

## MANUFACTURED CAPITAL

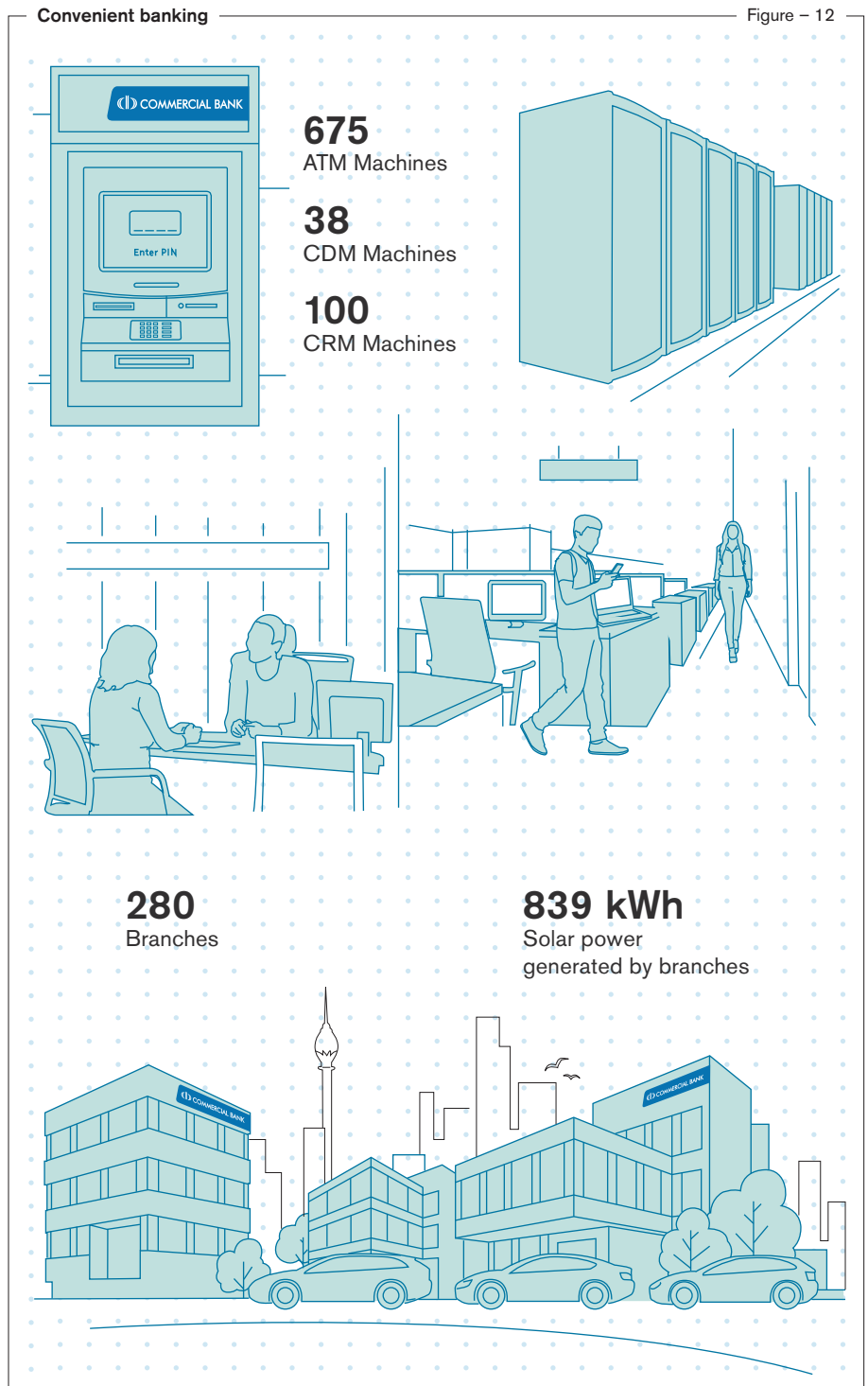
By definition, and as it applies to the Bank, Manufactured Capital includes artificial (as opposed to natural) physical objects that are on hand for use in the provision of products and services. These objects include buildings, vehicles, and equipment. Manufactured capital may be created by external entities and is often used directly for the benefit of customers and other stakeholders. As the Bank continues to grow – expanding its branch network for instance – so too will its manufactured capital.

In addition to meeting stakeholder expectations, the Bank uses such tangible assets to meet future challenges. Naturally the quality of these assets has a profound impact on the Bank's future-readiness and the value it creates for all stakeholders. To ensure that the value it derives is at a premium, the Bank makes every effort to develop and continues to maintain the high standards of its manufactured capital.

This section explores how the Bank deploys manufactured capital to meet three of the Bank's strategic imperatives – namely operational excellence, customer centricity and risk management.

### Operational excellence

**Diversified property.** Maintaining a healthy balance between owned and rented buildings is one example of how the Bank optimises its manufactured capital. Since 2009, Sri Lanka's property market has been on an upward trajectory with the demand for commercial and residential real estate growing each year.



Network of delivery points in Sri Lanka

**Central Province**

**Kandy District**  
Akurana (Minicom) **K**  
Anniwatte (Nihals Super) **K**  
Digana  
Gampola  
Geliyoa (Arpico Super) **K**  
Kandy **A**  
Kandy (City Office) **K**  
Katugastota  
Katugasota (Minicom) **K**  
Kundasale (Dumbara Super) **K**  
Nawalapitiya  
Peradeniya  
Pillimalawa  
Wattegama Ext. Office

**Matale District**  
Dambulla  
Galewela  
Matale

**Nuwara Eliya District**  
Hatton  
Maskeliya  
Nuwara Eliya  
Thalawakelle

**Eastern Province**

**Ampara District**  
Akkaraipattu  
Ampara  
Kalmunai  
Pottuvil

**Batticaloa District**  
Batticaloa **A**  
Batticaloa (Minicom) **F**  
Chenkalady  
Kattankudy  
Valaichchenai

**Trincomalee District**  
Trincomalee

**North Central Province**

**Anuradhapura District**  
Anuradhapura **A**  
Anuradhapura New Town  
Kekirawa  
Medawachchiya  
Nochchiyagama  
Thambuttegama

**Polonnaruwa District**  
Hingurakgoda  
Kaduruwela

**North Western Province**

**Kurunegala District**  
Alawwa  
Giriulla  
Kuliyapitiya  
Kurunegala **B**  
Kurunegala (Minicom) **K**  
Kurunegala City Office  
Mawathagama  
Narammala  
Nikaweratiya  
Pannala  
Polgahwela  
Wariyapola

**Puttalam District**  
Chilaw  
Dankotuwa  
Marawila  
Nattandiya  
Palavi  
Puttalam  
Wennappuwa (Arpico Super) **K**  
Wennappuwa

**Northern Province**

**Jaffna District**  
Achchuvely  
Chankana  
Chavakachcheri  
Chunnakam  
Jaffna **G**  
Jaffna Stanley Road **A**  
Kodikamam  
Manipay  
Nelliady **A**  
Point Pedro\*  
Thirunelvely  
Velanai

**Kilinochchi District**  
Kilinochchi  
Kilinochchi (Minicom)

**Mannar District**  
Mannar

**Mullaitivu District**  
Mulliyawalai

**Vavuniya District**  
Vavuniya **A**  
Vavuniya Second

**Sabaragamuwa Province**

**Kegalle District**  
Kegalle **A**  
Mawanella  
Rambukkana\*  
Ruwanwella  
Warakapola  
Yatiantota\*

**Ratnapura District**  
Balangoda  
Eheliyagoda  
Embilipitiya  
Godakawela  
Kahawatte  
Kalawana  
Kuruwita  
Pelmadulla  
Ratnapura  
Ratnapura (Minicom) **K**

**Southern Province**

**Galle District**  
Ambalangoda  
Baddegama  
Batapola  
Deiyandara  
Elpitiya  
Galle City **B**  
Galle City Main Street  
Galle Fort  
Hikkaduwa  
Karapitiya  
Koggala  
Neluwa  
Udugama

**Hambantota District**  
Ambalantota  
Beliatta  
Hambantota  
Middeniya  
Tangalle  
Tissamaharama

**Matara District**  
Akuressa  
Deiyandara  
Deniyaya  
Kamburupitiya  
Matara **B**  
Matara (Keells Super) **K**  
Matara City Office  
Morawaka  
Urubokka  
Weligama

**Uva Province**

**Badulla District**  
Badulla  
Badulla (Minicom) **F**  
Bandarawela  
Mahiyanganaya  
Passara  
Welimada

**Monaragala District**  
Kataragama  
Monaragala  
Wellawaya

**Western Province**

**Colombo District**  
ABC **M**  
Athurugiriya  
Attidiya  
Avissawella  
Bambalapitiya  
Bambalapitiya (Majestic City) **K**  
Baseline Road  
Battaramulla  
Battaramulla (Arpico Super) **K**  
Bokundara (Minicom) **K**  
Boralesgamuwa  
Boralesgamuwa (Laugfs Super) **K**  
Borella **A**  
City Office  
Colombo 07 **B**  
Colombo Gold Centre  
Dehiwela  
Dehiwela (Arpico Super) **K**  
Delkanda  
Digital Banking  
Duplication Road  
Elite **A**  
Foreign **D**  
Grandpass  
Hanwella  
Homagama  
Hulfsdorp  
Hyde Park Corner (Arpico Super) **K**  
Kaduwela  
Katubedda  
Katubedda (K-Zone) **K**  
Keyzer Street  
Kirullapone  
Kirullapone (Minicom) **K**  
Kohuwala  
Kohuwala (Keells Super) **K**  
Kolonnawa\*  
Kollupitiya  
Kollupitiya (Liberty Plaza) **K**  
Kotahena **A**  
Kotikawatte **A**  
Kottawa  
Maharagama **A**  
Maharagama (Laugfs Super) **K**  
Malabe  
Maradana  
Mattegoda (Laugfs Super) **K**  
Moratuwa **A**  
Moratuwa (Laugfs Super) **K**  
Mount Lavinia  
Mutwal  
Narahenpita  
Nawala  
Nawala (Minicom) **K**  
Nawam Mawatha  
Nawinna (Arpico Super) **K**  
Nugegoda **A**  
Old Moor Street  
Padukka  
Panchikawatte  
Pelawatte (Laugfs Super) **K**  
Pettah  
Pettah Main Street **E**  
Piliyandala  
Pita Kotte  
Rajagiriya  
Rajagiriya (Keells Super) **K**  
Ramanayake Mawatha  
Ratmalana  
Reid Avenue **J**  
Thalawathugoda  
Union Place  
Union Place (Keells Super) **K**  
Vauxhall Street (SLIC)  
Ward Place **L**  
Wellawatte **I**  
Wellawatte Second  
World Trade Centre

**Gampaha District**  
Bandarawatte (Laugfs Super) **K**  
Biyagama  
Bopitiya\*  
Deigoda (Laugfs Super) **K**  
Divulapitiya  
Ekala  
Gampaha **A**  
Gampaha (Minicom) **K**  
Ganemulla  
Hendala (Minicom) **K**  
Ja-Ela  
Ja-Ela (Minicom) **K**  
Kadawatha  
Kadawatha (Arpico Super) **K**  
Kandana **A**  
Katana\*  
Katunayake BIA Arrival Lounge **M**  
Katunayake BIA Departure Lounge **M**  
Katunayake FTZ  
Kelaniya  
Kiribathgoda **J**  
Kiribathgoda (Laugfs Super) **K**  
Kirindiwela  
Kochchikade  
Makola  
Minuwangoda  
Mirigama  
Negombo **B**  
Negombo (Arpico Super) **K**  
Negombo Second  
Nittambuwa  
Nittambuwa (Nihal Super) **H**  
Peliyagoda  
Raddolugama **A**  
Ragama **A**  
Seeduwa **J**  
Veyangoda  
Wattala  
Wattala (Arpico Super) **K**  
Weliveriya  
Yakkala  
**Kalutara District**  
Aluthgama  
Bandaragama  
Beruwala (Minicom) **K**  
Horana  
Horana (Wijemanna Super) **K**  
Kalutara  
Kalutara (Arpico Super) **K**  
Katukurunda (Minicom) **K**  
Matugama **C**  
Panadura  
Panadura (Keells Super) **K**  
Panadura Second  
Wadduwa

\* Branches opened in 2017

Arpico Super:  
Banking Centers at Arpico Super  
Markets

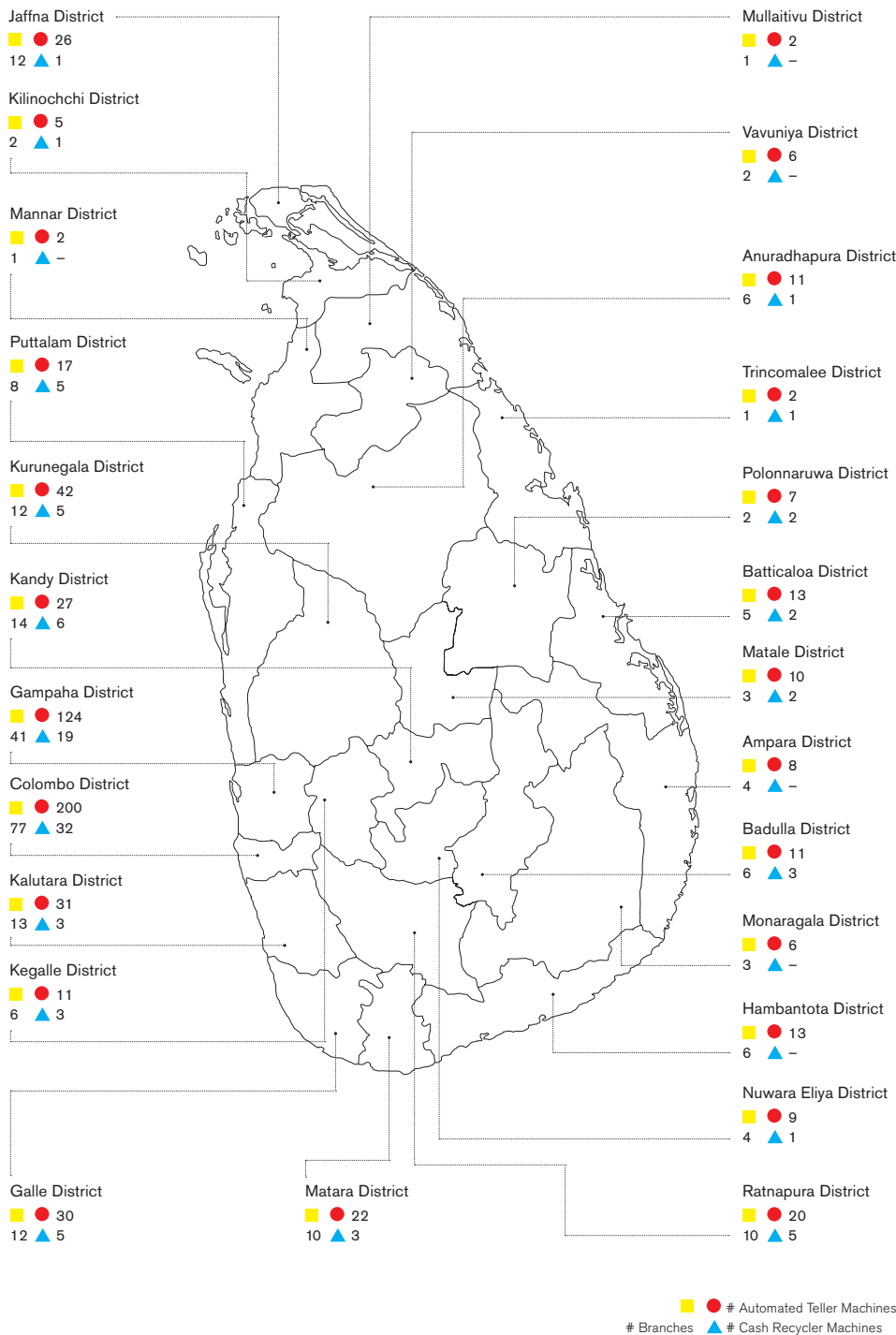
Minicom:  
Banking Centers at Keells and Laugfs  
Super Markets

**Banking Hours**

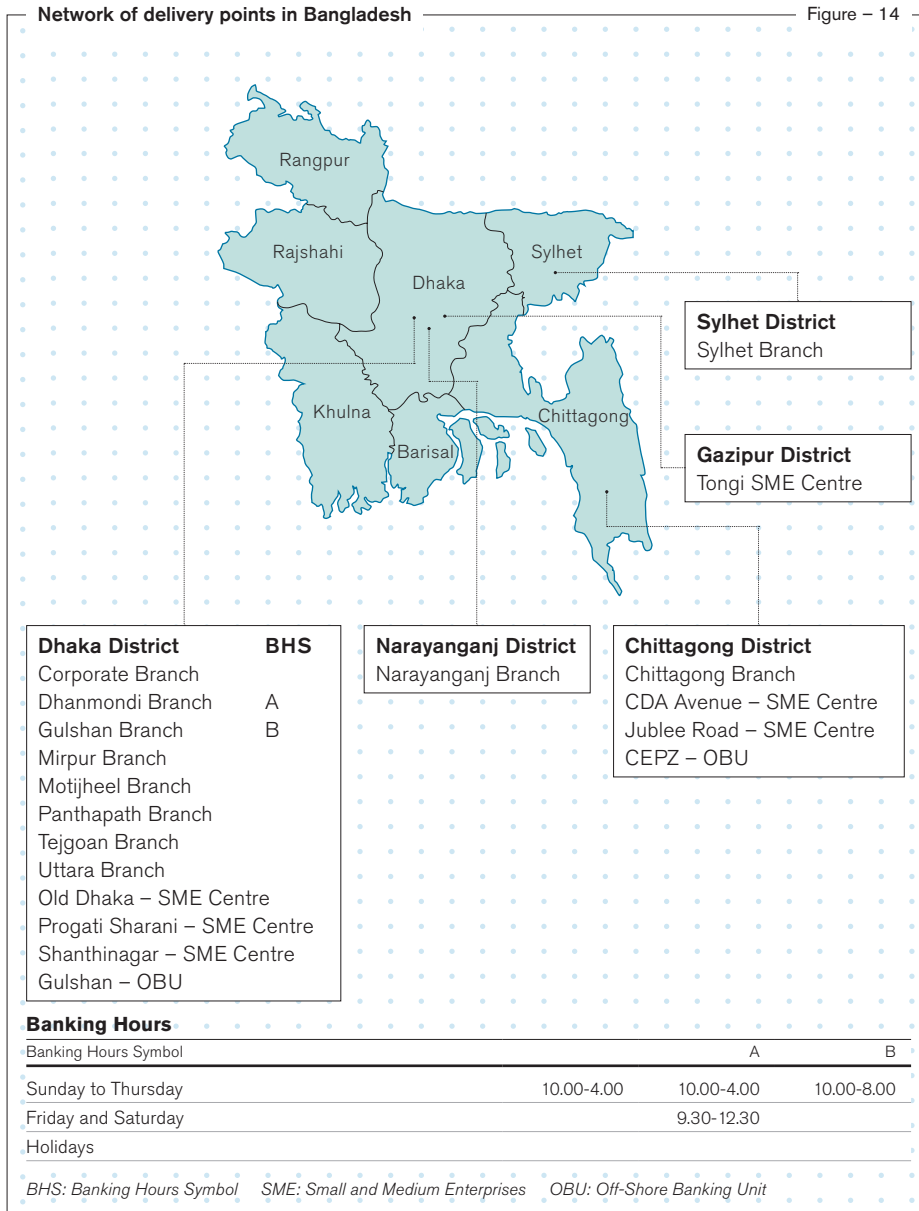
Banking hours symbol	A	B	C	D	E	F	G	H	I	J	K	L	M	
Weekdays	9.00-3.00	9.00-3.00	9.00-3.00	9.00-3.00	9.00-4.00	9.00-6.00	9.00-6.00	9.00-6.00	9.00-6.30	9.00-8.00	9.00-9.00	9.30-7.00	10.00-5.00	24*7
Saturday	-	9.00-1.30	9.00-1.30	-	-	9.00-1.30	-	9.00-1.30	9.00-6.30	9.00-3.00	9.00-9.00	9.30-7.00	10.00-5.00	24*7
Sunday	-	-	9.00-1.30	9.00-1.30	-	-	9.00-1.30	9.00-1.30	9.00-6.30	-	9.00-9.00	9.30-7.00	-	24*7
Bank Holidays/Poya*	-	-	9.00-1.30	-	-	-	-	9.00-1.30	9.00-1.30	-	9.00-9.00	9.30-7.00	-	24*7

Branches open from 9.00 a.m. to 1.30 p.m. on bank holidays will be notified by press releases.

Figure – 13



	No. of Branches	No. of ATMs	No. of CRMs
Kandy District	14	27	6
Matale District	3	10	2
Nuwara Eliya District	4	9	1
<b>Central Province</b>	<b>21</b>	<b>46</b>	<b>9</b>
Ampara District	4	8	-
Batticaloa District	5	13	2
Trincomalee District	1	2	1
<b>Eastern Province</b>	<b>10</b>	<b>23</b>	<b>3</b>
Anuradhapura District	6	11	1
Polonnaruwa District	2	7	2
<b>North Central Province</b>	<b>8</b>	<b>18</b>	<b>3</b>
Kurunegala District	12	42	5
Puttalam District	8	17	5
<b>North Western Province</b>	<b>20</b>	<b>59</b>	<b>10</b>
Jaffna District	12	26	1
Kilinochchi District	2	5	1
Mannar District	1	2	-
Mullaitivu District	1	2	-
Vavuniya District	2	6	-
<b>Northern Province</b>	<b>18</b>	<b>41</b>	<b>2</b>
Kegalle District	6	11	3
Ratnapura District	10	20	5
<b>Sabaragamuwa Province</b>	<b>16</b>	<b>31</b>	<b>8</b>
Galle District	12	30	5
Hambantota District	6	13	-
Matara District	10	22	3
<b>Southern Province</b>	<b>28</b>	<b>65</b>	<b>8</b>
Badulla District	6	11	3
Monaragala District	3	6	-
<b>Uva Province</b>	<b>9</b>	<b>17</b>	<b>3</b>
Colombo District	77	200	32
Gampaha District	41	124	19
Kalutara District	13	31	3
<b>Western Province</b>	<b>131</b>	<b>355</b>	<b>54</b>
<b>Total</b>	<b>261</b>	<b>655</b>	<b>100</b>



To meet the challenges presented by this scenario the Bank has made every effort to move back office and support staff into owned buildings. Buying premises strategically in key locations and renting – especially in rural areas where the security of renting to a trusted local bank is highly valued – the Bank has balanced its investments in properties to generate greater economies.

**Smarter branches.** The Bank is mindful of the requirement to maintain the state of art work environment within the Bank premises and continues to make substantial investments in upgrading the existing premises to be in line with industry standards.

To reflect its continued goal of providing customers with a consistent, high standard of service at every touch point the Bank redoubled its focus on standardising the façades of all its branches in the Colombo area. Work on standardising the internal layout of branches is also ongoing.

Six new branches were added to the Bank’s network during the year, taking the total to 280 by end of 2017. Taking up less square-footage these branches include an automated banking services section to provide greater customer convenience.

**Sustainable energy.** The Bank installed solar panels in 20 branches during the year under review, converted all lighting to LEDs (light-emitting diodes). It also invested in the optimisation of air conditioners in the Head office building through its subsidiary Commercial Development Company PLC, which resulted in the Bank achieving approximately 15% reduction in its energy bill.

At the end of 2017 there were an estimated 8,000 apartments being built in Colombo compared to less than 1,000 in 2008. Following concessions for foreign investors in the real estate sector included in the 2016 and 2017 Government budgets, investments in strategic development projects in the city, such as, the Shangri-la, Tata Housing, and the Astoria are also expected to increase.

Such development means that renting in urban centres such as Colombo, Galle, and Kandy is neither easy nor cost-effective. Property owners have their pick of short-term tenants from start-ups to established companies all jostling for a piece of the action.

**Rationalising office equipment.** Buoyed by the ability to reap benefits of moneys spent on strengthening infrastructure, the Bank will continue to invest in ICT with the objective of delivering unprecedented customer experience through technology.

During the year under review the Bank also increased its ratio of hired versus owned office equipment, engaging a third party supplier for the renting of machines such as printers. This has resulted in approximately 35% shift from capital expenses to operational expenses across the branch network, with maintenance and repair costs being borne by the supplier.

#### **Customer centricity**

**Software solution.** In 2012, the Bank launched its own home-grown online financial services solution which provided distinctive experiences for both retail and corporate customers. Five years on and the needs of its stakeholders have grown exponentially. With plans to further expand digital solutions for customers – including mobile banking solutions for its Small and Medium Enterprise (SME) segment – the Bank procured a new digital platform from Fiserv, a global leader in financial services technology solutions, during the year and it will become fully functional in 2018.

The Bank will continue to upgrade its IT platforms to maintain a state of the art infrastructure.

**Effective transport.** To maintain the cost-efficiency of the transport arrangements the Bank now employs a combination of owned and rented vehicles. In addition to the use of commercial cab services the Bank has also negotiated with a third-party supplier to provide manned vehicles at a monthly fixed rate per kilometre.

#### **Managing Risk**

**Online procurement.** Online procurement of all fixed assets and inventory was a challenging but productive operation which involved changing employee mindsets throughout the Bank. Maintaining the usual dual control system, monthly requirements are submitted to the Bank's Logistics team who in turn alert the Procurement team. This process, including the supply of items from the Bank's warehouses to the point of delivery, is now entirely traceable online. This has helped in proper accounting and physical verification.

It is heartening to note that the Bank has received zero complaints on procurement practices through its whistle-blowing system this year.

Total investments in the Manufactured Capital of the Bank (Property, Plant and Equipment, Intangible Assets, and Leasehold Properties) stood at Rs. 15.484 Bn. as at end 2017 (please refer Note 39 on page 245 for details).

Maintaining an efficient and productive environment for all its stakeholders is of paramount importance to the Bank and helps fulfil its aim of creating value and being future ready.