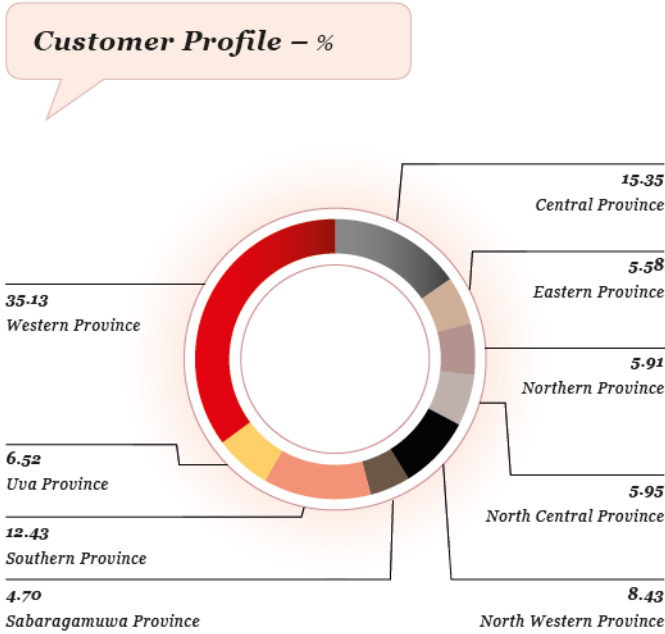


CUSTOMER CAPITAL

Customer Profile

The expansion of the branch network was particularly concentrated in the Southern and Western provinces. The growth of the customer base in these provinces can be attributed to DFCC Bank’s expansion in these areas, combined with promotional efforts and compelling products and services.



Our Portfolio

Corporate Banking, Branch and SME Banking, Small Business Enterprise Banking, Business Banking, Consumer Banking, Premier Banking, Treasury, and International Banking are the Bank’s primary lines of business. These business lines are complemented by the Bank’s subsidiaries, a joint venture and an associate company for services in consultancy, industrial estate management, information technology, investment banking and fund management.

Through its growing island-wide branch network, the Bank offers a full range of development and commercial banking solutions.

35,000
new debit cards issued

Branch Banking recorded an overall asset growth of 15% in 2017, with 17% of growth in commercial lending

12.3%
Corporate Banking portfolio growth

20%
growth in housing loans

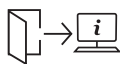
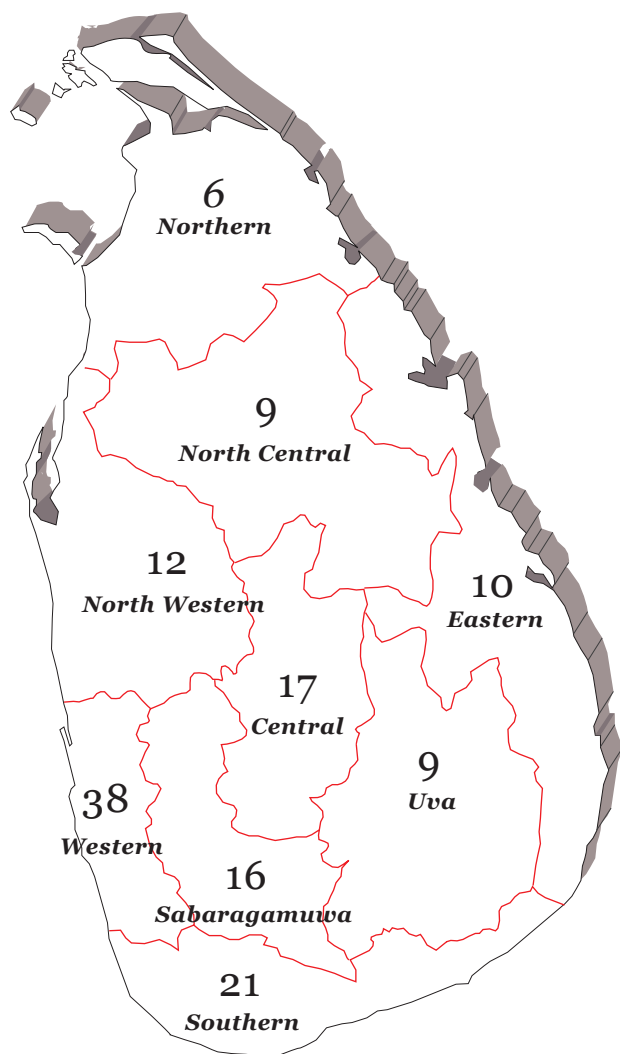


Product/Service	Target Segment
Project loans funded by credit lines	
<i>Saubhagya</i>	Small and Medium Enterprises (SMEs)
New Comprehensive Rural Credit Scheme	Short-term cultivation
Self-employment Promotion Initiative Loan Scheme	Vocational qualification holders
SMILE III Revolving Fund	SMEs
Commercial Scale Dairy Development Loan Scheme (CSDDLs)	Dairy sector
Small and Medium Sized Enterprises Line of Credit (SMELoC)	SMEs
<i>Swashakthi</i> (Micro and Small Enterprises Development Loan Scheme)	Micro and Small Enterprises
Loan Scheme for Resumption of Economic Activities affected by Disasters (READ)	For self-employed and small-scale businessmen to resume any economic activity affected by a disaster which has been recognised and informed by the Government of Sri Lanka (GOSL)
E-friends II Revolving Fund	SMEs
<i>Jaya Isura</i>	SMEs
<i>Ran Aswenna</i>	SMEs
<i>Govi Nawodaya</i>	SMEs
<i>Rivi Bala Savi</i>	Households that willing to purchase solar panels
Other project loans	
Term loans	Corporates, SMEs, professionals and individuals
Working capital financing	
→ Short-term working capital financing – overdrafts, revolving credit or short-term working capital loans	Current account holders, corporates, SMEs, and entrepreneurs
→ Medium, long-term loans to finance permanent working capital requirements	Corporates, SMEs and entrepreneurs
Vardhana Sahaya	
A one-stop financial solution offering loans, leases, bank guarantees and other commercial facilities for MSMEs	MSMEs
Leasing facilities	
“Easy Leasing” facilities for brand new and unregistered/registered vehicles, machinery, plant and equipment	Corporates, SMEs, entrepreneurs, professionals and individuals
Hire purchase facilities	
Hire purchase facilities for vehicles	Corporates, SMEs, entrepreneurs, professionals and individuals
Guarantee facilities	
Bid bonds, advance payment bonds, performance bonds, bank guarantees for credit purchase of goods	Corporates, SMEs, entrepreneurs, professionals and individuals

Product/Service	Target Segment
Time deposits A wide range of tailor-made time deposit products at competitive interest rates	Corporates, SMEs and individuals
Loan syndication Loans provided by a group of lenders which is structured, arranged and administered by one or several banks	Corporates
Consultancy and advisory services Provision of legal, tax, finance, market and other advisory services to start up a new business or revamp existing businesses	Corporates, SMEs and entrepreneurs
Savings facilities Supreme <i>Vaasi</i> – Offers a superior rate of interest	Businesses and individuals aged 18 years and above
Mega Bonus – Interest rates grow in tandem with the savings deposits	Businesses and individuals aged 18 years and above
Xtreme Saver – Offers the highest interest rate for Rupee and Dollar denominated savings based on the account balance	Businesses and individuals aged 18 years and above
Vardhana Junior – Children’s savings account offering a range of gifts and support for higher education	Children below 18 years of age
Vardhana Junior Plus – Children’s savings account with a higher interest rate	Children below 18 years of age
Vardhana <i>Garusaru</i> – Offers an attractive interest rate with a range of other benefits	Senior citizens above 55 years of age
Personal loans Loans that help meet personal financing requirements	Self-employed individuals, professionals and salaried individuals
Salary Booster Overdraft facility that allows an advance of up to 90% of a month’s salary	Salaried individuals
Pawning services <i>Ranwarama</i> Pawning – Gold-pledged advances	Mass market/individuals
Housing loans <i>Sandella</i> – Flexible and convenient housing loans at affordable rates	Self-employed individuals, professionals and salaried individuals
Education loans Vardhana <i>Nenasa</i> – Flexible and convenient loan facilities for higher education	Individuals pursuing higher studies
Other facilities Includes a range of products and services such as current accounts, overdraft facilities, foreign currency accounts, credit card facilities, DFCC Virtual Wallet, DFCC iconnect (Payment and Cash Management) gift certificates, international trade services, off-shore banking, international payments, Bancassurance, foreign money transfer via Western Union/Lanka Money Transfer and local payments.	Business community, entrepreneurs, professionals and individuals

Branch Network and Service Delivery

The Bank continued to expand its branch network in 2017, with a new branch in Western province, and 14 extension offices converted into fully-fledged branches. With the opening of a second branch in Pettah, the Bank grew its presence in a busy commercial centre with great business potential. Moreover, customers can access the Bank's services through 36 service points at Sri Lanka Post outlets and over 3,600 ATMs across the country. The Bank continues to use technology to expand its reach to customers beyond traditional brick and mortar, through Internet and mobile banking services.



Details of the branch network are given in the online report
<http://dfcc2017.annualreports.lk/bn.html>

Focus on Micro, Small and Medium Enterprises (MSME)

Established in 2016, the MSME unit addresses the financial needs of Small Business Enterprises (SBE) and has increased the Bank's penetration of the Small and Medium Enterprises (SME) sector. SBEs are enterprises positioned between SMEs and informal micro-enterprises. The Association of Development Financing Institutions in Asia and the Pacific (ADFIP) awarded DFCC Bank in May 2017 in the "SME Development" category for forming a specialised unit for the development of MSMEs.

The MSME unit offers "Vardhana *Sahaya*", a financial solution that provides loans, leases, bank guarantees, and other commercial facilities below LKR 3 million to SBEs involved in key sectors of the economy, including Agriculture, Livestock, Manufacturing, Services, and Trading. The Bank granted credit facilities to approximately 1,000 MSME customers in 2017 through Vardhana *Sahaya* and the *Swashakthi* Government funded credit scheme.

With the participation of key personnel from the Central Bank of Sri Lanka, the Bank commenced "*Sahaya Hamuwa*" in conjunction with the new product, a customer skill-enhancing programme series. Eight "*Sahaya Hamuwa*" programmes were conducted across many parts of the country, focusing on 'Entrepreneurship and Financial Literacy'. Aimed at entrepreneurs of SBEs, the programme provided an insight to entrepreneurship development, marketing, accounting, and record keeping.

New Product and Service Innovations

DFCC Virtual Wallet

The first of its kind in Sri Lanka's banking industry, the DFCC Virtual Wallet is an innovative mobile payment solution used by over 12,000 customers and over 1,100 merchants, a significant milestone.

The product has rapidly captivated both merchants and individuals, with increasing usage reported at both ends. The merchant base expanded into the E-commerce sector, and the Bank partnered with WebXpay to further strengthen its entry into the segment. The Bank also partnered with Aequum Lanka (Private) Limited to strengthen face-to-face transaction acceptance at small merchant locations.

Boosting the product's inherent convenience to customers, DFCC Chatz, an online chatbot, can be accessed via Facebook. The chatbot provides instant feedback on information relevant to the DFCC Virtual Wallet for both customers and merchants.

Customers were treated to exciting seasonal offers, with steep discounts at popular merchants, including online stores, clothing stores, restaurants, supermarkets, taxi

services, and fresh seafood stores. Participating retailers were Tash, Laugfs supermarkets, Cotton Collection, Max Mara, Divine, Sandwich Factory, Kangaroo Cabs, Takas.lk, MyDeal.lk, OceansBestlk.com, and Direct2Door.lk. DFCC Virtual Wallet customers were afforded the opportunity to make use of this season's most generous discount offers.

The promotions conducted at business locations and other prominent marketing campaigns helped to successfully raise awareness of the product in the market and increase transactions routed through the application by new and existing users. The Bank is proud to spearhead this unique digital innovation that has helped to revolutionise payments and convenience to its customers, and will continue to encourage individual users and merchants to move away from the traditional use of physical cash.

Adding further value to the product in 2018 through promotions, campaigns and effective cross-selling, the Bank will continue to refine the product through new developments aimed at offering Sri Lankans liberal access to transacting via their mobile phones.

Lanka Money Transfer (LMT)

Lanka Money Transfer (LMT) is a state-of-the-art remittance system which enables instant remittances to accounts maintained at DFCC Bank PLC and any LMT Partner Bank/Financial Institution via a secure network. Migrant workers are able to quickly and securely remit their earnings through this service to their loved ones back home. Funds are credited to the beneficiary's account held at DFCC Bank or any other account held with LMT Partner Banks/Financial Institutions with minimal hassle. Adding to the convenience for customers, the Bank has ensured that it houses the best exchange companies under one roof.

Premier Go

DFCC Bank launched "Premier Go", the first premier banking app in the industry, exclusively for the Bank's premier customers in November 2017.

In addition to providing secure access to account and transaction information, the app empowers premier customers with direct access to their dedicated Relationship Manager via video conferencing.

Further details can be found on page 76, Industry Initiatives.

Product Responsibility

Transparency and clarity in product labelling is not only a responsibility of the Bank, but can also drive product sales. Consumers are increasingly tech-savvy and expect to be well-informed before committing to

purchases and services. Social media and other online sources provide consumers with the means to broadcast their dissatisfaction to broad audiences, which can have negative impacts on the Bank's business and reputation.

DFCC Bank takes every effort to provide transparent and relevant information to its customers. Information about products and services are made available in all three languages, and employees are available to provide further information where necessary. The Bank also conducts events island-wide aimed at educating current and potential customers about products and services.

Focus on Social Responsibility

DFCC Bank offered "Vardhana Sahanaya", a DFCC Bank-funded concessionary loan scheme, to rebuild the lives of the public affected by the floods and landslides that took place in 2017. The scheme was offered to both customers and non-customers of the Bank, and was used to rebuild business and personal assets. Facilities under the "Athwela" concessionary loan scheme funded by the Government were also offered by the Bank to the business community affected by these natural disasters.

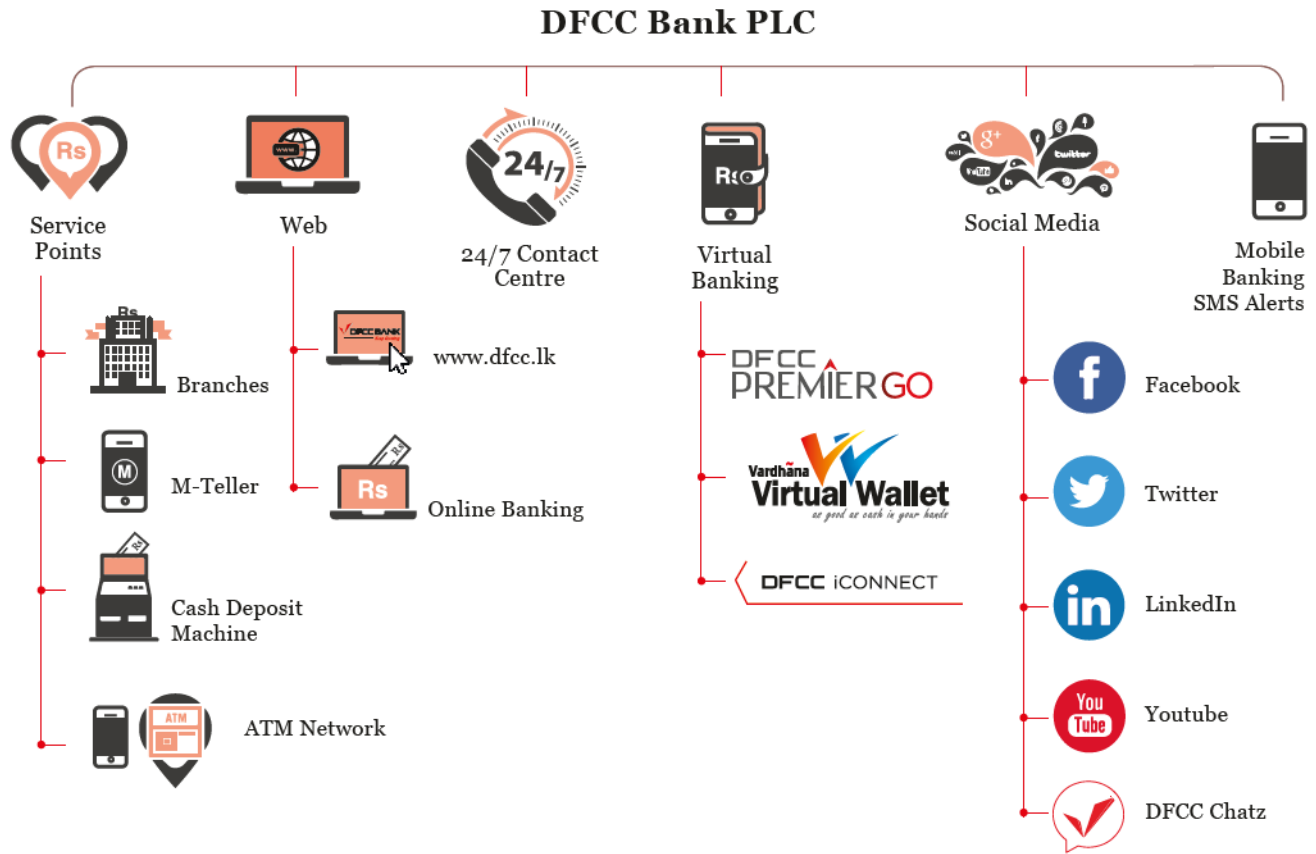
Customer Privacy

DFCC Bank recognises the importance of protecting its customers' privacy as a key component of building trust and developing the relationship between the Bank and its customers. To this extent, the Bank utilises secure systems and procedures throughout banking transactions, and continuously works to develop and upgrade these systems. Moreover, "customer privacy" is an integral part of the employee Code of Conduct, aimed at ensuring that employees recognise the importance of protecting their customers' privacy and continue to uphold the Bank's secure systems and procedures.

Customer Satisfaction and Complaint Handling

The Bank has a wide network of customer touch points ranging from the conventional brick and mortar to Internet and mobile centric digital banking solutions such as "Virtual Wallet" and "Premier Go". Given the fast changing customer aspirations and preferences, it is imperative that the Bank uses banking technology to reach the customer. While some of the customers prefer to continue to bank the conventional way with a human touch, there is a new generation of customers who demand a contextual banking experience. The Bank will continue to innovate ways and means of increasing its reach further.

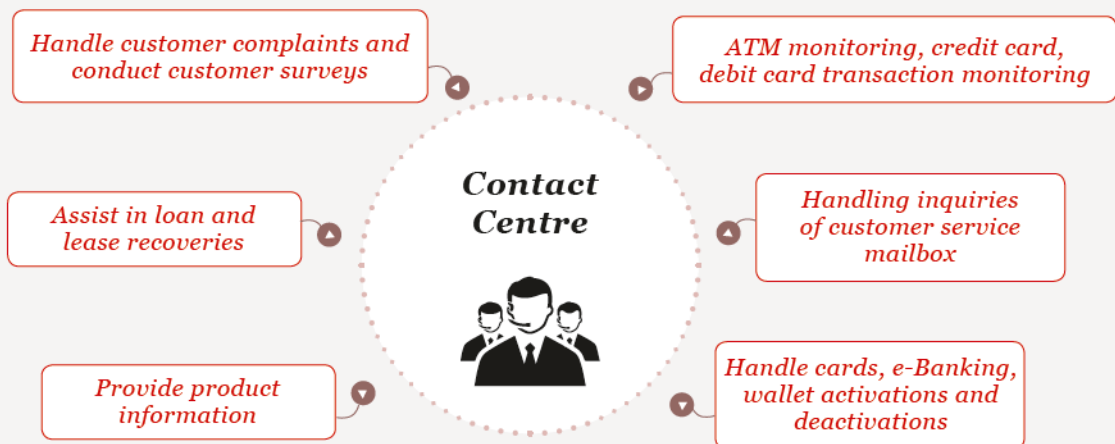
Multi-Channel Customer Touch points



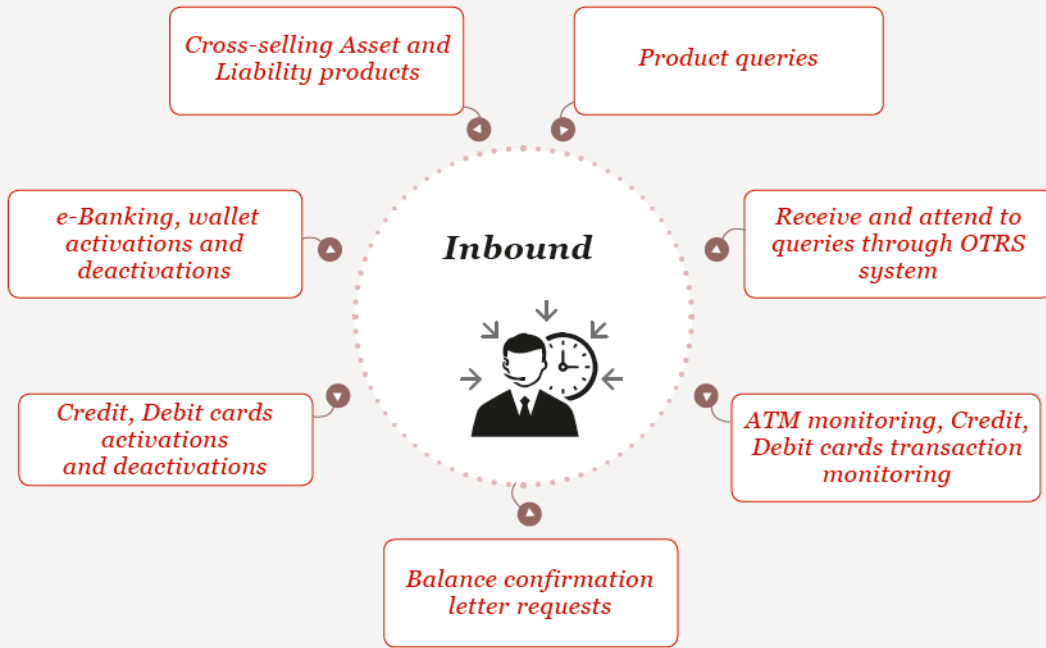
Contact Centre

Operating under the Alternate Channels Department, the Contact Centre is an important service provider as a channel that acts as the first point of contact for customers who call the Bank. The Contact Centre conducts both inbound and outbound functions and operates 24 hours, seven days a week to ensure the smooth functioning of the Bank's operations.

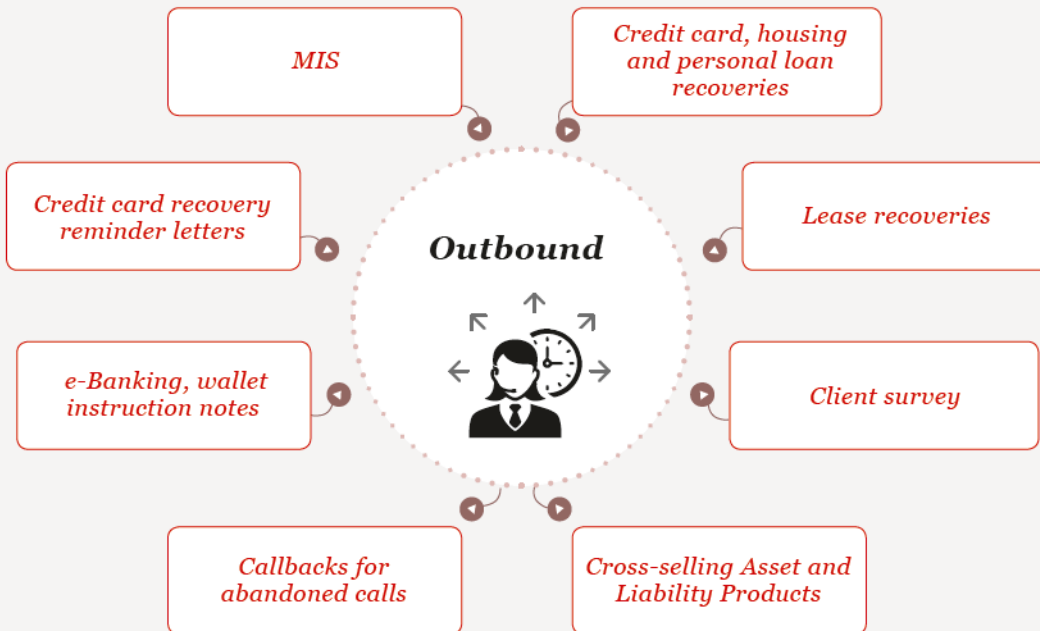
Core Responsibilities of Contact Centre



Inbound Operations



Outbound Operations



Handling Product Queries and Activations

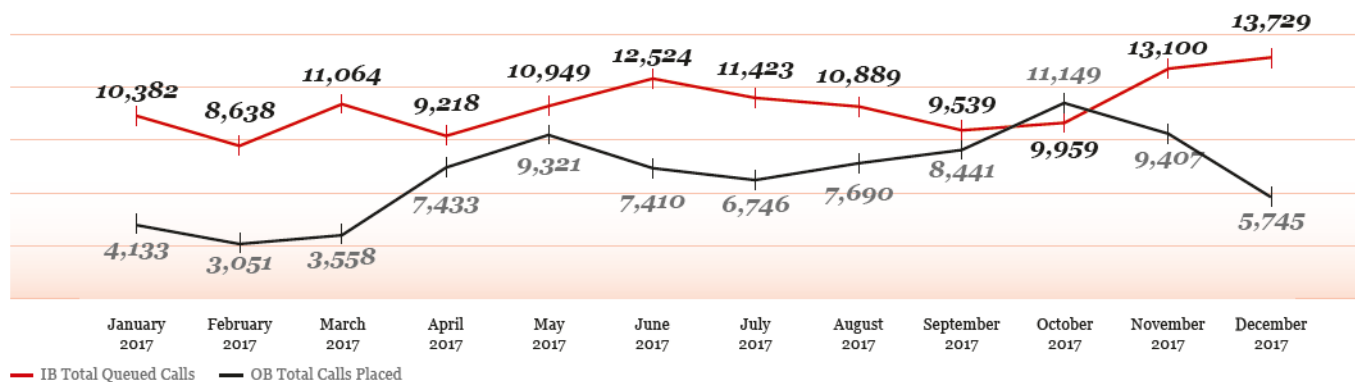
Contact Centre staff members are trained and coached on the Bank's products, and receive briefings whenever a new product or system is launched. A comprehensive customer validation methodology has been adopted and is conducted prior to providing any information to customers.

Summary of Inbound and Outbound calls

Inbound 2017	Duo system			Facetone system								
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total queued calls	10,382	8,638	11,064	9,218	10,949	12,524	11,423	10,889	9,539	9,959	13,100	13,729
Total answered calls	9,427	7,762	9,848	8,227	10,237	11,379	9,958	9,288	8,194	9,317	11,922	12,872
Average answered calls per day	304	277	318	274	330	379	321	300	273	301	397	415
Average talk time (Sec.)	148	142	148	163	172	128	108	119	116	199	129	124
Average ACW time (Sec.)	7	7	5	22	19	17	14	13	0	16	11	10
Average answer time (Sec.)	-	-	-	10	9	8	9	9	2	10	7	7

Outbound 2017	Duo system			Facetone system								
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total calls placed	4,133	3,051	3,558	7,433	9,321	7,410	6,746	7,690	8,441	11,149	9,407	5,745
Average calls placed per day (Week days)	197	170	155	437	466	371	321	350	444	557	448	302
Average talk time (Sec.)	-	-	-	-	-	53	47	54	54	60	63	72

Trend of Calls – Nos.

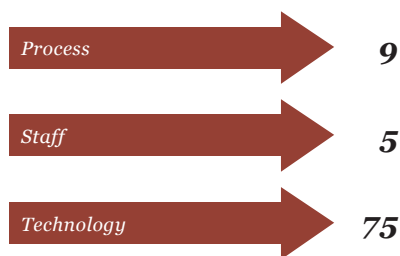


Complaint Management through OTRS

The Call Centre monitors complaints received through the hotline, complaints line, and customer service mailbox. If a resolution cannot be provided by the Call Centre on the first attempt to address a complaint, it is escalated to the relevant department, branch, or the Management, and at the end of each month, a report consisting of the total complaints received (IRM Report) is sent to the Operational Risk Manager of the Integrated Risk Management Department.

Causes of complaints are identified under three categories, and the number of complaints received under each category are depicted in the following table:

Complaints Summary



Summary of Complaints Received During the Year

- Two complaints were received on loans disbursement. These indirectly affected the Bank’s reputation as customers were disappointed that their loan applications were not successful within the expected time period. Irregularities in loan disbursements and miscommunication with potential loan clients led to these complaints.
- Eight complaints were received due to a lack of knowledge in banking operations and non-adherence to the standard operational procedures laid down by the Bank. Some of these complaints were mainly due to lapses in the service offered to customers and the lack of professionalism with which situations had been handled.
- Six complaints were received due to technological issues. These can normally occur in banking operations, but are not considered acceptable by customers. Examples of such issues included receiving several emails after online banking transactions, delays in updating credit card payments, deduction of extra charges for accounts (WHT), and delays in renewal notices of fixed deposits.

15

One new branch and 14 extension offices converted to fully-fledged branches

13%

growth in personal loans

44%

year-on-year growth in institutional deposits

13.1%

year-on-year growth in import/export volumes



- One complaint was received as a result of the disclosure of a customer’s facility details to a third party.
- Two complaints were received due to the return of cheques without the customer receiving prior notification.

Additionally, issues that did not fall into the aforementioned categories are listed below:



- Not a complaint: complaints received from an unsatisfied customer despite the Bank having performed its services successfully. (e.g. Debit card PIN has not been received, but was duly dispatched by the Bank to the correct mailing address) 43 complaints were received.
- Validation errors: Incorrect information that has been input into the co-banking system. (e.g. Incorrect NIC number, incorrect residence address and incorrect name in the EOC system). 131 complaints were received.
- Actual service: Service lapses and violation of service level standards are considered as actual service failures. 275 service failures were reported.
- Unsuccessful transactions: Complaints received about ATM withdrawals that were debited from the customer’s account but not received by the customer are considered as unsuccessful transactions. Out of 388 complaints, six transactions are still under pending status as at 31 December 2017. 70 complaints related to DFCC Virtual Wallet promotions were received. These complaints were due to merchant service level agreement failures, merchant system issues and DFCC Virtual Wallet system failures. Refunds have been given to all these customers who encountered issues and needed settlement.

Marketing Communications

The Bank undertook several brand-building initiatives during the course of the year, including marketing and seasonal campaigns, event sponsorships, and customer engagement activities.

Through a Board approved Corporate Communications Policy and Social Media Policy, the Bank engages with customers and potential customers over multiple channels of communication in English, Sinhala, and Tamil. The Bank takes every effort to ensure the accuracy of information and compliance with the CBSL and the Bank’s Customer Charter.