Our strategy

A strategy addressing long-term trends

Our strategy was developed against the backdrop of six long-term trends, which will continue to significantly shape the economies and broader landscape in the markets in which we operate. We believe that each of these long-term trends presents opportunities that we are uniquely positioned to capture.

1. **Rise of urban middle class**
   Markets in our footprint are urbanising rapidly and becoming more consumption-led, driving rapid growth in demand for wealth and financing solutions.
   **Our strategic response:** Focus on the affluent and wealth offerings

2. **Digital revolution**
   Digital adoption in our markets is often ahead of otherwise more developed Western markets. Digitisation offers an opportunity for us to deliver more convenient and efficient solutions to clients and thus to increase our client reach and engagement in a cost-effective manner.
   **Our strategic response:** Accelerate pace of our digitisation

3. **Increasing regional connectivity**
   Despite a rise in anti-globalisation sentiment in several parts of the world, we are witnessing in the long term the emergence of complex supply chains, combined with new frameworks for cooperation, such as the Belt and Road initiative and the ASEAN Economic Community. With our long history in the markets that are driving these trends, we are uniquely positioned to capture the benefits they bring.
   **Our strategic response:** Leverage our network capabilities

4. **Financial deepening and evolving regulation**
   Clients are increasingly looking for innovative cross-border funding, cash management and investment solutions, coupled with local hedging instruments to better manage risks. This, along with the growing sophistication of the financial services sector, and ongoing government-led reform, is driving the deepening and internationalisation of local capital markets in our footprint.
   **Our strategic response:** Strengthen our capital markets capabilities

5. **The rise of renminbi (RMB)**
   The launch of the Cross-Border Interbank Payment System and the inclusion of RMB in the International Monetary Fund’s Special Drawing Rights basket of currencies are major landmarks on the RMB’s path to internationalisation. We expect that by 2020, 5 per cent of global international payments could be settled in RMB.
   **Our strategic response:** Maintain leadership in RMB

6. **The growth of Africa**
   Backed by a large workforce and a growing, connected urban middle class, there are many growth opportunities across African economies. This is particularly the case in sectors such as agriculture, fast-moving consumer goods and infrastructure.
   **Our strategic response:** Focus on urban Africa

Within this context, we continue to believe in the inherent value and strength of the Standard Chartered franchise and its ability to deliver financial performance.
Three strategic objectives

1. Secure the foundations
   Ensure that we have a strong capital position, with a balanced client and product portfolio

2. Get lean and focused
   Drive the shift towards sustainable, profitable growth in returns-accrative businesses, and improve productivity

3. Invest and innovate
   Invest in improvements to drive better client experience, meet clients’ demands, and drive growth and cross-bank collaboration

Our strategy
is focused on capturing the existing growth opportunities in our footprint, by developing deep, long-term relationships with our clients and helping them connect across our markets.
Our strategy continued

Delivering against our strategic objectives

Well positioned to capture the opportunities in our markets

We are in a strong position to capture the opportunities in our markets, while being aware of potential threats and areas where we need to improve.

We take external risk factors into account as part of our strategy and ensure that we are always prepared adequately. These include macro and geopolitical changes globally and in countries where we operate, pressure on profitability, and disruption from new uses of technology.

We believe that we are in a unique position to capture the growth in our markets through strengths like our cross-border proposition, comprehensive product range and high standards for the way we do business. At the same time, we are addressing areas that will further strengthen the Group, such as continuing to focus on conduct and fighting financial crime, shifting the mix in our client and product books towards our target segments and businesses, improving and digitising our processes, and strengthening our areas of competitive differentiation.

Since 2015, we have made significant progress against the Group’s three strategic objectives. We have tracked progress against these through our Group scorecards, which contain a mix of quantitative performance indicators, such as return on equity, loan impairment and capital adequacy, and qualitative performance indicators, such as the shift in our portfolio mix towards different client profiles and returns-accretive businesses, as well as client sentiment metrics such as the net promoter score. Some selected indicators are highlighted below.

<table>
<thead>
<tr>
<th>1 Secure the foundations</th>
<th>Progress in 2017</th>
<th>Focus for 2018</th>
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<tbody>
<tr>
<td>We have substantially completed this objective, putting us in a position of strength from which to drive business growth confidently</td>
<td>CET1: 13.6% (2016: 13.6%)</td>
<td>Maintain a strong capital position</td>
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<td>Loan impairment: $1.2bn (underlying) (2016: $2.4bn)</td>
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<td>Continue efforts to further strengthen risk controls and conduct</td>
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<th>2 Get lean and focused</th>
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<td>We have continued the restructuring of our businesses and the shift towards sustainable, profitable growth</td>
<td>Profit before tax: $3.0bn (underlying) (2016: $1.1bn)</td>
<td>Drive income within our desired risk appetite, and contain costs, leveraging technology</td>
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<tr>
<td>Return on equity: 3.5% (underlying) (2016: 0.3%)</td>
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<td>Focus on driving sustainable momentum in capital and returns-accretive businesses</td>
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<th>3 Invest and innovate</th>
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<td>We have invested to improve the way we serve our clients and the way we collaborate. Examples include significant investments in automation and a revamped learning offering for colleagues</td>
<td>Digitisation and analytics driving efficiency and superior client service</td>
<td>Ambitious investment plan in technology to drive business</td>
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<td>Retail Banking digital adoption: 44.7% of clients (2016: 39.6%)</td>
<td>Invest in our colleagues and culture</td>
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<td></td>
<td>Leverage our unique diversity to serve our clients better</td>
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For more insights on strategy-related risks see our Group Chief Risk Officer’s review on pages 33 to 35

For more information on progress in 2017 and focus for 2018 see our Group Chief Financial Officer’s review on pages 28 to 32