S&P Global Ratings

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Research Update:

Standard Chartered PLC Outlook Revised To Positive On Stronger Franchise, Profitability; 'BBB+/A-2' Ratings Affirmed

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Overview

- Standard Chartered group has reshaped its footprint, simplified its business, and improved its risk profile as part of its strategic transformation.
- We expect profitability to improve further over the next two years, underpinned by the group's transition to a lower-risk operating model with a focus on higher-quality, lower-risk assets.
- We revised our rating outlook on the group's nonoperating holding company, Standard Chartered PLC (SC PLC), to positive from stable. At the same time, we affirmed our 'BBB+' long-term and 'A-2' short-term issuer credit ratings on the company. Our revised outlook indicates at least a one-in-three possibility of an upward revision in our assessment of the group's stand-alone credit profile (SACP) to 'a' from 'a-' over the next 12-24 months.
- The positive outlook on the long-term rating on SC PLC reflects our expectation that the group will leverage its improved strategic focus and operating model to further increase risk-adjusted profitability and comparability with higher-rated peers over the next two years.

Rating Action

On July 23, 2026, S&P Global Ratings revised its outlook on SC PLC, the nonoperating holding company of the Standard Chartered group, to positive from stable. At the same time, we affirmed our 'BBB+' long-term and 'A-2' short-term issuer credit ratings on the company, and all our long- and short-term issue ratings on its outstanding debt instruments.

We also affirmed our ratings on selected operating entities of the group:

- The 'A+/A-1' long- and short-term issuer credit ratings and 'AA-/A-1+' long- and short-term resolution counterparty ratings on U.K.-based Standard Chartered Bank (SCB) and Germany-based Standard Chartered Bank AG; and
- The long- and short-term issue ratings on all their outstanding debt instruments.

The outlook on the long-term ratings on these entities is stable.

Rationale

The positive outlook on SC PLC reflects our view that the group's strategic transformation has strengthened its profitability on a sustainable, structural basis. The group will continue to reshape its footprint, simplify its business, and improve its risk profile, which will further help it maintain operational resilience through economic cycles. Since 2021, the group has materially improved its profitability and maintained low credit impairment charges despite COVID, volatile U.S. trade policies, and geopolitical tensions such as the Middle East and Russia-Ukraine conflicts. We now see at least a one-in-three possibility of an upward revision in our assessment of the group's SACP to 'a' from 'a-' over the next 12-24 months.

We expect SC PLC to steadily improve its profitability with support from the group's strategic transformation. The group is now better able to deliver sustainable, high-quality profits, underpinned by its diversified revenue profile, capital-light balance sheet, and disciplined risk management. The group increased its return on average common equity to 11.3% in 2025 from 5.1% in 2021. Management has a target of at least 15% for the return on tangible equity (RoTE) by 2028, compared with about 12% in 2025.

Business diversification and a broad geographical footprint will allow the group to capture shifting trade and capital flows. Its wide presence across Asia, Africa, and the Middle East will continue to facilitate strong access to growing intra-regional trade and funding flows, compared with global peers more concentrated in Western markets. This breadth will support customer retention and sustained deposit growth through operating challenges.

For instance, the group operates in almost all ASEAN markets. This footprint gives it strong regional connectivity to tap increasing trade and capital flows into and out of ASEAN as the region reconfigures its supply chains. The group also has meaningful exposure to wealth management in fast-growing wealth hubs such as Hong Kong, Singapore, and Dubai, which will help it capture rising regional wealth.

The group has steadily transitioned to a lower-risk operating model, with a deliberate shift to higher-quality, lower-risk assets. It increasingly emphasizes risk-adjusted returns and selective growth, which has strengthened its risk profile. Signs of this include the group's rising share of investment-grade exposure, shorter maturity profiles, and increased focus on large, higher-quality clients.

In wealth and retail banking, the group's ongoing pivot to affluent clients will further reduce its reliance on unsecured personal lending. This will support lower, more stable, and predictable credit losses. Reflecting this, the group's average credit loss rate dropped to about 0.2% over 2021-2025 from about 1.0% during 2014-2018. This material improvement in credit quality compares well with selected U.S. and European global systemically important banks (GSIBs), which had an average credit loss rate of about 0.4% during 2021-2025 and 0.5% during 2014-2018.

The group can manage risks from the Middle East conflict, in our view. It is mainly exposed to sovereign-related entities, high-grade financial institutions, and secured wealth lending in the region. As of end-March 2026, the Middle East represents 6% of the group's exposure, with 53% from the United Arab Emirates.

More than 90% of the exposure was also to corporates, with over 75% of these having investment-grade ratings. The group has also proactively booked US$190 million of impairment charges as management overlay to address the war's potential impact. We estimate the group had an annualized credit loss rate of a low 0.14% in the first quarter of 2026, excluding management overlay. This underscores the group's structurally enhanced risk profile. That said, we estimate the credit loss rate will rise to about 0.3% in 2026 and 2027, given less provisioning reversals amid challenging economic conditions.

We expect further improvements in profitability over the next two years. We estimate the group's return on average common equity will improve to about 14% by 2028, up from about 11% in 2025, supported by a pivot to high-growth markets and strategic focus on maintaining risk and cost discipline. Ongoing organizational simplification, process standardization, and increased digitization will also improve cost efficiencies over the period. These could lead to higher recurring non-interest income, low credit loss volatility, and sustainable operating leverage.

SC PLC will balance business growth and shareholder distributions in its capitalization. We believe the group's controlled loan growth, strategic focus on lower-risk assets, and improving profitability will support stable capitalization over the next two years. The group is likely to remain flexible in allocating capital between organic balance sheet and revenue growth and progressive shareholder distributions.

As of end-March 2026, the group's CET1 ratio declined to 13.4% from 14.1% at end-2025. This was due to faster growth in risk-weighted assets from business growth and share buybacks. We forecast a group risk-adjusted capital ratio of 9.0%-9.5% for the coming two years, comfortably within our current adequate capital and earnings assessment.

We expect SC PLC to maintain a robust funding profile. The group's strengthened focus on affluent retail clients and strong transaction banking franchise will drive further growth in customer deposits. The group has one of the strongest key funding and liquidity metrics among banks with a global reach, thanks to its established retail banking franchise in its key markets of Hong Kong and Singapore. Its ratio of customer loans to deposits dropped to about 51% as of end-March 2026 from about 53% at end-2024.

The group will maintain strong liquidity, in our view. Its balance sheet remains highly liquid, with more than 60% of its assets maturing in under one year. Our ratio of broad liquid assets to short-term wholesale funding for the group was about 3.1x as of end-March 2026. Additionally, the group carries out regular stress tests to ensure solvency during severe market disruptions and has contingency planning.

In our view, SC PLC has improved broad comparability with higher-rated GSIB peers in terms of profitability, franchise, and balance sheet strength. We also see strengthening comparability with some domestic systemically important banks in its key markets such as some banks in Singapore and The Hongkong and Shanghai Banking Corp. Ltd. in Hong Kong in terms of profitability. An upgrade would mark a return of the group's SACP to the level it last had before 2016, when the group had a strong business position assessment.

The rating outlook on the operating subsidiaries of the group remains stable. This is because the group's two-notch extraordinary additional loss-absorbing capacity (ALAC) support for its 'a+' group credit profile (GCP) would become one notch if we were to raise the group SACP, resulting in the same GCP. We equalize the ratings on the core operating subsidiaries with the GCP, given these entities will continue to benefit from the group's large ALAC buffer.

We believe the ALAC buffer, which is incremental credit strength for the operating entities in a resolution scenario, does not proportionately provide support benefit when a financial institution's stand-alone creditworthiness strengthens. The maximum uplift from the extraordinary ALAC support is one notch when a financial institution's SACP becomes 'a' or higher.

We estimate the group will have a stable ALAC buffer, which was about 10.0% at end-2025. This was comfortably above the 6.5% threshold for the current two-notch rating ALAC uplift.

As the group's ultimate nonoperating holding company, we do not include ALAC notching in the ratings on SC PLC because we do not believe the company's senior obligations would necessarily receive full and timely payment in a resolution scenario. As a result, we base our ratings on SC PLC on the group SACP of 'a-'. The issuer credit rating on the holding company is one notch below the group SACP, reflecting the holding company's structural subordination to its major operating subsidiary bank.

Outlook

The positive outlook on the long-term rating on SC PLC reflects our view that the group's broad international network, transition to a lower-risk operating model, and strategic execution will translate into improving profitability over the next two years. At the same time, we expect the group to maintain adequate risk management, a stable deposit base, and strong liquidity buffer over the next two years. We now see at least a one-in-three possibility of an upward revision in our assessment of the group's SACP over the next 12-24 months.

Downside scenario

We could revise the outlook back to stable if the group's ability to deliver stronger and more consistent performances weakens. This could happen due to a significant escalation of geopolitical or economic risks or shortcomings in the group's risk management that materially undermine profitability potentially through reduced revenue and higher credit losses.

Upside scenario

We could raise the ratings if SC PLC consistently executes its strategic goals and maintains its ability to manage geopolitical risks. Signs of this could include the group maintaining profitability improvements over the next 12-24 months. In our view, these factors will enhance the comparability of the group's credit strength with higher-rated global GSIB peers.

Standard Chartered Bank

The stable outlook on the long-term rating on SCB reflects our view that the group's financial performance will not materially deteriorate, with its ALAC above 6.5% over the next two years. We do not expect the ALAC-supported GCP to change despite our positive outlook on SC PLC, given the benefit from the ALAC notching does not scale proportionately when the group's SACP strengthens.

Downside scenario

Downside is highly unlikely over the next two years. We could lower the ratings on SCB if the group's financial performance deteriorates materially. This could occur if its asset quality worsens significantly compared with other geographically diversified GSIB peers and its profitability declines sharply and remains weak for an extended period.

Upside scenario

An upgrade of SCB is highly unlikely over the next two years. It could happen when we raise the group's SACP by at least two notches.

Rating Component Scores

Rating Component Scores

Standard Chartered PLC issuer credit rating	BBB+/Positive/A-2
Standard Chartered Bank issuer credit rating	A+/Stable/A-1
SACP	a-
Anchor	bbb+
Business position	Adequate (0)
Capital and earnings	Adequate (0)
Risk position	Adequate (0)
Funding and liquidity	Strong and Strong (1+)
Comparable ratings analysis	0
Support	+2
ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0
SACP--Stand-alone credit profile. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.	

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, May 5, 2026
- General Criteria: Hybrid Capital: Methodology And Assumptions, Oct. 13, 2025
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Standard Chartered's Robust Noninterest Income Supports Higher Profitability, Feb. 25, 2026
- U.K. Banking Outlook 2026: Another Solid Year Ahead, Jan. 6, 2026
- Standard Chartered PLC; (Holding Co.); Standard Chartered Bank (Lead Bank), Aug. 26, 2025

Ratings List

Ratings List		
Ratings Affirmed; Outlook Action		
	To	**From**
Standard Chartered PLC		
Issuer Credit Rating	BBB+/Positive/A-2	BBB+/Stable/A-2
Ratings Affirmed		
Standard Chartered Bank		
Standard Chartered Bank AG		
Issuer Credit Rating	A+/Stable/A-1	
Resolution Counterparty Rating	AA-/--/A-1+	
Standard Chartered PLC		
Senior Unsecured	BBB+	
Junior Subordinated	BB+	
Preference Stock	BBB-	
Standard Chartered Bank		
Standard Chartered Bank (Australia Branch)		
Standard Chartered Bank (New York Branch)		
Senior Unsecured	A+	
Standard Chartered Bank		
Standard Chartered Bank (DIFC Branch)		
Certificate Of Deposit	A-1	
Certificate Of Deposit	A+	
Standard Chartered Bank		
Standard Chartered Bank AG		
Commercial Paper	A-1	
Standard Chartered PLC		
Standard Chartered Bank		
Subordinated	BBB	