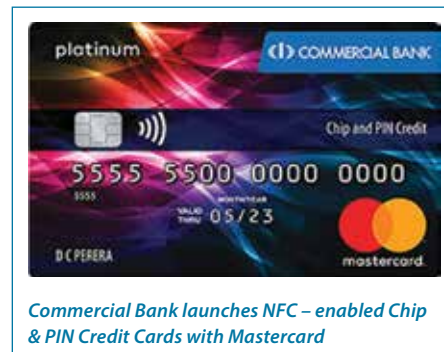
The Bank will soon introduce a downloadable app targeting QR based transactions which could connect a customer’s Mastercard, Visa Card or the new Lanka Pay JCB Credit or Debit cards to their smart phone and benefit from a fully mobile digital banking system. The customer simply needs to install the app, register the credit or debit cards in the application, scan the QR code at the merchant locations and pay. This EMV Co-standard based payment app is a cost effective option for merchants too. EMVCo facilitates worldwide interoperability and acceptance of secure payment transactions, and it is supported by a range of banks, merchants, processors, vendors and other industry stakeholders. As a result, unlike similar products currently in the market which run on closed systems, this is a fully interoperable payment system provides customers with wider reach and convenience.

We will also be the first to market and to enable the acceptance of all three major Chinese payment brands: WeChat Pay, AliPay and Union Pay on our credit cards so that overseas visitors are able to make payments for goods and services through QR codes.

NFC enabled Credit and Debit cards

NFC or near-field communication technology is another area in which we have already made an impact. We are one of the few banks in Sri Lanka to offer NFC enabled Credit and Debit cards of both Visa and Mastercard and are the largest NFC issuer and acquirer in

the market. The new NFC-enabled chip and PIN Credit Card offers maximum protection against the skimming or cloning of a card and against counterfeit transactions. This further minimises fraudulent transactions at Point-of-Sale (POS) due to the PIN requirement.



Commercial Bank launches NFC – enabled Chip & PIN Credit Cards with Mastercard

First to introduce tokenisation

In collaboration with Mastercard International we were the first to introduce payment processing through Mastercard Payment Gateway Services (MPGS) in Sri Lanka. The Bank now provides merchants with a secure, cost-effective way to perform card-on-file transactions through tokenisation. These one-click online purchases are fully compliant with Payment Card Industry Data Security Standard (PCI-DSS) requirements. After the first purchase, merchants are able to store the tokenised card number on their systems reducing the risk of exposing actual card numbers and the vulnerability to fraud.

First to be fully EMV compliant

The Bank was the first to convert its vast ATM network to be fully EMV (Europay, Mastercard and Visa) compliant. The network can now acquire and process ATM transactions through the EMV integrated circuit, providing customers with greater security and convenience. We were also the first in Sri Lanka to activate our entire EMV chip card base (Debit and Credit cards) to perform secured EMV transactions through the LankaPay ATM network. This allowed the Bank’s own cardholders to securely perform transactions using other bank ATMs connected through the LankaPay network.



Commercial Bank achieves another first on LankaPay network

The Bank enabled its entire automated teller machine (ATM) network to acquire and process ATM transactions through the EMV (Europay, Mastercard and Visa) integrated circuit, becoming the first ATM Network to be fully EMV compliant in Sri Lanka.

Supporting SME customers

Defined as a registered company with less than Rs. 250 Mn. credit exposure, the country's SMEs are the backbone of its economy.

This year too, the Bank focused on increasing its SME portfolio, while providing strong support to the members of this sector, supporting their growth along the value chain

Launched in 2017, the Commercial Bank Biz Club came into its own this year. This by-invitation-only membership segregates SME customers into four tiers, allowing the Bank to tailor its banking services to the needs of each segment. As the premier lender to SMEs in Sri Lanka, during the year, the Bank launched its Biz Club at a further seven locations covering the Uva – Sabaragamuwa, Southern, South Western, Central, Northern, Eastern, Colombo North, Wayamba, and North Central regions.



Commercial Bank assists over 7,000 entrepreneurs through Financial Literacy programmes

The Bank conducted a Financial Literacy Programme for paddy and dairy farmers in the Nochchiyagama area, in collaboration with the Central Bank of Sri Lanka, bringing the total number of entrepreneurs assisted through such programmes to 7,000 within a six year period.

Dubbed "Best Domestic Bank" and "Best SME Bank" in Sri Lanka by International Finance Magazine (IFM) it is clear that, the Bank's efforts in the SME space has not gone unnoticed (refer page 71 for a full list of Awards and accolades).

Bolstering knowledge and skills



This year the Bank launched its first newsletter for SME customers. This informative quarterly missive keeps entrepreneurs abreast of macro-economic trends and national level events. Many millennials are attracted to the prospect of running their own start-ups as opposed to the traditional concept of employment. Most, however, lack the knowledge to do so successfully, so the Bank is making every effort to fill part of this knowledge or skills gaps.

Considering the importance of women entrepreneurs in the rural economy, capacity building and awareness programmes on a range of useful topics, from succession planning to financial management, continue to boost the knowledge and expertise levels of this customer group.

During the year, we paid special attention to women entrepreneurs, introducing programmes such as capacity building and financial literacy in our efforts to strengthen financial inclusion and gender equality in the country. Our work in this area helps us to contribute towards Sustainable Development Goals 5 and 10: Gender Equality and Reduced Inequalities respectively as we strive to promote economic inclusion without prejudice.

Providing networking opportunities

As discussed on page 46, the Bank boosts the business knowledge and skills of all SME customers with those on the top tier being transferred to the Corporate Banking customer segment on reaching eligibility. This year, the Corporate Banking and Personal Banking teams collaborated to provide this group with a greater awareness of industry and banking trends.

During the year, the Bank conducted 13 Financial Literacy and Entrepreneurial Skill Development programmes for Micro, Small & Medium Enterprises (MSMEs), bringing the total number of programmes to 77 and assisting 7,952 MSMEs island wide, within a six-year period. In addition to financial literacy workshops and soft skills training programmes the Bank held networking events aimed at helping this segment make useful business connections.

Enterprise Sri Lanka programme

Continuing to live up to our moniker of "the Nation's bank," Commercial Bank disbursed Rs. 10 Bn. in support of the 'Enterprise Sri Lanka' Programme operated by the Ministry of Finance and Mass Media

The programme provides avenues for loans to be granted to entrepreneurs, SMEs, and large businesses. The loans are issued to recipients through several selected state and private banks while including the involvement of entities such as the Asian Development Bank. While participating banks take on the credit risk, the Government reimburses part of the loan interest to the participating banks. We are one of the largest in terms of loan disbursement among the private banks.



Commercial Bank reaches Rs. 10 Bn. mark in lending to SMEs under "Enterprise Sri Lanka"

Strengthening ties with micro customers

As "the Nation's Bank" we continue to focus on serving the banking needs of micro-entrepreneurs located within urban centres and the outskirts.

Supporting livelihoods



Our Divisaru account dedicated to micro entrepreneurs continues to support all sectors including fishing, livestock and agriculture thus aiding our Bank to contribute towards Sustainable Development Goal 2: Zero Hunger, by supporting small scale farmers. In addition, we offer this customer segment higher interest rates to inculcate the savings habit.

Customers are able to open Divisaru savings accounts as single accounts, joint accounts, sole proprietor accounts or partnership accounts. A savings plan is available for new micro entrepreneurs or prospective micro borrowers who expect to obtain micro financing facilities in the future. This plan is also useful in meeting the additional financial requirements of the existing Micro Finance borrowers during emergencies. We also offer micro loans that extend up to 25 times an agreed value of monthly savings (up to a maximum of Rs. 125,000) at concessional rates.

Reaching out to rural entrepreneurs



With the objective of livelihood development of micro entrepreneurs, the Bank has established sixteen dedicated AMFU in provinces that made a lower contribution to the GDP.

Our AMFUs identify and groom the micro entrepreneurs to enter into the formal Banking sector through an individualistic approach with rural communities to bring financial inclusion to a larger population of Sri Lankans. Our “Bank on Wheels” is directed by them to the communities that would most benefit from its services (refer page 46 under Reaching diverse geographical locations).



Commercial Bank launches “Bank on Wheels”
 The Bank introduced mobile banking in the literal sense with the launch of “Bank on Wheels” – a modified and branded vehicle designed to provide basic over-the-counter banking facilities to customers living outside city limits.

Continuing to focus on High Net Worth customers

The Bank continues to win the trust of high net worth customers looking for a safe and secure banking services provider with a proven track record.

Relationship management

To support the wealth management needs of its high net worth customers, the Bank opened a dedicated Elite branch in Colombo 07. A dedicated Relationship Officer is available at the branch to take care of a customer’s daily financial needs, provide sound advice on investment portfolios and provide timely updates on all banking matters.

In addition to the personalized service provided by the Elite banking team, this customer segment is entitled to a wide range of privileges, discounts and benefits offered exclusively for them. Additionally, all Elite customers receive preferential services from the entire branch network of the Bank.

The Branch also offers exclusive access to legal, accounting, travel and global healthcare insurance solutions through selected partners. To date the Elite branch has carried out a number of educational and lifestyle based events for its customers.

