

# STRATEGIC PRIORITIES AND RESPONSES

The future of the Bank will be defined by the strategic choices it makes today.

## Emerging operating environment

Banks are operating in a highly competitive and dynamic environment. Certain developments relating to technology, stakeholder preferences and expectations, new forms of competition, sustainability, regulations etc., some of which are emerging risks have made the future of banking even more challenging. All these developments call for strategic responses on the part of banks for long term growth.

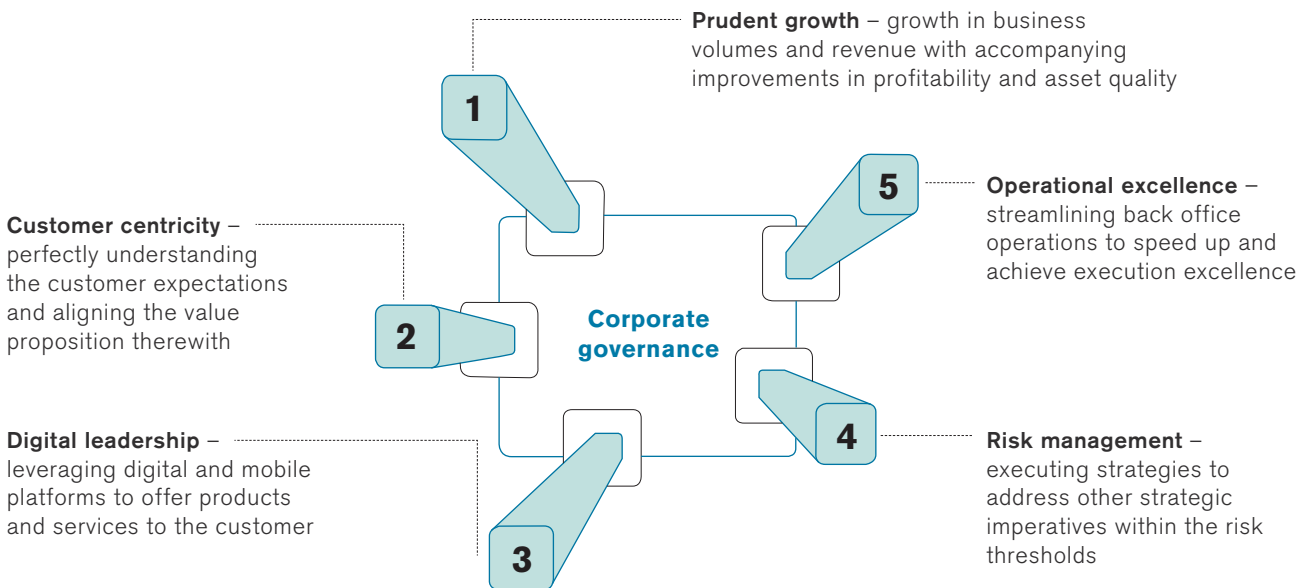
## Strategic imperatives

Given that things are changing so fast today, the Bank understands that it needs

to be in a constant state of adaptation to respond to these developments if it is to continue to be a sustained value creator. Accordingly, the Bank has identified **prudent growth, customer centricity, digital leadership, operational excellence, and risk management** as five broad strategic imperatives for "banking on the future".

Historically, the Bank has always championed disciplined growth. Strengthening the Bank's leadership in Sri Lanka and expanding its regional presence, the Bank has been able to grow at compounded annual growth rates in excess of 16% in total assets, loans and receivables, customer deposits and over 10% in profit before taxation over the past five years. Strategies have been devised to ensure that the Bank will continue to grow

at a healthy pace. In this regard, the Bank is cognisant of the need to have a perfect understanding of the evolving customer demands and expectations and based on the insights drawn from this understanding, align its value proposition to match their expectations. Offering products and services through digital and mobile channels will be a pre-requisite in this respect. Similarly, achieving operational excellence by investing in best-in-class technology and integrating and modernising legacy systems to ensure smooth operations while achieving cost efficiencies is also a priority. The Bank will devise strategies for confronting these imperatives while managing the underlying risks within the Bank's desired risk profiles as expressed in terms of risk appetite and risk tolerance limits (refer table 38 on page 372).



### Strategic responses

While these are closely interconnected and mutually inclusive, the Bank has also developed appropriate strategic responses for each of these imperatives for execution by the business units and support service functions in the Strategic Plan 2018-22 through the corporate planning and budgeting exercise, a process that has been fine-tuned over a decade.

Strategic responses have been developed on a number of aspects under each of the five strategic imperatives as given below:

Table – 06

Prudent growth	Customer centricity	Digital leadership	Operational excellence	Managing risk
Strengthen leadership in Sri Lanka	Products and services	Digitalisation	Employee value proposition	Risk appetite
Expand regional presence	Channels and networks	Online offering	Service standards	Optimising risk return trade-off
Diversification	Customer relationships	Digital channels	Internal processes	Emerging risks
Asset quality	Integrating service standards	Channel migration	Embracing new technologies	Governance/Compliance
Brand building	Customer education	Innovation and experiments	Partnerships/collaboration	Diversification
New Product development	Customer onboarding	Big data and data analytics	Operational efficiency/cost containment	Funding and liquidity
Pricing and profitability	Data security/customer privacy	Systems integration	Performance evaluation	Cyber security
Cross-selling	Customer expectations	Systems upgrades	Network optimisation	Disruptive innovations
Capital and stability	Customer satisfaction	Digital natives	Centralisation	New laws, rules and regulations
Inclusive banking	Convenience	Payment services	Supply chain	Environmental stewardship
Sales orientation	Customer engagement		Processing speeds	Fraud monitoring

Respective strategic responses have been referred to under the business units and support functions in the Management Discussion and Analysis on pages 49 to 104 and the reports on risk management on pages 154 to 158 to the extent they can be disclosed.

The corporate plan and the budget were adequately deliberated by the Board and the approval for the budgeted targets for 2018 was obtained in December 2017. This enabled the Bank to timely communicate the targets to all business units.

### Strategy execution

Planning and execution being two sides of the same coin, execution is equally important. Hence, these strategic responses were communicated to all those who are responsible for their execution at the beginning of the year, defining the path the Bank is planning to take into the future and making it clearer for them as to how the Bank is planning to compete.