

# Lead by Innovation

*Despite its prudent approach to banking, the Bank has made a name for itself as one that dares to blaze its own trail. Our leadership in innovation has resulted in the development of many novel products and services in the banking sphere, such as our mobile banking application and exploration of Blockchain technology. It has also encompassed the non-digital sphere, including our efforts to promote green banking, and the non-banking sphere such as our pioneering work in the community. These initiatives have helped the Bank to enhance its Social and Network Capital (relationships with customers, suppliers, business partners and the community) and its Intellectual Capital (including knowledge, systems, and processes used by employees).*

- 57**  
Fortifying digital leadership
- 57**  
Reinforcing co-creation
- 58**  
Collaborating for renewed success
- 59**  
Spreading green banking
- 60**  
Supporting the community



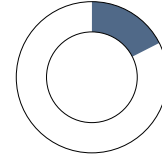
## Leading by innovation over the year

FDs opened in the form of eFDs

**20%**

Market share of remittances

**17.50%**

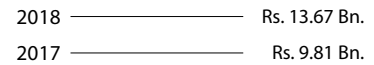


Value of online transactions per annum



Value of mobile transactions per annum

**39.34% ↑**



Green Banking disbursements during the year

**Rs. 6.4 Bn.**

Percentage of local suppliers in Sri Lanka and Bangladesh

**90%**



### Fortifying digital leadership

During the year under review, the new digital banking platform purchased from Fiserv was customised to meet the Bank's requirements. The system will be ready to roll out in 2019, providing greater convenience and functionality for customers. In the meantime, the Bank has focused on gearing customers and employees for a digital future as it continued to upgrade the back-end systems.

There has traditionally been indifference towards the use of online banking in Sri Lanka despite the quick uptake of online services in other sectors. However, the Bank remains focused on encouraging an increasing the customer base to sign up for our digital services.

The Bank's new focus is to fight against this indifference and move a majority of all banking transactions to the digital sphere by 2020.

*Already about 20% of total fixed deposits are opened electronically with the Bank being able to offer better rates due to cost efficiencies*

Around 20% of credit card servicing such as bill payments is also conducted digitally. Prepaid cards too can now be topped up digitally. With the title of Best Internet Bank in Sri Lanka under our belt (by Global Banking and Finance Review of the UK) for the third successive year, we are well placed to meet the needs of tomorrow. Our new digital platform too will make online banking an integral part of a customer's day-to-day lives.



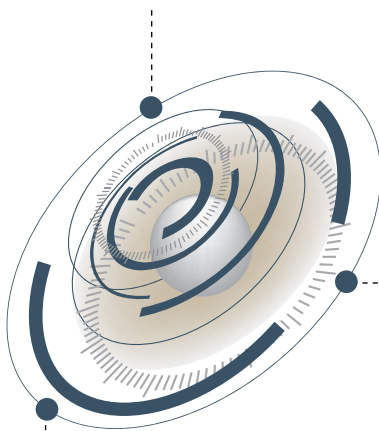
Our customers are able to use any one of our 830 ATMs to apply for mobile or internet banking. While digital banking will allow greater convenience for our customers, it will also free up our front line employees to play a greater sales role, understanding our customers better and being able to align them with products and services that better suit their needs.

### Future-ready banking

Figure – 16

#### Systems and processes

- Strengthen policies and procedures for digital revolution
- Safeguard against cyber crime
- Introduce digital banking sign-up via ATMs



#### People

- Create digital bankers
- Prepare digital-ready customers
- Convert a majority of banking transactions to digital

#### Technology

- Launch digital platform
- Roll out digital innovations across the region
- Explore and exploit new technologies



*The Bank focused on gearing customers and employees for a digital future as it continued to upgrade in-house systems.*

### Reinforcing co-creation

The Bank continues to design customised products in conversation with stakeholders. Comments and responses from customers resulted in the Bank's investment in technological innovations that would offer greater convenience and provide a better picture of customer needs.

The Bank on Wheels concept, succession planning for entrepreneurs and the ComBank Biz Club for SMEs were the outcomes of our engagement with customers.


*We will continue to co-create banking products and services in conversation with our stakeholder groups*


As technology leaps ahead at an ever increasing tempo, the Bank has made efforts to match the pace of transformation and has had multiple collaborations with other innovative, local and overseas service providers, such as Fiserv, IBM and Kashmi who are able to provide our customers with solutions that ensure the Bank remains relevant and ahead of the industry (refer example of Kashmi in following sub-section).

### Collaborating for renewed success

Collaboration has been at the heart of the Bank's success – particularly as it expands its influence in the region and beyond. As the customer base further diversifies, it is natural that employees and partners follow suit to cater to the needs of diverse customers.

### Collaborating with business partners

*The Bank also works with business partners across the region and beyond to ensure that the in-depth financial industry knowledge and wide-ranging banking skills of its employees are supported by local knowledge, to be in sync with the local customers* 

In the Maldives the Bank has partnered with Tree Top Investments to better understand the local banking scenario so that the services are relatable to this customer segment. In the Middle East, the Bank's business partners help provide remittance services for expatriate customers ( refer page 48 under Reaching out to other overseas customers for details).

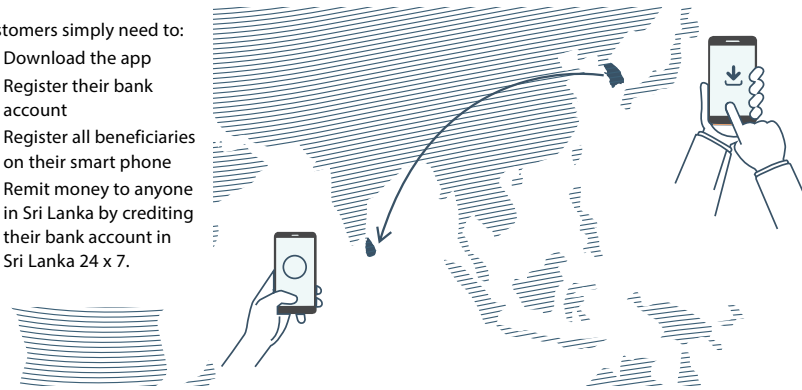
### Partnership for Remittance

Commercial Bank is one of the most active players in Sri Lanka in the field of remittances, offering migrant and expatriate workers a range of options including "e-Exchange" MoneyGram, Ria and Express Money remittance services. The Bank set up a money remittance business in South Korea in 2014 and expanded it in 2018 by collaborating with Global Money Express Co. Ltd to launch "mobile-to-account" remittance service, the first Sri Lankan bank to do so. As South Korean regulators have approved the digital KYC (Know Your Customer) process, the 30,000 strong Sri Lankan expatriates workers there can now avail themselves of real time remittance services through Commercial Bank.

### Remittance in South Korea

Customers simply need to:

1. Download the app
2. Register their bank account
3. Register all beneficiaries on their smart phone
4. Remit money to anyone in Sri Lanka by crediting their bank account in Sri Lanka 24 x 7.



South Korea is an active market for Sri Lankan workers who on average earn well above the average earning levels of Sri Lankan expatriates in the Middle East and in the countries of East Asia. According to the Sri Lanka Bureau of Foreign Employment, an estimated 5,000 to 6,000 new visas are offered to Sri Lanka by South Korea every year making this market a potentially lucrative one for the Bank.

### Partnerships using Blockchain

While waiting for regulatory clearance for Blockchain-related banking services in Sri Lanka, the Bank has partnered with Ripplenet, a global payments network leveraging Blockchain technology that facilitates both inward and regulator-enabled outward Blockchain technology-powered remittances. These remittances are instant, with an end-to-end tracing and tracking solution that ensures the process is transparent. It also makes viable remittances of lower denominations due to the lower rates that apply. Blockchain also removes the requirement for a middleman resulting in lower costs. Ripplenet's technology is equipped with an anti-fraud feature that makes it difficult for outsiders to tamper with transactions. A network of over 200 banking partners, such as Bank of America, Crédit Agricole, Santander, Al Rajhi Bank, and National Bank of Kuwait, are connected to our partner Blockchain system.

### Flash Digital Bank Account

Our partnership with Singapore-based FinTech company "Kashmi", is a good example of the type of functionality, we hope to offer customers in the future. This partnership has already resulted in the soft launch of Flash, Sri Lanka's first

fully-fledged digital bank account. It provides our customers, especially the millennial generation, with a seamless banking experience, wherever they are.

Using their mobile phones, customers are able to make payments via QR codes to both individuals and merchants, while also making use of location-specific marketing alerts about discounts and promotions. NFC (Near-Field Communication) based payments allow for simple tap-and-go spending where users do not wish to use cash. For additional security, Flash users can register their biometrics to reduce further risk. Flash also offers unique personal financial management tools that encourage, empower and embolden users to better engage with their finances, and make wise and informed decisions about spending and saving.



### Commercial Bank introduces Flash – Sri Lanka's first fully-fledged Digital Bank Account

*The Bank launched Sri Lanka's first fully-fledged Digital Bank Account designed to be the next evolution in digital financial services and financial wellness.*

*Branded "Flash", the product was developed in partnership with the Singapore-based company 'Kashmi' that introduced an innovative social payments app in Singapore in 2016.*

Figure – 17

### Collaboration with suppliers

Business partners that the Bank engages with are evaluated for sustainability practices and where concerns are identified we initiate regular dialogue on the issues, working towards resolving them and encouraging best practices. For instance, the services of debt collection agents to recover unsecured personal loans and credit card dues are covered by an agreement which sets out rules for ethical conduct. These agencies are regularly monitored and any breach or violation is swiftly dealt with, which may even lead to termination of contract. With regard to business partners where significant influence may not be viable every effort is made to resolve the issues amicably. Wherever possible, we have made stand-by arrangements to face any contingency.

During the year we engaged with an estimated 1,100 number of business partners and have created an estimated value of over Rs. 7 Bn. Over 90% value so created has been for the suppliers of local origin in both in Sri Lanka and Bangladesh.

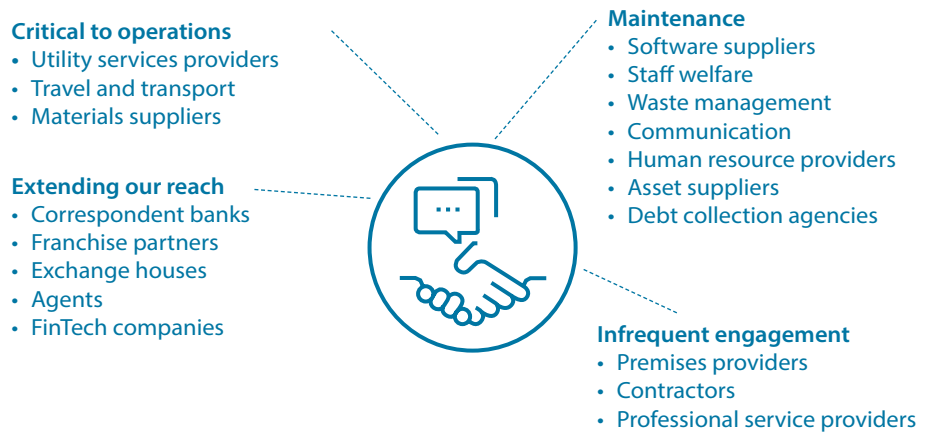
The Bank is among Sri Lanka's 10 most valuable consumer brands and has been for 15 years, consecutively (as per Brand Finance Lanka), supporting the Bank's growth over the years. With suppliers of solar panels and air conditioners in particular – areas that have a high potential for energy saving – we have leveraged this brand strength, to ensure compliance with our sustainability standards.

### Collaborating with our supply chain to ensure it remains sustainable is important to us

Ranging from corporates to SMEs and individuals, our business partners deliver and derive value through provision of products and services as illustrated in the Figure 18 above.

### Our business partners

Figure – 18



### Collaboration for sustainable finance



We pride ourselves in having pioneered the adoption of sustainable banking practices in Sri Lanka for the betterment of the communities within which we operate. We continue to work on the formulation of a Sustainable Banking Initiative (SBI) in the country in partnership with 18 members of the Sri Lanka Banks' Association. Together we aim to achieve the following:

- Provide a platform that facilitates proactive decision-making
- Coordinate efforts to increase efficiency and effectiveness within banks
- Agree on minimum standards or principles for integrating environmental and social considerations into operations

Funded by DEG of Germany, OeEB of Austria, Proparco of France and FMO of Netherlands, the SBI is supported by the Sri Lanka Banks' Association (SLBA).

### Spreading green banking




Leading the way in Green financing over the past several years, the Bank financed the first commercially-viable wind power project and the first commercial-scale solar power project developed in Sri Lanka.

Our green financing strategy is proving successful and contributes towards the fight against climate change meeting the Sustainable Development Goals 7 and 12: Affordable and Clean Energy, and Responsible Consumption and Production respectively.



**Named “Green Company of the Year” at the 2018 Asia Corporate Excellence and Sustainability (ACES) Awards, the Bank is committed to becoming one of the top green financing institutions in the country**



**Commercial Bank expands scope of its Green Loans, adds Green Leasing to support environment**

*The Bank expanded the scope of its “Green Loans” to encompass technology and products that contribute to environment conservation and to include leasing of electric and hybrid vehicles.*

Our agreement with IFC to promote green financing, ensures that our lending officers are trained to identify and further green financing opportunities.

#### Disbursements of Green Loans

Table – 08

Green loans by purpose	%
Renewable Energy	27
Energy and resource efficiency	59
Smart agriculture	8
Others	6

With its continued commitment to green financing, the Bank currently supports projects that focus on:

- Renewable energy
- Energy efficiency
- Water efficiency
- Waste management
- Emission reductions
- Drip irrigation
- Rain water harvesting

The Bank is also developing new lending products that will promote green lending.

To guide the Bank in its assessment and management of social and environmental risks during the course of its operations we upgraded our Social and Environmental Management System (SEMS) with technical input from the IFC. As part of the Loan Origination System, the SEMS plays a key role in managing the risk profile and ensuring that the Bank follows responsible lending and investment activities.

A total of Rs. 5.446 Bn. in green loan facilities was disbursed during the year under review. These loans are expected to reduce the environmental footprint of borrowers.

During the year, the Bank expanded the scope of its “Green Loans” to encompass technology and products that contribute to environmental conservation, including the leasing of electric and hybrid vehicles. Our re-launched Green Loans and Green Leases now facilitate:

- The purchase of energy-efficient household equipment
- The installation of energy-efficient lighting for households
- The purchase of hybrid or electric vehicles, solar panels and other machinery or equipment used for renewable energy, energy efficiency, emission reductions, water and wastewater management and waste management

Offered at relatively low interest rates and with longer repayment periods, these loans and leases are available to both employees with permanent positions and self-employed professionals between the ages of 18 and 65, who have a minimum disposable income of Rs. 50,000 a month. Business entities too can avail themselves of these green leases, which were previously limited to households seeking funds for switching to solar power.

**With a greater part of our International Operations team’s lending being evaluated through SEMS, we will soon be taking the concept of green financing beyond our borders**

#### Supporting the community



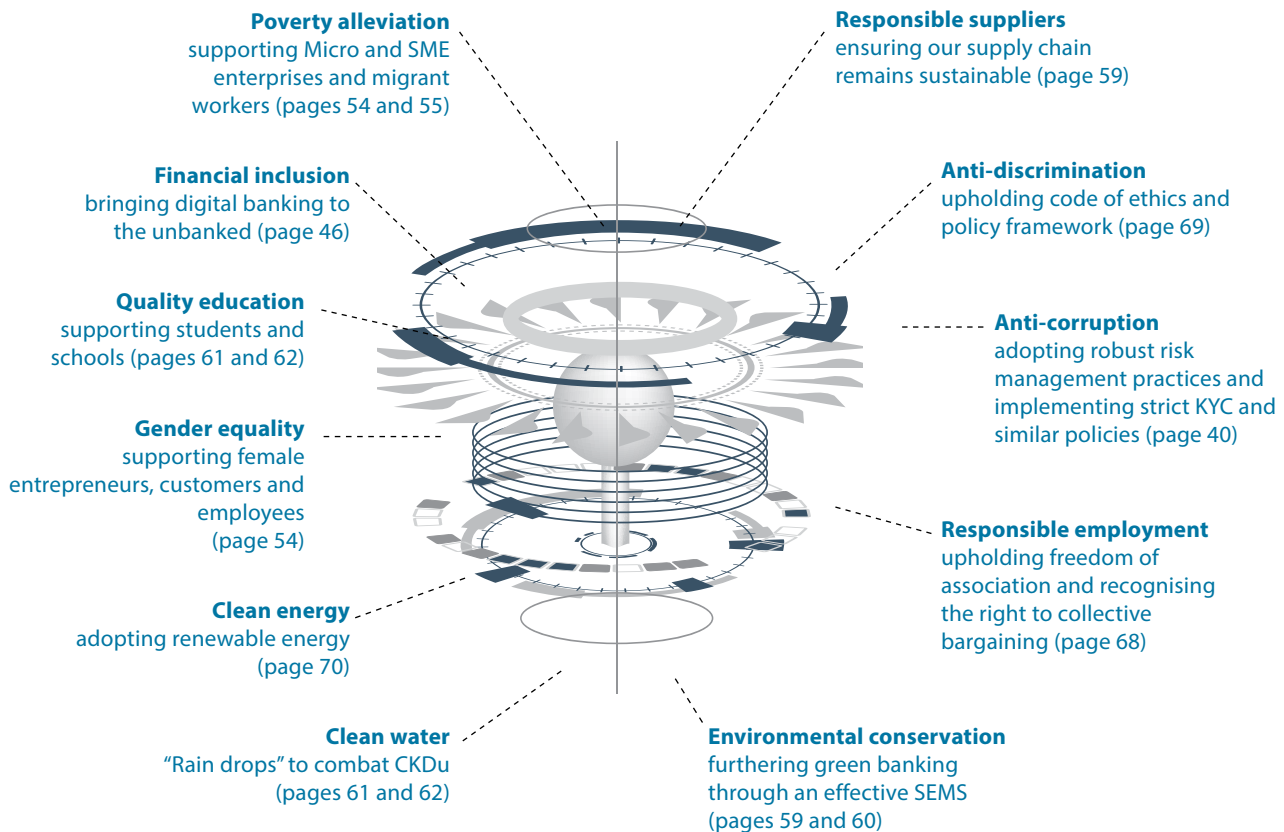
Giving back to the communities within which we operate has always been a priority for the Bank. While we derive intangible value in the form of goodwill and brand strength from the community, we have sought meaningful ways in which to deliver value. This section briefly covers the more innovative of these projects.

#### The Sustainable Bank

Creating value for the community begins with how we run our business. To serve the banking needs of the Nation – especially those of the most vulnerable – we follow sustainable business practices that are aligned with Sustainable Development Goals and the principles of the United Nations Global Compact (UNGC) where relevant to the Bank. They include the following:

**The Bank's sustainability focus**

Figure – 19



**The CSR Trust**

Our CSR Trust, which is funded annually by the Bank, rolls out a majority of the Bank's CSR (Corporate Social Responsibility) initiatives under four main pillars:

- Education
- Community
- Healthcare
- Other projects

*During the year, the Trust contributed Rs. 63 Mn. towards the well-being of the community under these four CSR pillars*

Established in 2004, the CSR Trust's aim is to strengthen the Bank's ability to act responsibly towards its stakeholders while generating measurable and sustainable social dividends for different segments of society – especially those that require empowerment. While many of the Trust's activities focus purely on supporting the community in essential areas where a need has been identified with the set objectives of the Trust Deed, a few stand out as innovative and worthy of brief mention here.

The Bank partners with organisations and Government authorities to implement the initiatives of the CSR Trust and contribute towards the Sustainable Development Goals – particularly 3, 4 and 6: Good Health and Well Being, Quality Education and Clean Water & Sanitation.

Highlights of the year include:

**Increasing employability**

- The Bank continued its collaboration with HeadStart (Pvt) Limited, Microsoft – Sri Lanka, and Dialog Axiata under the supervision of the Department of Education Western Province to improve A/L and O/L results, digital skills and employability of students.

During the year, the Trust funded the 329 monthly e-learning workshops and four e-learning conferences benefiting over 5,000 teachers. The project saw over 40,000 digital contents been developed and close to 90,000 content files been shared through Microsoft "One drive".

The Trust also supported the 27 Internet of Things (IOT) workshops with the intention of improving soft skills of students, in addition to its primary aim

of the smart school project. The students who underwent training have developed over 100 innovations, with some of them been recognised at all island competitions.

- Six new fully equipped IT labs were added during the year and close to 150 items of equipment were donated based on a survey conducted by the Trust on current conditions of the labs previously donated.



**Commercial Bank partners with SLT Campus and Cisco to offer and IT hardware course in selected schools**

*Students in grades eight to ten in selected schools can now benefit from a comprehensive 150-hour IT hardware course funded by the Bank and implemented in collaboration with SLT Campus (Pvt) Ltd. and Cisco Networking Academy.*

- The Trust partnered *Sasnaka Sansada* Foundation to conduct two “Train the Trainer” programmes in collaboration with the Mathematics Department of the Ministry of Education using the 12 essential learning concepts of mathematics introduced by the Department to improve teaching skills. Forty undergraduates were trained under this initiative and were deployed to roll-out the “*Ganitha Saviya*” programme in 25 under-privileged schools. “Math Lab” project also increased its footprint with the establishment of 14 new labs under the patronage of the Trust.



**Commercial Bank completes 20 Maths Camps to develop knowledge of students**

*The Bank recently conducted Maths Camps at three schools and donated Maths Labs to four more schools under the Bank’s Sustainable Maths Lab Development project. This has brought the total number of Maths Camps conducted by the Bank during a two year period to 20, benefiting approximately 1,000 students.*

#### Promoting vocational training

- The Bank launched a vocational training project, in support of the large number of school leavers who have not received admission to local universities, in partnership with the Department of Technical Education and Training, the Vocational Training Authority, various technical colleges and large corporates such as Access Engineering PLC.
- The Bank continues to work with technological partners on the “Smart Schools” project under the supervision of the Department of Education, to promote the concept of teaching through technology, improving digital skills of these students.

#### Preventing the spread of kidney disease

- The “Rain drops” rainwater harvesting project commenced in 2016 with a target group of 25 families in Gannoruwa. The project has seen fortification with the recent findings of a survey conducted by the Centre for Education, Research and Training on Kidney Diseases (CERTKID) attached to University of Peradeniya, which has proven test results of reduction in Chronic Kidney Disease of families who were part of the project.

The Trust previously contributed towards installation of 5,000-liter capacity water tanks to 25 families affected by the Chronic Kidney Disease of unknown origin (CKDu). The success of the project has encouraged many others to donate water tanks to the village taking the total to 110.

The most affected from this disease are the principal bread winner of the family. Hence, taking a step further, the Trust has also pledged to extend financial support to the community to start alternative livelihoods such as livestock, agriculture and cultivation of economical crops.

