

Commercial Bank performed exceptionally well in 2014, surpassing **Rs. 10.0 Bn.** mark in post-tax profits for the third consecutive year leading the shareholders' equity to grow by over **15%** and enabling the declaration of a **50%** of profit after taxation in total dividends.

The Bank sustained this **solid performance** despite an operating environment characterised by low interest rates, muted credit growth and steadily tightening margins. With our **stable business model, exemplary balance sheet** and the entire organisation working as an **integrated team**, we found innovative and differentiating ways to delight customers, attracting new business while strengthening existing relationships.

Commercial Bank currently has a market share of about **11–12%** in Sri Lanka, measured by assets, deposits and net advances. Total asset base was nearing **Rs. 800 Bn.** at the end of 2014, a gain of **31%** over the previous year. Annual volume growth in both deposits and advances exceeded the Sri Lankan industry average.

Despite sluggish demand for credit throughout 2014, the Bank's lending portfolio grew appreciably, helping to raise overall profits. We continue to benefit from an ongoing demographic shift as we tailor products and services to the needs of an increasingly affluent consumer base. As of December 2014, the Bank had granted new loans totalling **Rs. 84 Bn.**, an increase of **22%** over the previous year.

At the same time, we were able to significantly reduce the Bank's non-performing advances (NPA) ratio by recovering several large-scale advances, auctioning unredeemed pawned articles in a timely manner, closely monitoring non-performing accounts and undertaking effective recovery actions.

Despite shrinking interest margins, we **achieved growth in net interest income** through judicious funds management strategies – notably increased investment in Government Securities. In parallel, as a capital management mechanism, we have implemented a strategy to diversify our activities, with a particular focus on fee-based income. In 2014, the Bank recorded a growth of **Rs. 582 Mn.** or **14%**, in net fees and commission income, mainly from cards and trade finance, as well as remittances from expatriates – a market that grew nationally by **8%** over the past year. We also **gained additional fee-based income** from our Bancassurance business line, which signed up several additional insurance partners and launched a campaign of more targeted promotions.

The Bank's geographical footprint continued to grow in 2014, reaching a total of **239 branches**. We also carried on expanding our ATM network, passing the **600-machine** milestone in September. And we opened our first 24-hour automated banking centre en route to our goal of establishing **15** such facilities by the end of 2017.

Commercial Bank **continues to lead the Sri Lankan market** in offering alternative banking channels enabled by digital and mobile technologies. Initiatives launched in 2014 included expansion of our mobile and online offerings, the introduction of cash/cheque deposit machines and innovations such as digital cheque imaging and cash withdrawals using mobile wallets – both unique services in Sri Lanka. In early 2014, we **introduced a mobile app for Android smartphones** offering similar functionality and features as our earlier Apple iPhone app. And in September we **launched a Corporate Online Banking solution** designed to be as easy to use as our personal banking platform.

Corporate finance was another area of renewed focus in 2014, fuelled by lower interest rates.

Excellent stock market performance, following three relatively subdued years, also helped to stimulate activity. To strengthen our broadening scope of services in this area, we relaunched our corporate finance unit as Commercial Bank Investment Banking.

In 2014, the Bank also **acquired a 100% stake in Indra Finance Ltd.**, augmenting our portfolio with vehicle leases and other products designed for a market segment that we have not traditionally served.

In Bangladesh, **Commercial Bank's leadership position** among regional banks has been bolstered by a growing clientele. We have a healthy mix of retail and corporate customers, plus a special focus on small and medium-sized enterprises (SMEs). With an expanded branch network, wider product offering and aggressive marketing, we have improved our deposit base, yielding lower-cost funds and improved profitability.

We have also **received a license to open a representative office in Myanmar**, which will serve as a stepping-stone to access the Asian markets.

In the area of corporate social responsibility, Commercial Bank through its **CSR Trust Fund** continued to **empower schoolchildren and university entrants** through our investment in technology labs, mainly in rural schools where students lack access to IT education. We also completed **15 new health care projects** during the year, along with programmes devoted to teacher training and various aspects of community improvement.

The Bank's capital adequacy ratios were well above the minimum ratios stipulated by the Central Bank, leaving a healthy leeway to expand business volumes. We have **developed a formal capital management policy** with clearly defined objectives for maintaining appropriate capital levels, ensuring sufficient leeway for future business expansion while maintaining the required cushion to absorb any potential losses.

Our solid performance reflects a deeper strength that has made Commercial Bank a Sri Lankan leader. To our millions of loyal customers, **'Combanking' represents innovative products and services, proven resilience and accountability, prudent risk management and, above all, our ability to nimbly keep pace with changing financial needs**, as evident from a representative sample of stakeholder perceptions depicted throughout this Report.

The Bank's achievements in 2014 were made possible through the **unified efforts of employees and management**, guided by our clearly defined vision, and by the effective strategic leadership and oversight of the Board. We are the **first Sri Lankan bank** – and **only the third enterprise** in any sector – **to achieve a market capitalisation of more than US Dollars one billion.**

Looking ahead, we expect Commercial Bank's balance sheet to surpass Rupees one trillion in the near future. Based on our solid 2014 results and the continued momentum they reflect, that ambitious target is well within our reach.