

Standard Chartered PLC; (Holding Co.); Standard Chartered Bank (Lead Bank)

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Table Of Contents

Ratings Score Snapshot

Credit Highlights

Outlook

Key Metrics

Anchor: Based On Weighted Average Of Jurisdictions Of Operation

Business Position: Solid Presence In Asia, Middle East, And Africa

Capital And Earnings: Capital Buffer To Remain Adequate Despite High Shareholder Distribution Plans

Risk Position: Adequate Underwriting And Controlled Risk Appetite

Funding And Liquidity: Good Management Record Backed By Well-Established Retail Franchises In Key Markets

Support: ALAC Benefits For Most Rated Subsidiaries

Table Of Contents (cont.)

Environmental, Social, And Governance

Group Structure, Rated Subsidiaries, And Hybrids

Resolution Counterparty Ratings (RCRs)

Key Statistics

Related Criteria

Related Research

Standard Chartered PLC; (Holding Co.); Standard Chartered Bank (Lead Bank)

Ratings Score Snapshot

Issuer Credit Rating

BBB+/Stable/A-2

SACP: a-

Support: +2

Additional factors: 0

Anchor	bbb+	
Business position	Adequate	0
Capital and earnings	Adequate	0
Risk position	Adequate	0
Funding	Strong	+1
Liquidity	Strong	
CRA adjustment		0

ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
A+/Stable/A-1
Resolution counterparty rating
AA-/A-1+
Holding company ICR
BBB+/Stable/A-2

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

The holding company issuer credit rating (ICR) shown applies to Standard Chartered PLC. The issuer credit rating and resolution counterparty rating shown applies to Standard Chartered Bank and its core operating subsidiary, Standard Chartered Bank AG.

Credit Highlights

Overview

Key strengths

Strong funding and liquidity profile.

Established franchise in Asia, Africa, and the Middle East, with strong international links.

Adequate risk management cushions downside risks.

Key risks

Presence in emerging markets increases complexity of operations and can lead to greater volatility in earnings.

Strains in the commercial real estate sector particularly in Hong Kong and mainland China, despite some policy support.

Standard Chartered group's adequate risk management will cushion strains in asset quality. This is as we expect economic growth in Asia-Pacific, to be impeded by slower global demand and a likely increase in U.S. tariffs, especially on China. In our view, ongoing challenges in Hong Kong and mainland China's commercial real estate (CRE) sector should remain manageable for the group. This is mainly because such exposures are small and backed by adequate levels of provisioning or collateral. Over the past two to three years, the group has conducted multiple stress tests on its CRE portfolio to identify weaknesses and implement corrective measures. As of end-September 2024, the group's

mainland China CRE exposure accounted for only about 0.7% of the gross customer loans, while Hong Kong CRE was at 0.8%.

The group's profitability to decline slightly in 2025 and remain flattish in 2026 mainly due to restructuring expenses and decline in net interest margins. We expect Standard Chartered group's return on average assets (ROAA) to dip slightly to about 0.45% in 2025 and 2026, following a modest improvement to about 0.52% in 2024 from 0.42% in 2023. The main driver would be the bulk of restructuring expenses related to its cost-saving initiative called "fit for growth" being realized in 2025, with a meaningful residual impact extending into 2026. Additionally, we expect the net interest margin (NIM) to decline by 10 basis points (bps) in 2025 and another 5 bps in 2026, as interest rates in the group's key markets such as Hong Kong, Singapore, Korea, and Taiwan decline during this period. Furthermore, credit costs will likely be stable at about 30 bps of gross customer loans.

We expect Standard Chartered group to maintain solid capitalization amid moderate loan growth outlook and sizable additional Tier-1 (AT1) net new issuance of about US\$ 1.6 billion in 2024. This is despite significant shareholder friendly measures in the coming two years. In October 2024, the group increased its commitment for cumulative shareholder distributions (share buybacks and dividends) to at least US\$8 billion from 2024 to 2026, including the US\$2.5 billion distributions already announced in 2024. This compares with the group's prior target of US\$5 billion.

We expect broadly stable additional loss-absorbing capacity (ALAC) over the next two years. The group's ALAC buffer is likely to stay well above the 6.5% threshold for a two-notch ratings uplift for Standard Chartered Bank (SCB, the U.K.-based lead bank of the group) over the next one to two years.

Outlook

The stable outlook on Standard Chartered PLC (SC PLC, the holding company of the Standard Chartered group) mainly reflects our view that the group will maintain its adequate risk management in the coming two years.

We expect Standard Chartered group to maintain asset quality and credit losses that are broadly comparable with its global systemically important bank (G-SIB) peers'. The group has made steady progress in cleaning up its balance sheet and strengthening its risk management since 2015. Its performance has been resilient through difficult operating conditions, absorbing effects from the pandemic, an economic growth slowdown in key markets, and previously low interest rates.

We expect the Standard Chartered group to maintain its strong and stable deposit base, which benefits from the flight to quality in times of market stress, particularly in Hong Kong and Singapore. We also anticipate the group can maintain its current capitalization and ALAC buffers with moderate loan growth and a measured risk appetite.

Downside scenario

We could lower the group stand-alone credit profile (SACP) and therefore the ratings on SC PLC if:

- The group's business position deteriorates such that its earnings weaken considerably for a prolonged period (e.g. consecutive losses);
- Its asset quality declines significantly relative to that of geographically diverse G-SIB peers;
- The group's funding or liquidity profiles deteriorate, which could happen if fungibility within the group weakens, potentially due to regulatory changes, or if the profiles weaken significantly compared with U.K. peers'; or
- Material nonfinancial risks emerge, such as legal and cyber risks, lead to significant reputational damage or litigation costs and losses.

Upside scenario

We believe an upgrade is unlikely over the next 24 months. That said, we could raise the ratings on SC PLC if the group's earnings or risk-adjusted capital (RAC) ratio materially outperforms our base-case expectations, with no associated shift in risk appetite.

Standard Chartered Bank

The stable outlook on SCB reflects the stable outlook on SC PLC. It also reflects our expectation that the group will maintain its ALAC above 6.5% for the next 24 months.

Downside scenario

We could lower the ratings on SCB if we lower the group SACP or if we expect the group's ALAC to fall below our 6.5% threshold.

Upside scenario

We believe an upgrade is highly unlikely over the next 24 months.

Key Metrics

Standard Chartered PLC--Key ratios and forecasts					
	--Fiscal year ended Dec. 31--				
(%)	2022a	2023a	2024f	2025f	2026f
Growth in operating revenue	12.4	8.4	10.0-12.0	1.0-3.0	1.5-3.5
Growth in customer loans	(4.9)	(4.6)	2.0-3.0	2.0-3.0	3.0-4.0
Growth in total assets	(1.0)	0.4	3.0-4.0	3.0-4.0	4.0-5.0
Net interest income/average earning assets (NIM)	1.2	1.2	1.10-1.20	1.00-1.10	0.90-1.05
Cost-to-income ratio	66.8	65.1	61.0-63.0	62.0-64.0	62.0-63.0
Return on average common equity	6.7	8.0	9.0-10.0	8.0-9.0	8.0-9.0
Return on assets	0.4	0.4	0.45-0.55	0.40-0.50	0.40-0.50
New loan loss provisions/average customer loans	0.3	0.2	0.25-0.30	0.25-0.30	0.25-0.30
Gross nonperforming assets/customer loans	2.9	2.8	2.4-2.6	2.3-2.5	2.2-2.4
Net charge-offs/average customer loans	0.2	0.3	0.25-0.30	0.25-0.30	0.25-0.30
Risk-adjusted capital ratio	8.9	8.9	9.0-9.5	9.0-9.5	9.0-9.5

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

Anchor: Based On Weighted Average Of Jurisdictions Of Operation

The 'bbb+' anchor draws on our Banking Industry Country Risk Assessment (BICRA) methodology and our view of the weighted-average economic risk in the jurisdictions in which SC PLC operates.

Rather than metrics such as exposure at default, we view SC PLC's loan portfolio as the best proxy for its geographic exposure since SC PLC is primarily a lending institution. The split for our anchor calculation is 65% in Hong Kong SAR, Singapore, Korea, Taiwan, and the U.S. (with a low economic risk scores of '3'), 10% in U.K. (economic risk score of '4') and the rest is mainly mainland China, India, the United Arab Emirates, and various countries in the Middle East and Africa (with economic risk scores of '5' or higher). The resulting weighted-average economic risk score is close to '4' on a scale of 1-10 (where '1' is the lowest risk).

Our industry risk assessment is based solely on the U.K., where SC PLC and SCB are domiciled. That is the jurisdiction responsible for the regulation of the consolidated group.

We see a stable industry risk trend for U.K. banks. The U.K. banking system benefits from a well-developed regulatory framework. The BoE and government measures throughout the pandemic era speak to the U.K.'s well-developed regulatory framework. As rates peaked, costs remained under control and impairments were subdued in the U.K., so banks' earnings were strong in the past 18 months. In 2024, elevated rates will support earnings, even as deposits migrate to interest-bearing products as depositors look to lock in higher rates. We expect costs to be stable, as investment continues at pace and service and wage inflation strain operating costs, and impairments look set to normalize steadily, but affordably, through the year. U.K. banks' funding and liquidity positions are also stable, and rated banks have relatively limited wholesale funding needs for the rest of 2024.

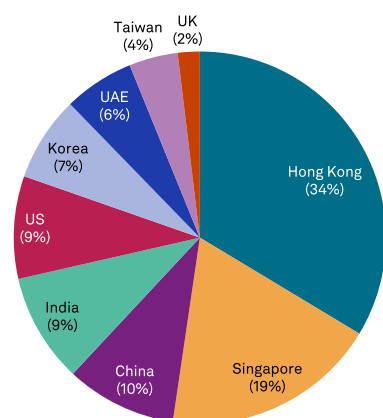
Business Position: Solid Presence In Asia, Middle East, And Africa

We expect the Standard Chartered group to maintain an adequate business position relative to that of peers with a comparable geographical outreach and industry dynamics. The group is present in 52 markets across six continents, mainly covering business lines of Corporate and Investment Banking (CIB); and Wealth and Retail Banking (WRB). Standard Chartered group has a solid presence in Asia and the Middle East, and is among the few international bank groups that has a fairly good presence in Africa, alongside Citibank and Societe Generale.

The Standard Chartered group continues to streamline its focus on its core capabilities and deploying its capital toward high returning business segments. In October 2024, it initiated the divestment of the personal loans business in India to focus on its affluent wealth and CIB businesses. This follows a series of similar actions in 2023, exiting several subsidiaries in Africa and investing in Saudi Arabia and Egypt.

Chart 1

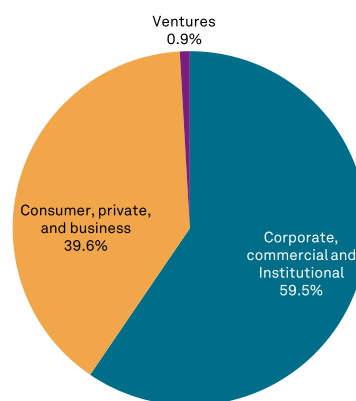
SC PLC's operating income is mostly from Asia....
For the first nine months of 2024



Sources: Underlying operating income and Company accounts.
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Chart 2

...And well-balanced between corporates and households
For the first nine months of 2024



Source: Excludes 'Central and other items'; Underlying operating income and Company accounts.
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We expect the Standard Chartered group to maintain its competitive advantage in providing trade finance and cross-border cash management services to corporate clients, especially in Asia. The group is designated as a G-SIB, requiring it to maintain 1% additional regulatory capital buffer.

The Standard Chartered group has a longstanding franchise and global network that provides it with a solid customer deposit base. The group's earnings are well diversified across geographies and segments, with strong contributions mainly from Asia and across corporate, institutional, and retail banking. Standard Chartered group also has a good blend of interest income and noninterest income, over the past several years. The group has strong transaction banking and financial markets income generated mainly from customers trading in fixed-income and foreign exchange products and fees and commissions from wealth management, bancassurance and other lending solutions.

That said, these strengths are partly offset by a weak profitability record compared with global peers, and the fact that the group is not dominant in major markets. We compare Standard Chartered group with other geographically diverse G-SIBS, including HSBC (group SACP is 'a'), Barclays PLC ('a-'), Bank of America Corp. ('a'), Citigroup Inc. ('a-'), BNP Paribas SA ('a'), ING Groep N.V. ('a'), Banco Santander ('a'), Societe Generale ('bbb+'), Sumitomo Mitsui Financial Group Inc. ('a'), UBS Group AG ('a'), and Unicredit SpA ('bbb+').

All these groups have highly diversified operations, well established franchises, and recurring revenue lines, similar with Standard Chartered. Of this peer group, only Societe Generale and Standard Chartered have an adequate business position; the rest have a strong or very strong assessments. Societe Generale and Standard Chartered group's relatively weak business profile is mainly due to their weaker financial-performance record.

Among the U.K. peers, Standard Chartered group is well diversified geographically, along with HSBC and Barclays. However, HSBC has a better business position, mainly because of its stronger diversification and record of higher profitability. Barclays' business position reflects its diversified franchise, and its solid record of strategic execution and stable earnings.

The Standard Chartered group's profitability is low relative to its G-SIB peers, although it has been improving in recent few years. One of the primary reasons for this has been the group's high-cost base. The group targets to save costs of US\$1.5 billion to keep its operating expenses below US\$12 billion in 2026 on a sustainable basis via its "fit for growth" program. We believe this will improve its profitability. Meanwhile, the group is targeting a sustainable underlying return on tangible equity (ROTE) of about 13% by 2026. As of September 2024, the group was able to achieve an annualized ROTE of about 12.9%.

Capital And Earnings: Capital Buffer To Remain Adequate Despite High Shareholder Distribution Plans

We expect Standard Chartered group's capitalization to remain healthy underpinned by controlled loan growth and broadly steady internal capital generation. This will likely provide a cushion to withstand risks arising from moderating economic growth outlook in key markets such as Hong Kong, Singapore, mainland China and Korea. This is mainly considering sluggish property markets in Hong Kong and mainland China, slower global demand and the likely increase in U.S. tariffs, especially on China, following the impending change in the U.S. administration.

We expect the group's profitability to decline slightly in 2025 and remain flattish in 2026 mainly due to restructuring expenses and decline in net interest margins. This should follow a modest improvement in 2024 compared with 2023. We expect the group's ROAA to be at about 0.45% in 2025 and 2026 compared with about 0.52% in 2024 and 0.42% in 2023.

In our view, the group's moderate loan growth, focus on asset-light business such as wealth management, adequate risk management and improving cost efficiency should support its shareholder distribution plans. This is despite relatively low profitability when compared to peers. The group plans to distribute at least US\$8 billion to shareholders over 2024-2026, including the US\$2.5 billion share buybacks announced earlier in 2024. In 2022 and 2023, the group's cumulative shareholder distribution was close to US\$5.5 billion.

We project the Standard Chartered group's RAC ratio will be 9.0%-9.5% over the coming two years, compared with around 8.9% at Dec. 31, 2023.

Our RAC forecast for the next two years is mainly based on the following considerations:

- We expect NIM to decline by about 10 bps in 2025. This reflects our anticipation that the interest rates in the group's key markets such as Hong Kong, Singapore, Korea, and Taiwan will decline more visibly in 2025. In 2024, we expect NIM to decline by about 15 bps compared with 2023. A key driver for this is the significant increase in funding costs related to the trading book, which we recognize as interest expense for our calculation of the group's NIM. That said, we estimate the impact on overall operating revenue and earnings is largely mitigated by gains from the trading book recognized as non interest income.
- Loan growth to be at low-mid single digit percentages over the next two years reflecting moderating economic growth outlook, particularly in key markets such as Hong Kong, Singapore, mainland China and Korea.
- Cost efficiency to improve modestly through "fit for growth" initiatives such as simplifying organization structure, process standardization, use of technology to increase automation and digitization. This is despite inflationary pressures and investments in digital infrastructure. The group will incur the bulk of the US\$1.5 billion restructuring costs, related to simplifying processes and digitizing services and platforms in 2025, with a meaningful residual impact in 2026.
- No material impact from the impairment of the group's investment in China Bohai Bank (BBB-/Stable/A-3) factored over the forecasted period. The group recognized impairment loss of US\$850 million in 2023 and US\$ 308 million in 2022 on its investment in China Bohai.
- Credit costs to be broadly stable at about 25 bps-30 bps of gross customer loans over the forecast horizon. This is broadly in line with the group's guidance.
- Quality of capital to remain broadly stable with adjusted common equity at about 85% of our total adjusted capital (TAC). In our view, the group's plan to raise the TAC-eligible regulatory Tier-1 capital should not materially alter the quality of capital.
- Besides the AT1 capital of about US\$ 1.6 billion issued in 2024 which we include in our calculation of total adjusted capital (TAC), we forecast no significant net change in the bank's AT1 capital instruments in 2025 and 2026.
- Shareholder distributions in the form of dividend payouts or buybacks over the next two years are likely to be at about 60%-70% of annual net income. The Standard Chartered group has guided that it will continue to manage its CET1 ratio at 13%-14%. At the end of September 2024, the ratio was broadly stable at 14.2% fully factoring in the US\$1.5 billion share buyback announced in July 2024, compared with about 14.1% at end-December 2023.

Standard Chartered group's operating income for the first nine months of 2024 was strong on year-over-year basis. It was buoyed by solid momentum in the wealth management segment. Resilient transaction banking and strong financial markets income generated mainly from customers trading in fixed-income and foreign-exchange products also lifted returns. For the nine months of 2024, group's operating income increased by about 8% versus the same period a year ago. Meanwhile, during the same period, net income was up by about 39% year-over-year.

Risk Position: Adequate Underwriting And Controlled Risk Appetite

In our view, the Standard Chartered group management will maintain cautious business growth plans and will not materially relax its risk appetite.

The group has shown resilience during the recent periods of stress related to a slowdown in economic growth in major markets, the COVID pandemic, sovereign downgrades in Pakistan, Sri Lanka, Zambia, and Ghana, and strains in the Hong Kong and mainland China property sector. This was mainly thanks to de-risking of the portfolio, maintaining adequate underwriting, and a greater emphasis on risk-adjusted returns than on asset-volume-driven returns. This shift in emphasis start in 2015 when the group underwent significant restructuring after posting a sharp loss.

The group's corporate portfolio remains diversified across industries, products, geographies, and single names. The commodity-related portfolio has also undergone significant de-risking since 2015, with an increased proportion of investment-grade exposure and shorter maturities, and more focus on large, quality clients. The risk profile of the retail portfolio is also stable. Mortgages account for majority of the loans, with an average loan-to-value ratio of less than 50%.

The group's stage-three loans as a percentage of gross loans and advances moderately improved to about 2.2% at June 30, 2024, compared with about 2.5% at end-December 2023.

Standard Chartered group's credit impairment remains low at US\$427 million, with an annualized loan-loss rate of about 0.21% for the first nine months of 2024. The losses mainly stemmed from the exposure in the WRB portfolio. Loan losses from the CIB book remain low, mainly including management overlays of about US\$34 million on Hong Kong CRE and about US\$24 million related to the sovereign rating downgrade in Bangladesh. Meanwhile, the group recognized releases in management overlays primarily from the sovereign portfolio, and also from mainland China CRE exposure mainly due to repayments.

Amid sluggish property markets in mainland China and Hong Kong, the group has been lowering its exposure to such markets and building up provisions. Standard Chartered group's CRE strategy has been mainly to focus on top-tier Hong Kong and mainland Chinese developers. Overall exposure to global CRE remained low at about 5% (Hong Kong: 0.8%, mainland China: 0.7% of gross customer loans as of end-September 2024).

The group's efforts to tighten risk control on its CRE portfolio, and the Hong Kong and mainland Chinese governments' policy measures to support their respective property markets, will likely help alleviate pressure on asset quality and credit losses.

Standard Chartered group's potential credit losses from Hong Kong CRE loans will likely remain contained. This considers that about 86% of the group's Hong Kong CRE book is secured, backed by healthy average loan-to-value at below 40% as of end-August 2024. This should provide the portfolio with adequate buffers against a deterioration in collateral value amid ongoing declines in prices and rental yields. We also expect cash flow pressures on Hong Kong CRE developers to gradually ease as interest rates start to decline more visibly in 2025.

Our expectation on credit losses from mainland China CRE remains limited. The mainland China CRE loan book

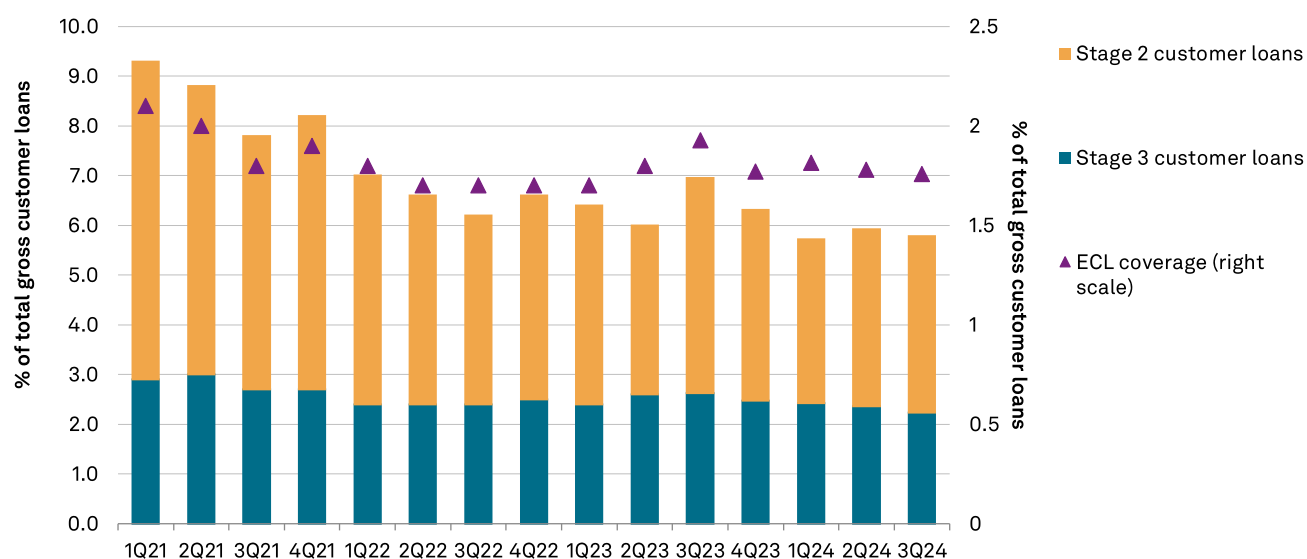
continues to be downsized, aided by writedowns, repayments, and maturities. As of end September 2024, about 70% of the book was classified as credit impaired with a coverage of about 92% including provisions and collateral.

Our assessment of the Standard Chartered group's risk position is similar to that of Citigroup and BNP Paribas, and better than that of Barclays and UBS. The latter two banks have a relatively volatile revenue base, given their various investment banking activities. The Standard Chartered group has a relatively low proportion of investment banking revenue and has stable retail franchises in several key markets.

Chart 3

Standard Chartered Group has resilient asset quality despite tough conditions

Quarterly trends in higher risk loans and ECL balances



ECL-Expected credit loss. Source: Company accounts.

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Funding And Liquidity: Good Management Record Backed By Well-Established Retail Franchises In Key Markets

We expect the Standard Chartered group's funding and liquidity profile to remain robust over the next 12-24 months. We compare the group's funding profile with that of other U.K. banking groups, and its liquidity profile with that of banks globally.

The group's key funding and liquidity metrics are one of the strongest among banks with a global reach, thanks to a well-established retail banking franchise in key markets of Hong Kong and Singapore. As loans grew at a slower pace than the deposits the ratio of customer loans to customer deposits further improved slightly to about 52.7% as of end-September 2024 from about 53.3% at end-December 2023. The ratio is similar to HSBC's and better than

Barclays'.

Among banks in the U.K., the Standard Chartered group has one of the strongest stable funding ratios (at consistently above 120% since 2010). We believe regulators will continue to allow a fair degree of fungibility among entities within the group.

The Standard Chartered group continues to have strong liquidity, in our view. We expect the group to survive stressful conditions. This is given its deposit franchise in developed Asian markets, including Hong Kong, where its subsidiary is one of the three note-issuing banks. The group benefits from depositors' flight to quality in times of market stress, especially in Hong Kong and Singapore. This was apparent in March 2020 when a liquidity crunch hit the market.

Additionally, the Standard Chartered group has comprehensive contingency plans for adverse conditions. Its liquid assets have been consistently more than double its short-term wholesale funding needs. Our ratio of broad liquid assets to short-term wholesale funding for the group stood at about 2.7x at end-September 2024, slightly lower than at end-December 2023, when that ratio was about 3.1x.

The group maintains sufficient buffers in terms of regulatory Basel III liquidity coverage ratio (LCR). Its regulatory Basel III LCR was at about 164% at end-June 2023, even during heightened global financial market volatility due to U.S. regional bank failures and stress related to Credit Suisse. The group's LCR normalized to about 143% at end-September 2024 and 145% at end-December 2023. LCR is the amount of high-quality liquid assets sufficient to meet stressed cash outflow over a 30-day period.

Support: ALAC Benefits For Most Rated Subsidiaries

The long-term issuer credit ratings on Standard Chartered's operating entities incorporate two notches of uplift for ALAC except for Standard Chartered Bank Nigeria Ltd. (SCB Nigeria).

We project the ALAC will remain above our 6.5% threshold for a two-notch uplift (this ratio was at about 10% at Dec. 31, 2023). The group holds healthy bail-in buffers and has met the minimum requirement for own funds and eligible liabilities (MREL). Its reported MREL ratio was 34.9% of regulatory RWA as of end-June 2024, compared with the minimum requirement of 28.3%.

We raised the threshold for second notch of ALAC uplift by 50 bps to 6.5% because Standard Chartered group operates through multiple regulated legal entities worldwide, and this may constrain the flexible deployment of ALAC in a stress scenario.

With the group credit profile at 'a+', the benefit of the group's ALAC accrues to Standard Chartered Bank (Hong Kong) Ltd. (SCBHK) and its subsidiaries namely Standard Chartered Bank (China) Ltd. (SCBC), Standard Chartered Bank Korea Ltd. (SCBK), and Standard Chartered Bank (Taiwan) Ltd. (SCBT). The benefit also accrues to other core operating entities namely SCB, Standard Chartered Bank AG (SCBAG), and Standard Chartered Bank (Singapore) Ltd. (SCBS).

At the same time, we also consider that SCBHK could benefit from support from the Hong Kong government, in

addition to group support when needed. We assess that support from either source would result in the same one-notch extraordinary support uplift. We view SCBHK as having high systemic importance in Hong Kong, reflecting its significant deposit market share and its role as one of the three note-issuing banks, and a moderately high likelihood of government support.

We assess SCBHK's SACP at 'a', a notch higher than the group SACP, mainly reflecting the bank's stronger credit characteristics such as its well-established market franchise in Hong Kong and strong capitalization relative to its risk profile. The bank has a solid core customer deposit base and a strong liquidity buffer.

Environmental, Social, And Governance

Environmental, social, and governance (ESG) factors have no material influence on our credit rating analysis of Standard Chartered group.

The group targets to achieve net zero carbon emissions in its own operations in 2025 and for its financing from 2050. The group has committed to a 29% reduction in absolute financed emissions for the oil and gas sector by 2030, when calculated from a 2020 baseline. The group has also set an interim 2030 financed emissions targets for the high-emitting sectors.

The Standard Chartered group operates in a complex environment and it is under increased regulatory oversight. This makes ESG factors increasingly important. Failing in areas such as anti-money-laundering, product design, and sales process can lead to adverse financial and reputational consequences.

The Standard Chartered group is exposed to some sectors that could pose environmental and social risks. In addition to country, sector, and single-loan concentration limits, the group has tightened its financing criteria toward certain industries that can have a negative environmental and social impact. It has put forth a list of prohibited activities that it will not finance, including restrictions on child and forced labor, trade in endangered wildlife, and Arctic and tar sands exploration and production.

Conduct risk seems to be less of an issue in recent years after the Standard Chartered group's settlement with the U.K. and U.S. regulators in 2019 relating to sanctions over compliance and financial crime controls. The group has made progress in encouraging better conduct and compliance, including stepping up its anti-money-laundering and anti-bribery training. The U.K. Financial Conduct Authority and U.S. regulators had commented favorably on the group's remediation efforts and improved culture of compliance when the bank resolved its investigations by the agencies in April 2019.

Group Structure, Rated Subsidiaries, And Hybrids

SC PLC is the group's ultimate non-operating holding company. We do not include ALAC notches in the ratings on SC PLC because we do not believe the group's senior obligations would necessarily receive full and timely payment in a resolution scenario. As a result, we base our ratings on SC PLC from the 'a-' group SACP. The issuer credit rating on the holding company is one notch lower than the group SACP, reflecting the holding company's structural

subordination to its major operating subsidiary bank.

SC PLC operates through multiple regulated subsidiaries. The largest operating entity is SCB, which owns most of the other regulated entities. We see SCBS and Germany-based SCB AG as core group members, and our ratings on these subsidiaries are equal to the 'a+' ALAC-supported group credit profile.

We regard SCBHK, the group's hub for Greater China and North Asia, as a core subsidiary, and the ratings on the bank are the same as the group credit profile. We consider SCBC and SCBK to be core subsidiaries of SCBHK and the wider group, and our ratings on these subsidiaries are the same as that on SCBHK and the group credit profile. We see SCBT as a highly strategic group member of SCBHK and the wider group, and hence, our ratings on this subsidiary are one notch below that on SCBHK and the group credit profile.

We view SC Nigeria as a strategically important subsidiary. SC Nigeria is the group's largest subsidiary in Africa and plays an important role in supporting the group's strategy on the continent. Our indicative rating on SC Nigeria incorporates three notches of group support uplift from the 'b-' SACP. However, the sovereign rating on Nigeria caps the bank ratings, nullifying gains from group support.

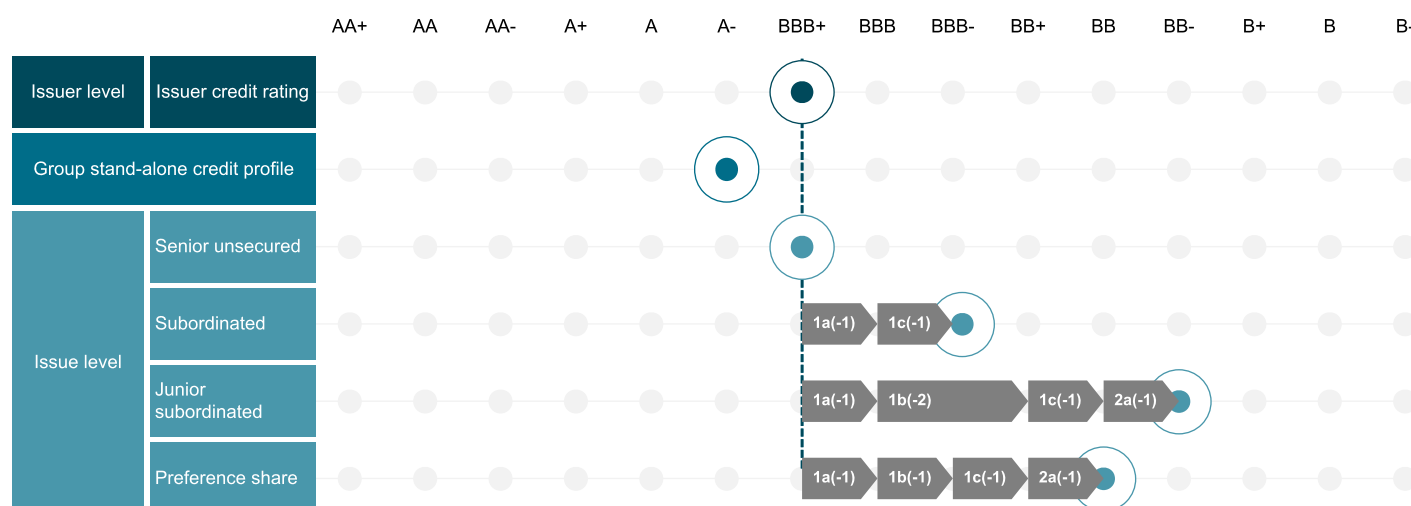
We rate the group's hybrid instruments according to their respective features (see Appendix).

Resolution Counterparty Ratings (RCRs)

We have assigned 'AA-/A-1+' RCRs to Standard Chartered group's rated operating subsidiaries based in the U.K. and the European Union, namely SCB and SCBAG. The long-term RCRs are one notch above the long-term issuer credit ratings on these entities.

An RCR is a forward-looking opinion of the relative default risk of certain senior liabilities that may be protected from default through an effective bail-in resolution process for the issuing financial institutions. RCRs apply to issuers in jurisdictions where we assess the resolution regime to be effective and we consider the issuer likely to be subject to a resolution that entails a bail-in if it reaches nonviability.

Standard Chartered PLC: NOHC notching



Key to notching

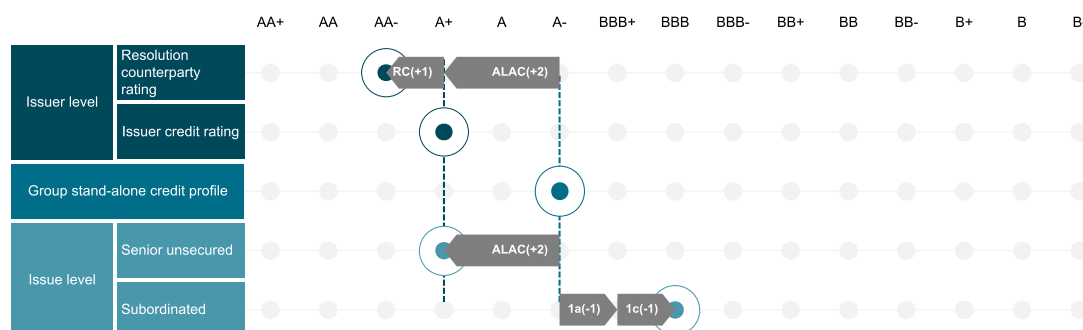
- Issuer credit rating
- Group stand-alone credit profile
- 1a Contractual subordination
- 1b Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital
- 1c Mandatory contingent capital clause or equivalent
- 2a Mandatory going-concern, regulatory capital-based trigger (either statutory or contractual)

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our “Hybrid Capital: Methodology And Assumptions” criteria, published on March 2, 2022.

The nonoperating holding company (NOHC) issuer credit rating and senior unsecured debt ratings are notched from the group stand-alone credit profile (SACP) under our criteria. Since ALAC notching does not benefit NOHCs, for simplicity the diagram above is stylized to show the positioning of these ratings with reference to the group SACP.

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Standard Chartered Bank: Notching



Key to notching

- Issuer credit rating
- Group stand-alone credit profile
- RC Resolution counterparty liabilities (senior secured debt)
- ALAC Additional loss-absorbing capacity buffer
- 1a Contractual subordination
- 1c Mandatory contingent capital clause or equivalent

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our “Hybrid Capital: Methodology And Assumptions” criteria, published on March 2, 2022.

The nonoperating holding company (NOHC) issuer credit rating and senior unsecured debt ratings are notched from the group stand-alone credit profile (SACP) under our criteria. Since ALAC notching does not benefit NOHCs, for simplicity the diagram above is stylized to show the positioning of these ratings with reference to the group SACP.

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Key Statistics

Table 1

Standard Chartered PLC--Key figures						
	--Year ended Dec. 31--					
(Mil. \$)	2024*	2023	2022	2021	2020	2019
Adjusted assets	865,894	816,630	814,053	822,347	783,987	715,108
Customer loans (gross)§	268,998	264,651	277,357	291,576	280,474	270,624
Adjusted common equity	35,753	35,327	35,196	36,094	36,192	37,089
Operating revenues	14,894	17,775	16,399	14,592	14,983	15,644
Noninterest expenses	9,027	11,563	10,949	10,968	10,526	10,829
Core earnings	3,751	3,810	3,059	2,264	1,190	2,374

*Data as of Sep 30, 2024. Customer loans (gross) adjusted for Monetary Authority of Singapore (MAS) placements, which we treat as central bank deposits.

Table 2

Standard Chartered PLC--Business position						
	--Year ended Dec. 31--					
(%)	2024*	2023	2022	2021	2020	2019
Total revenues from business line§ (currency in millions)	14,894	17,276	16,112	14,635	14,994	15,715
Commercial banking/total revenues from business line	18.4	3.5	12.4	18.1	21.5	25.0
Retail banking/total revenues from business line	39.7	41.1	37.3	39.2	37.0	36.6
Commercial & retail banking/total revenues from business line	58.1	44.6	49.7	57.3	58.5	61.6
Trading & sales income/total revenues from business line	18.0	29.5	35.6	33.6	23.6	16.7
Corporate finance/total revenues from business line	0.0	0.0	0.0	0.0	6.8	6.7
Payments & settlements/total revenues from business line	22.9	25.5	15.4	9.6	9.7	12.3
Other revenues/total revenues from business line	1.0	0.3	(0.7)	(0.5)	1.5	2.8
Investment banking/total revenues from business line	18.0	29.5	35.6	33.6	30.3	23.3
Return on average common equity†	10.8	8.0	6.7	5.1	1.5	5.1

*Data as of Sep 30, 2024. §Includes both operating and non-recurring revenues. We estimate investment banking revenue as a sum of: (1) corporate finance; and (2) trading and sales income, for which we reflect total revenue from financial markets. †Annualized for Sep. 2024.

Table 3

Standard Chartered PLC--Capital and earnings						
	--Year ended Dec. 31--					
(%)	2024*	2023	2022	2021	2020	2019
Tier 1 capital ratio	16.8	16.3	16.6	16.6	16.5	16.5
S&P Global Ratings' RAC ratio before diversification	N/A	8.9	8.9	9.0	9.2	9.8
S&P Global Ratings' RAC ratio after diversification	N/A	10.3	10.1	10.2	10.7	11.5
Adjusted common equity/total adjusted capital	83.5	86.5	84.4	85.2	88.9	84.1
Net interest income/operating revenues	31.3	43.7	46.3	46.6	45.7	49.0
Fee income/operating revenues	19.5	18.3	19.0	25.5	21.1	22.5
Market-sensitive income/operating revenues	48.5	34.0	30.9	22.9	28.0	22.4

Table 3

Standard Chartered PLC--Capital and earnings (cont.)						
	--Year ended Dec. 31--					
(%)	2024*	2023	2022	2021	2020	2019
Cost to income ratio	60.6	65.1	66.8	75.2	70.3	69.2
Preprovision operating income/average assets†	0.9	0.8	0.7	0.4	0.6	0.7
Core earnings/average managed assets†	0.6	0.5	0.4	0.3	0.2	0.3

*Data as of Sep. 30, 2024. RAC--Risk-adjusted capital. †Annualized for Sep. 2024. N/A--Not applicable.

Table 4

Standard Chartered PLC--Risk-adjusted capital framework data					
(Mil. US\$)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Government & central banks	237,407	25,796	11	20,254	9
Of which regional governments and local authorities	0	0	0	0	0
Institutions and CCPs	192,224	13,216	7	41,479	22
Corporate	331,332	56,139	17	207,313	63
Retail	130,583	25,792	20	71,267	55
Of which mortgage	81,486	9,178	11	26,380	32
Securitization§	33,922	6,337	0	8,583	25
Other assets†	20,624	12,637	61	27,245	132
Total credit risk	946,092	189,544	14	376,141	40
Credit valuation adjustment					
Total credit valuation adjustment	--	1,879	--	2,443	--
Market Risk					
Equity in the banking book	0	0	0	0	0
Trading book market risk	--	24,867	--	36,240	--
Total market risk	--	24,867	--	36,240	--
Operational risk					
Total operational risk	--	27,861	--	43,462	--
	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings RWA	% of S&P Global Ratings RWA
Diversification adjustments					
RWA before diversification	--	244,151	--	458,285	100
Total diversification/ Concentration adjustments	--	--	--	(59,882)	(13)
RWA after diversification	--	244,151	--	398,403	87
		Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)
Capital ratio					
Capital ratio before adjustments		39,806	16.3	40,839	8.9
Capital ratio after adjustments‡		39,806	16.3	40,839	10.3

Table 4**Standard Chartered PLC--Risk-adjusted capital framework data (cont.)**

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions.

‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets.

RW--Risk weight. RAC--Risk-adjusted capital. CCPs--Central counterparty clearing house. Sources: Company data as of Dec. 31, 2023, S&P Global Ratings.

Table 5**Standard Chartered PLC--Risk position**

	--Year ended Dec. 31--					
(%)	2024*	2023	2022	2021	2020	2019
Growth in customer loans §†	2.2	(4.6)	(4.9)	4.0	3.6	6.4
Total managed assets/adjusted common equity (x)	24.4	23.3	23.3	22.9	21.8	19.4
New loan loss provisions/average customer loans §†	0.2	0.2	0.3	0.1	0.8	0.3
Net charge-offs/average customer loans	N.A.	0.3	0.2	0.3	0.6	0.5
Gross nonperforming assets/customer loans + other real estate owned ‡§	2.4	2.8	2.9	2.9	3.7	2.9
Loan loss reserves/gross nonperforming assets ‡	78.6	70.7	67.8	66.7	64.0	72.6

*Data as of Sep. 30, 2024. ‡Gross nonperforming assets reflect stage 3 loans+ restructured loans from . § Gross loans adjusted for Monetary Authority of Singapore (MAS) placements which we treat as central bank deposits. †Annualized for Sep. 2024. N.A--Not available.

Table 6**Standard Chartered PLC--Funding and liquidity**

	--Year ended Dec. 31--					
(%)	2024*	2023	2022	2021	2020	2019
Core deposits/funding base	72.2	71.4	71.5	70.5	71.4	70.4
Customer loans (net)/customer deposits§	52.7	53.2	57.3	59.1	61.1	64.2
Long-term funding ratio	81.9	83.6	82.8	81.2	82.7	81.5
Stable funding ratio	132.3	148.9	134.9	135.5	135.1	130.0
Short-term wholesale funding/funding base	19.2	17.5	18.3	20.1	18.6	19.9
Broad liquid assets/short-term wholesale funding (x)	2.7	3.1	2.7	2.5	2.7	2.4
Short-term wholesale funding/total wholesale funding	66.7	59.4	62.2	66.1	63.3	64.7

*Data as of Sep. 30, 2024. Customer loans (gross) adjusted for Monetary Authority of Singapore (MAS) placements, which we treat as central bank deposits.

Standard Chartered PLC--Rating component scores

Issuer Credit Rating	A+ /Stable/ A-1
SACP	a-
Anchor	bbb+
Economic risk	4
Industry risk	3
Business position	Adequate
Capital and earnings	Adequate
Risk position	Adequate
Funding	Strong
Liquidity	Strong

Standard Chartered PLC--Rating component scores (cont.)

Issuer Credit Rating	A+ /Stable/A-1
Comparable ratings analysis	0
Support	+2
ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, May 1, 2024
- General Criteria | Hybrid Capital: Methodology And Assumptions, March 02, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, 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

- Economic Outlook Asia-Pacific Q1 2025: U.S. Trade Shift Blurs The Horizon, Nov. 24, 2024
- Asia-Pacific Credit Outlook 2025: Cutting Through The Noise, Nov. 13, 2024
- Banking Industry Country Risk Assessment: United Kingdom, Oct. 23, 2024
- Banking Industry Country Risk Assessment: Hong Kong, Sept. 24, 2024
- Banking Industry Country Risk Assessment: mainland China, Aug. 19, 2024
- Standard Chartered To Maintain Adequate Capitalization Following Solid First Half, July 31 2024
- Banking Industry Country Risk Assessment: Singapore, June 26, 2024
- Standard Chartered Can Manage Property Risks, Amid Steady Performance Outlook In 2024, Feb. 26, 2024

Ratings Detail (As Of December 13, 2024)***Standard Chartered PLC**

Issuer Credit Rating

BBB+/Stable/A-2

Ratings Detail (As Of December 13, 2024)*(cont.)	
Junior Subordinated	BB-
Preference Stock	BB
Senior Unsecured	BBB+
Short-Term Debt	A-2
Subordinated	BBB-
Issuer Credit Ratings History	
31-Mar-2016	BBB+/Stable/A-2
26-Feb-2016	A-/Watch Neg/A-2
20-Nov-2015	A-/Negative/A-2
Sovereign Rating	
United Kingdom	AA/Stable/A-1+
Related Entities	
Standard Chartered Bank	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Certificate Of Deposit	A+/A-1
Commercial Paper	
<i>Foreign Currency</i>	A-1
Senior Unsecured	A+
Subordinated	BBB
Standard Chartered Bank AG	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Commercial Paper	A-1
Standard Chartered Bank (Australia Branch)	
Senior Unsecured	A+
Standard Chartered Bank (China) Ltd.	
Issuer Credit Rating	A+/Stable/A-1
Standard Chartered Bank (Hong Kong) Ltd.	
Issuer Credit Rating	A+/Stable/A-1
Senior Unsecured	A+
Standard Chartered Bank Korea Ltd.	
Issuer Credit Rating	A+/Stable/A-1
Standard Chartered Bank Nigeria Ltd.	
Issuer Credit Rating	B-/Stable/B
Standard Chartered Bank (Singapore) Ltd.	
Issuer Credit Rating	A+/Stable/A-1
Certificate Of Deposit	A+/A-1
Standard Chartered Bank (Taiwan) Ltd.	
Issuer Credit Rating	A/Stable/A-1
<i>Taiwan National Scale</i>	twAA+/Stable/twA-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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