
FUTURE PLANS AND STRATEGY

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Standard Chartered has implemented a strategy to increase its returns and profitability. Standard Chartered is seeking to achieve this by stimulating growth in high return businesses and markets, controlling cost through greater efficiency, exercising tight risk control and actively managing its capital structure. The Group's target over time is a return on equity of 20%. Specifically:

- **Building market share in Consumer Banking**

Standard Chartered believes that there is significant growth potential in Consumer Banking products in the markets in which it operates. It is seeking to increase market share by offering innovative products through its wide branch distribution network. This is particularly true of its credit cards and wealth management businesses, with mortgages also providing attractive opportunities.

- **Repositioning the Wholesale Banking business to increase returns**

Standard Chartered is actively seeking to increase returns from Wholesale Banking by increasing cross-selling of products which provide higher returns. These products include Global Markets (including debt capital markets and treasury) and cash management products. Standard Chartered intends to direct both capital and investment resources in the Wholesale Banking business to these products and is also capping the overall amount of economic capital in the Wholesale Bank.

- **Driving cost efficiency in technology and operations**

Standard Chartered has made good progress with its Efficiency Programme, which was ahead of target at the end of 2001. As a result, the original targets for the Efficiency Programme have been revised upwards. Performance was in line with these revised targets during the first half of 2002. It has made rapid progress in setting up shared service centres in Chennai and Kuala Lumpur, resulting in enhanced efficiencies in processing and support functions. It has also achieved other operational efficiencies and has derived significant cost benefits from the integration of Grindlays, MCCL and the Hong Kong-based retail banking business of Chase Manhattan Bank.

- **Controlling risk**

Standard Chartered is enhancing its control of risk. It has reviewed its customer portfolio to identify areas of high risk. It has also taken action to address the Hong Kong personal bankruptcy issue, including tightening its loan approval criteria and developing early warning trigger mechanisms. Standard Chartered is reviewing its Latin American operations which have suffered significant bad debt problems. It has strengthened its market and operational risk teams.

FUTURE PLANS AND STRATEGY

- **Active capital management**

Standard Chartered is actively seeking to improve the efficiency of its capital management. It intends to allocate sufficient capital to support the growth of the high return businesses. Specifically, it will give priority to Consumer Banking in the allocation of incremental capital. It also sees scope to reduce the amount of its total capital whilst maintaining its target capital adequacy ratios and to improve its mix of capital with a view to increasing its return on equity. The Company has in place all the relevant shareholder authorities to enable it to make repurchases of any of its regulatory capital and expects to make further progress in this strategic priority.

- **Capturing profitable growth in India and China**

Standard Chartered believes that two of its greatest opportunities for growth are India and China. It is one of the leading foreign banks in both countries. India is already a significant profit generator for Standard Chartered, but it believes that there is significant untapped potential to increase its customer base and improve profitability. China's accession to the World Trade Organization means that there is a firm timescale for foreign banks to be able to provide local currency services to local residents by 2007. From 11th December, 2001, Standard Chartered has been able to provide foreign currency services to local businesses and individuals. From December 2004, Standard Chartered will be able to do local currency business with local companies in 13 cities, and from December 2006, it will be possible to provide Consumer Banking products to individuals in China. Standard Chartered is preparing for this and is opening a series of Consumer Banking branches in China. As part of its plan to expand into China, Standard Chartered made a strategic investment of U.S.\$50 million in BOC Hong Kong (Holdings) Limited in July 2002. Standard Chartered expects that this investment will give rise to joint venture and alliance opportunities in a number of product offerings.

Key Strengths and Investment Highlights

Standard Chartered believes that the following are the key factors supporting its growth strategy:

- Standard Chartered is an international bank with a strong brand in the markets of Asia, the Middle East and Africa. Standard Chartered offers customers and potential customers the products, services, reliability and transparency of a leading international bank through an extensive local distribution network;
- The markets in which Standard Chartered operates in general represent fast growing markets for banking services, and offer significant opportunities for banks to provide a range of basic and sophisticated banking products and services to the growing affluent populations in these markets. Standard Chartered believes it is positioned to grow with these markets;
- Standard Chartered offers a high quality and recognised product range in both its business divisions. Consumer Banking targets the growing affluent population in its main markets and are distributed through a combination of its upmarket

FUTURE PLANS AND STRATEGY

Priority Banking service, traditional branch access and telephone/on-line channels. Wholesale Banking offers sophisticated cross-border and domestic products and services which bring its strengths as an international bank to its customers;

- Standard Chartered has the financial resources to consolidate and grow its significant position in its existing core markets and expand into new regions. It will also give careful consideration to appropriate opportunities that may arise for growth by acquisition, including opportunities to participate in the consolidation of the banking industry in its principal markets;
- Standard Chartered has launched the Efficiency Programme which is targeted at producing annualised cost savings of U.S.\$275 million and headcount reduction of 6,200 by 2003. At 30th June, 2002, Standard Chartered was ahead of its own expectations in terms of cost savings achieved to date. It has raised its target for annualised cost savings to U.S.\$305 million by 2003. It had also achieved a headcount reduction of 6,660 as at 30th June, 2002;
- Standard Chartered has the scale to become a low cost provider, including in its credit cards and wealth management businesses. It also has scale in terms of distribution outlets, customer base and market share;
- Standard Chartered has demonstrated its ability to manage effectively the credit quality of its assets during periods of difficult economic conditions such as the Asian economic crisis of 1997 to 1999; and
- Standard Chartered has an experienced management team which successfully navigated its way through the Asian economic crisis of 1997 to 1999. Many of its senior team, including two Group executive Directors, are located in Asia, close to its key markets and customers.