

The Customer as Ambassador

For most banks, the term customer service means being at least two steps ahead of the customer. In other words, being geared to be where the customer is, the moment they need financial services.

What's unique about SDB bank is that our customers are yet some way behind this demographic. A majority of them are bound by physical boundaries, eking out a living from day-to-day. What we do is to inspire, educate, support and nurture them until they too are able to break free and capitalise on the potential that wider horizons bring. In addition, a strong well-financed SME-base that is "banked" contributes towards nation building. They will be able to expand regionally and internationally, while supporting broader national economic stability and growth.

To achieve this goal we focus on three distinct groups:

1. SMEs – micro, small, and medium sized enterprises
2. Retail – providing financial services to the masses
3. Co-operatives – small clusters of individuals who collaborate with co-operative societies in grassroots communities working together to improve their lives and livelihoods

Improving the lives of our customers means using every resource at our disposal, including inspiring our customers to act as ambassadors, converting more of their peers in rural, grassroots communities to take on an entrepreneurial outlook and in doing so contribute towards the country's economy.

The SME segment

This customer base comprises 33% of our loan book and 20% of our deposits. During the year under review our key focus was on raising business volumes in this segment from 24% in 2018 to 27% – a feat that we achieved by focusing primarily on agri-finance, particularly minor export crops such as fruits, vegetables and horticulture.

While there is high demand for horticultural products – cut flowers and foliage, our studies revealed that the key issue faced by many other SMEs in this segment was the lack of stable value chains. Although they were able to produce good crops, they depended on an unpredictable supply of middle men to take their products to the consumer. Too often this resulted in these smallholders having to stand by helplessly as their hard-earned crops rotted.

Together with other SANASA stakeholders, we decided to focus on improving value chains for five key groups in this segment over the next two years. We focused on growers of pepper and traditional rice during the year under review. We also partnered with big brands such as John Keells Holdings PLC and Brown & Company PLC to provide these SMEs with easier leasing access to tractors and harvesters. 2020 and beyond will see SDB bank focusing more closely on banana growers. SMEs in the tourism and IT sectors will also be in our radar over the next two years.

With 52% of Sri Lanka's population and 33.3% of SMEs being women, we continued to focus on uplifting female entrepreneurs during the year under review. We provided both technical training and financial literacy programmes to help them improve their businesses.

Our financial literacy programmes focused on the following four sections:

1. Savings
2. Loans
3. Entrepreneurship
4. Digital banking

During the year under review we conducted 43 such seminars for over 4,000 participants. Some of these programmes were conducted in partnership with private sector organisations such as John Keells Holdings PLC. (For more details see The Commitment to Society and Environment on pages 69 and 70.)

We offer many products and services that are geared to serve this customer segment. For instance our employees take POS machines right to the doors of these businesses to inculcate the savings habit.

The retail segment

Retail customers comprise 61% of our loan book and 49% of our deposits. This customer base consists of five distinct divisions. Such categorisation allows us to provide customer service that is tailored to the needs of each of the following segments.

1. Minors
2. Women
3. Youth
4. Senior citizens
5. Veterans

Minors

Inculcating a saving habit among the young has been one of our long-term goals. Over the years we have conducted a number of programmes and competitions to encourage thrifty thinking.

We also conducted 11 seminars for 4,445 grade five scholarship students during the year under review. To ensure that they receive adequate support, we also conducted awareness programmes for their parents and teachers – particularly on the subject of child psychology and how not to put extra pressure on youngsters facing their first public examination.

Our *Lakdaru* children's savings account encourages children to save for important events in their future.

Women

Supporting female entrepreneurs, particularly in the 35-50 age group, has long been one of our key focus areas. Many face perennial problems such as lack of collateral and businesses registered in a male relative's name instead of their own. Education is the key to this segment's success. While many may not have had much schooling, they have a rich social life within their communities and are able to rally like-minded women in the co-operative and SME segments.

Products such as *Athamaruwa*, which offers a three month over-the-counter gold loan (as opposed to the one-year period for regular pawning), was launched during the year to support women in the low income segment.

Financial literacy contributes towards financial inclusion, and it is this two-pronged approach that we take to help better the lives of women in grassroots communities. In turn, they enrich the SME segment of the country – the backbone of the economy – and contribute towards nation building.

Youth

We take pride in contributing towards national development by helping to ensure that the aspirations, hopes and dreams of a future generation are met through meticulous financial planning and management. Our programmes for Sri Lanka's younger generation of new thinkers and entrepreneurs complement their ambitions for success. We help this customer segment to develop and maintain a strong financial strategy through our SDB *Jawaya* youth savings account.

Senior citizens

We have a long history of catering to senior citizens and this is an area in which SDB bank has a real competitive advantage. 23% of the loan book and 19% of liability book are from this customer segment. Retired and often lonely, these customers look forward to their monthly visit to the branch to collect their pension. At SDB bank we go all out to make the day memorable for them.

Our branch employees make use of the opportunity to encourage this customer segment to think in an entrepreneurial manner. Many have skills and social connections that would benefit SMEs. Getting involved in entrepreneurial activities would also boost this segment's confidence and sense of self-worth while ensuring that they remained mentally and physically active.

We serve this segment best through SDB *Upahara*. Going forward we plan to organise free health checks for these customers, and increase their loyalty towards the brand.

Veterans

Thirty years of ethnic strife came to an end a decade ago but, as a country, we continue to salute the brave men and women who gave up their lives and limbs to safeguard the people. SDB bank has long been focusing its energies on ensuring that veterans and their families are not left behind as this hard won peace gives way to economic development.

When a veteran reaches retirement age his or her family's income drops steeply. The dip in income usually coincides with a time in their lives when funds are more essential than ever. We help our veterans to prepare for significant milestones in their lives and of course their own retirement through a range of financial literacy programmes and our *Uththamachara* product.

The co-operatives segment

This customer segment comprises 6% of our loan book and 31% of deposits. The Group's non-performing loans, however, are just 1% compared to 7% for SMEs and 3% for retail customers during the year under review. Such low NPL rates are attributed to the peer-pressure factor, with individuals in each cluster pressuring each other to keep up with their payments so that they can all capitalise from the financial benefits together.

Business volumes for this sector are currently at 17% – a number that we hope to grow to 33% over the near future. In preparation for this push we restructured the Co-operative Development Department at SDB bank to promote entrepreneurship among co-operatives.

Many co-operatives have ready cash, which they bank with SDB bank and then lend-on. The message we began to drive home, during the year under review, was that this is a missed opportunity. By fostering an entrepreneurial culture within the co-operatives, we hope to drive wealth creation and job creation among grassroots communities. While hospitality and food and beverage type services have flourished among certain entrepreneurial co-operatives, we focused on creating awareness about two other areas – medical and fitness. Laboratory services received a satisfactory level of success but gymnasiums did not receive the kind of take up that we had anticipated, driving us back to the drawing board to study better alternatives.

During the year under review, we also strengthened relationships with the co-operatives regulators, organising a forum where all the co-operatives commissioners congregated to enjoy productive dialogue on how to work together to meet common goals.

Welcoming everyone

While we focus on bringing our customers into the digital era we have also worked at ensuring that our branches are welcoming refuges from the chaotic pace of life. The new branding that was launched during the year under review contributed to cool, orderly interiors infused with our corporate colours. With every new building agreement, we renew we will be incorporating the new look and feel to ensure that our customers across the country come to associate us as a beacon in the community.

By the end of the year under review we had also installed 100 internet banking kiosks in co-operatives across the country. Our goal is to bring rural communities into the digital age by ensuring that they learn basic online banking skills.

Towards nation building

While our main goal is wealth creation, particularly for those in grassroots communities, we also contribute towards nation building through the many initiatives we have launched for our key customer groups.

Our Transformation Agenda is closely aligned with the United Nations Sustainable Development Goals. Sri Lanka initiated the Sustainable Development Act in 2017, which establishes the legal framework to implement the SDGs with improved institutional and policy coherence. Under this Act, the Sustainable Development Council has been established, which formulates related national policies and guides new development projects. This takes on added significance for SDB bank given that, for a majority of our clients, meeting SDGs such as Zero Hunger, Quality Education, and Reduced Inequalities are crucial to the betterment of lives. (A detailed outline of our contribution towards the SDGs can be found on pages 69 and 70.)

With the launch of a number of digital platforms during the year under review we are helping to convert grassroots communities into digital bankers while also providing them with greater convenience and access

to financial services. The launch of such innovative products and services has also allowed us to better streamline our operations and business.








New products launched during the year under review include:









1. UPay payment app
2. SDB Mobile banking app
3. Business Internet banking with CEFTS and SLIPS connectivity for SMEs
5. Connected to LankaPay ATM network

(For more information on our digital products see The Quality of Manufactured Resources on page 47.)







Delivering value to our customers

Retail products



Product name	Financial inclusion and financial wealth	Financial literacy and social wealth
	<ul style="list-style-type: none"> • Saving for the future • Insurance cover (including government hospitalisation) • 1% higher interest rate compared to regular savings 	<ul style="list-style-type: none"> • Developing savings habit • Scholarship seminars for 4,445 children • Seminars for parents on child psychology • Offering valuable, educational gifts for children
	<ul style="list-style-type: none"> • The best benefits in the market for savings • An investment plan to realise dreams • Loan up to LKR 1 Mn. for entrepreneurs • SDB mobile app facility and bill payments through UPay App 	<ul style="list-style-type: none"> • Provides avenue for financial independence with a helping hand always outstretched in support of the customer
	<ul style="list-style-type: none"> • Multiple convenient digital banking platforms • A special interest rate of up to 6% per annum • Incentives for account holders who maintain an account balance of LKR 100,000 for 24 months 	<ul style="list-style-type: none"> • Supporting the youth to develop and maintain strong financial strategies
	<ul style="list-style-type: none"> • Offered highest interest rates to customers • Unlimited withdrawal • Multiple convenient digital banking platforms 	<ul style="list-style-type: none"> • Fostering a culture of saving and financial management in Sri Lanka
	<ul style="list-style-type: none"> • Attractive higher rate of interest • Immediate cash back facility of up to 90% of deposits 	<ul style="list-style-type: none"> • Inculcating a savings habit
	<ul style="list-style-type: none"> • Attractive interest rate of 15% per annum for to LKR 1.5 Mn. for those over 60 years of age • A special interest rate for those over 55 years of age 	
	<ul style="list-style-type: none"> • Lump sum deposit ensures a guaranteed return despite interest rate fluctuations • Investment certificate can be encashed upon turning 18 years of age 	<ul style="list-style-type: none"> • Encouraging saving for a child's significant future aspirations such as higher education, business investments or a wedding

Product name	Financial inclusion and financial wealth	Financial literacy and social wealth
	<ul style="list-style-type: none"> • Higher interest rate compared to standard savings schemes • Payment date for monthly investment based on customer preference • Target amount and period of investment chosen by customer 	<ul style="list-style-type: none"> • Providing financial independence for women • Contributes towards a stress-free, financially secure future
	<ul style="list-style-type: none"> • Customised leasing packages with flexible repayment schemes at competitive rates • Attractive discounts on premature settlements • Leasing facilities for private and commercial vehicles 	<ul style="list-style-type: none"> • Enabling vehicle ownership
	<ul style="list-style-type: none"> • Longer repayment period • Flexible approach and fast approval • Attractive and competitive low interest rate 	<ul style="list-style-type: none"> • Encouraging and enabling home ownership
	<ul style="list-style-type: none"> • Top up facility – after repaying a part of the original Personal Loan • Choice of fixed or floating interest rates • Processed within a maximum of three working days 	<ul style="list-style-type: none"> • Providing funds for emergencies or meeting life goals
	<ul style="list-style-type: none"> • Purchasing options for gold jewellery, gold coins or gold biscuits at competitive interest rates 	<ul style="list-style-type: none"> • Encouraging investment in gold
	<ul style="list-style-type: none"> • For <i>Ranaviru</i> families of Army/Navy/Air Force/Police/STF who are Killed in Action (KIA), Missing in Action (MIA) and Disabled in Action (DIA) • Loans up to LKR 7 Mn. • Repayment period up to 10 years • Automatic loan protection cover for all applicants 	<ul style="list-style-type: none"> • 30 seminars aimed at improving financial literacy for 1,500 participants • Entrepreneurship development through <i>Uththamachara</i> loan facility, for combat veterans suffering from disabilities as well as <i>Ranaviru</i> families of diseased/missing military personnel, to support income generating ventures and activities.
	<ul style="list-style-type: none"> • A three-month gold loan facility • 0% interest rate per annum • Account holders can obtain an advance loan amount of 90% of the total gold value 	<ul style="list-style-type: none"> • Providing low-risk credit transactions for personal or business emergencies
	<ul style="list-style-type: none"> • For Government and CEB Pensioners • Loans up to LKR 3 Mn. without guarantors • Repayment period up to 10 years, and 75 years of age • Our extended support to transfer the pension remittance to the account quickly and conveniently. • A loan protection cover with lowest insurance charge • A competitive interest rate up to 6.5% p.a. for savings 	<ul style="list-style-type: none"> • Seminar for Government pensioners, veterans and <i>Ranaviru</i> families • Through the loan protection cover dependents are relieved from the debt in the event of the sudden death of the borrower • Solution for an aging population enabling them to re-join the work force
	<ul style="list-style-type: none"> • Maximum advance amount for a Sovereign (8g) 18K/24K of gold • Competitive low interest rates • Ensured accuracy of gold weight and value with the latest equipment • Benchmarked services that guarantee speed, privacy and the highest level of confidentiality 	<ul style="list-style-type: none"> • Secure and confidential monetary assistance in times of need through pawning of gold or gold jewellery for urgent cash on credit

SME products

Product name	Financial inclusion and financial wealth	Financial literacy and social wealth
	<ul style="list-style-type: none"> • Reasonable rate of interest with a suitable grace period • Loan values to suit business requirements with a flexible repayment schedule aligned with income pattern and payment capacity • Business guidance and consultancy services 	<ul style="list-style-type: none"> • Quick access to financing for SMEs that are launching a business or expanding an existing enterprise • Financial literacy and entrepreneurship workshops
	<ul style="list-style-type: none"> • Loan facilities up to LKR 1 Mn. with two guarantors • Repayment period of up to 5 years for capital financing and up to two years for working capital • For applicants who hold 50% or more ownership of a business 	<ul style="list-style-type: none"> • Loan facilities for young male entrepreneurs which help meet diverse business financing needs and drive our local economy forward
	<ul style="list-style-type: none"> • For Government and CEB Pensioners • Loans up to LKR 3 Mn. without guarantors • Repayment period up to 10 years, and 75 years of age • Our extended support to transfer the pension remittance to the account quickly and conveniently. • A loan protection cover with lowest insurance charge • A competitive interest rate up to 6.5% p.a. for savings 	<ul style="list-style-type: none"> • Empowering senior citizens in their post-retirement pursuit of financial freedom and re-connecting them to the workforce • Entrepreneurship development through <i>Upahara</i> SME loan facility – designed to support new business ventures or the development of existing SMEs
	<ul style="list-style-type: none"> • Microfinance loans • SME loans • Personal loans of up to LKR 10 Mn. • Insurance benefits for those obtaining a loan 	<ul style="list-style-type: none"> • Financial independence
	<ul style="list-style-type: none"> • Customised leasing packages to suit commercial requirements with flexible repayment schemes at competitive rates • Attractive discounts on premature settlements • Easy accessibility to leasing facilities through island-wide branch network 	<ul style="list-style-type: none"> • Providing SMEs with the option to lease registered and unregistered vehicles, machinery and equipment to further their businesses
	<ul style="list-style-type: none"> • Highest interest rate of up to 10% for savings • Interest calculated on daily basis based on the day-end balances and credited monthly • Multiple convenient digital banking platforms 	<ul style="list-style-type: none"> • Encouraging enterprising and fast progressing businesses in Sri Lanka to save for the future

Co-operative products

Product Name	Financial inclusion and financial wealth	Financial literacy and social wealth
Loans for Society	<ul style="list-style-type: none"> Unsecured loans up to LKR 2 Mn. at prevailing interest rates Repayment period up to three years in monthly instalments, with a 3-month grace period. 	<ul style="list-style-type: none"> Supporting SANASA Primary Societies which lack sufficient funding to increase assets and in turn develop and support smaller, dependent societies
Loans for Members		
Agricultural loan	<ul style="list-style-type: none"> Repayment period of one year at prevailing interest rates, with a maximum of a 6-month grace period Repayment can be made monthly, or as a bullet repayment Loan amount depends on the capacity of the society, and can go up to LKR 20 Mn. with no collateral 	<ul style="list-style-type: none"> Meeting demand for urgent working capital to improve growing crops, raising livestock, and improving operations of small to medium-scale plantations/farms
Equipment/Machinery loan	<ul style="list-style-type: none"> Repayment period of three years in monthly instalments at prevailing interest rates Loan amount depends on the capacity of the society, and can go up to LKR 20 Mn. with no collateral 	<ul style="list-style-type: none"> Helping members to preserve the income of their business by spreading out the cost of equipment or machinery over a 3-year period
Export/Import loan	<ul style="list-style-type: none"> Repayment period of one year at prevailing interest rates, with a 3-month grace period Repayment can be made monthly, or as a bullet repayment Loan amount depends on the capacity of the society 	<ul style="list-style-type: none"> Empowering members through their respective co-operative/society Supporting members in their endeavour to contribute to the national economy
Tech loan	<ul style="list-style-type: none"> Repayment period of three years in monthly instalments at prevailing interest rates Loan amount depends on the capacity of the society, and can go up to LKR 20 Mn. with no collateral 	<ul style="list-style-type: none"> Empowering members of co-operatives with the opportunity to invest in computers, laptops and other equipment, to join in the global digital revolution and not be left behind
 SDB Co-operative Top Saver	<ul style="list-style-type: none"> Highest interest rate of up to 10% for savings Interest calculated on daily basis based on the day-end balances and credited monthly Loan facilities against savings balances with ability to avail up to 80% of the deposit for a one year loan renewal period 	<ul style="list-style-type: none"> Encouraging enterprising and fast progressing businesses in Sri Lanka to save for milestones and a brighter future
SANASA Co-operative/NGO Savings		<ul style="list-style-type: none"> Helping accelerate the progress of the rural economy, the SANASA co-op/NGO savings account aims to connect rural co-operative societies and NGOs as significant contributors to the national economy, thereby nurturing financial equality and stability across Sri Lanka
Sahanya	<ul style="list-style-type: none"> Special interest rates Special bonus interest of 40% of the cumulative interest paid when required minimum balance of LKR 100,000 is maintained during a period of one year 60% cash back loan facilities 	<ul style="list-style-type: none"> Adds value to community causes and reduces financial service costs for societies
 SDB Samupa Saviya	<ul style="list-style-type: none"> Additional 0.25% interest for fixed deposits Coverage for entire co-operative segment (including society employees) 	<ul style="list-style-type: none"> Capacity building training programmes and thrift month financial literacy programmes were held for 3,000 persons across 500 societies