FitchRatings

Banks
Universal Commercial Banks
United Kingdom

Standard Chartered PLC

Key Rating Drivers

Challenging Earnings, Strong Funding: Standard Chartered PLC's ratings are driven by its Viability Rating (VR), which balances strong funding and liquidity, resilient capitalisation, and fairly conservative risk appetite, against its weaker earnings and asset quality relative to most similarly rated peers. Challenges to its business model, management and strategy linked to generating adequate profitability on a sustained basis, particularly in a lower interest rate environment, all contribute to the Negative Outlook.

Operating Environment Risks Subside: Fitch Ratings sees pandemic-related economic risks subsiding across much of Standard Chartered's footprint. This is because economies have been more resilient than we initially expected owing to pandemic-containment measures (particularly in Asia) and effective support measures from the authorities.

Asset Quality Risks Stabilised: The improved economic backdrop, as well as the group's risk appetite and risk-provisioning policies mean pressure has also subsided for Standard Chartered's asset quality. We still expect the impaired loans ratio to increase from 3% at end-1Q21 considering the significant exposure to vulnerable sectors and remaining economic uncertainties, but associated loans impairment charges (LICs) should decline sharply.

Earnings the Main Ratings Weakness: A drop in LICs is likely to support an improvement in operating return on risk weighted assets (RWAs) to a Fitch-estimated 1.2%-1.4% over 2021-2022. Even so, profitability is a rating weakness, and should this persist due to e.g. weaker than-expected revenue or higher provisioning needs, it could have negative rating implications.

Resilient Capitalisation: Capitalisation has been resilient since the onset of the pandemic due to a combination of controlled RWAs expansion, including business disposals, positive profitability and pay-out restrictions. We believe the targeted 13%-14% common equity Tier 1 (CET1) will be adhered to under our baseline expectation of sufficient profit retention and moderate RWAs growth.

Strong Funding and Liquidity: Our funding and liquidity assessment is underpinned by Standard Chartered's deposit-led funding profile, low loans/deposits ratio, strong liquidity, and manageable refinancing needs. The group is mainly funded by deposits, which grew by 8% in 2020 driven by operating account balances in cash management and retail current and savings accounts. The liquidity coverage ratio of 150% at end-1Q21 was strong.

Rating Sensitivities

Sensitive to Earnings Path: The ratings are most sensitive to progress with the group's strategy aimed at improving profitability, and Fitch's assessment of the group's business model and company profile strength linked to this progress. We would likely downgrade the VR if the expected trajectory of operating profitability dropped significantly below 1.2% of RWAs and the prospects of achieving the group's returns targets were disrupted again.

The Outlook could be revised to Stable if our view of the company profile and associated pressures improves, which could happen in conjunction with a better-than-expected earnings trajectory, and once risks to the revenue and LIC guidance subside.

Risk Appetite, Balance Sheet Strength: Our assessment could also be negatively affected by a meaningful increase in the group's risk appetite in response to medium-term pressures on profitability, or if the group's asset quality deteriorated beyond an assumed four-year average impaired loans ratio of 3%-4%. A decline in capitalisation below the 13%-14% targeted range, without a credible plan to restore it, is also a negative sensitivity.

Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1
Local Currency	
Viability Rating	a
Support Rating	5
Support Rating Floor	NF
Sovereign Risk	
Long-Term Foreign-Currency IDR	AA-
Long-Term Local-Currency IDR	AA-
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (February 2020)

Related Research

Fitch Affirms Standard Chartered PLC's 'A' IDR; Negative Outlook (July 2021)

Global Economic Outlook (June 2021)

Large European Banks Quarterly Credit Tracker (June 2021)

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Issuer and Debt Ratings

Issuer and Debt Ratings

Rating level	Standard Chartered PLC	Standard Chartered Bank
Long-Term Foreign-Currency IDR	A	A+
Outlook	Negative	Negative
Short-Term Foreign-Currency IDR	F1	F1
Viability Rating	a	a
Support Rating	5	5
Support Rating Floor	NF	NF
Senior unsecured debt	A/F1	A+/F1
Subordinated/Tier 2 debt	BBB+	BBB+
Upper Tier 2 debt	-	BBB
Additional Tier 1, preference shares	BBB-	-

Source: Fitch Ratings

The ratings of Standard Chartered reflect its consolidated risk profile, which mainly consists of UK-based SCB and Hong Kong-based Standard Chartered Bank (Hong Kong) Limited. We reflect the group's consolidated profile in SCB's ratings as well, as we believe that its risk profile is highly correlated with the group's, reflecting its deep integration.

The Issuer Default Rating (IDR) of SCB is one notch above its and the group's VRs. This is because we believe its senior creditors are protected by internal minimum requirement for own funds and eligible liabilities (MREL) buffers given its role as a material legal entity in the group's resolution planning.

Standard Chartered's VR also considers moderate common equity double leverage (109% at end-2020) at the holding company level.

Senior debt is rated in line with the issuers' respective IDRs.

Subordinated Tier 2 debt is rated two notches below the respective issuers' VRs, which is Fitch's baseline notching for loss severity for this type of debt given our expectations of poor recoveries. Upper Tier 2 debt is rated three notches below SCB's VR, including one notch for non-performance given cumulative coupon deferral features.

Additional Tier 1 (AT1) instruments and preference shares are rated four notches below the VR because we expect that the group will maintain a buffer over capital requirements of at least 100bp of RWAs.

Ratings Navigator

Standard Chartered PLC

ESG Relevance:

Banks Ratings Navigator

	Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Financial Profile: Asset Quality	Financial Profile: Earnings & Profitability	Financial Profile: Capitalisation & Leverage	Funding & Liquidity	Viability Rating	Support Rating Floor	Issuer Default Rating
aaa										aaa	AAA	AAA
aa+										aa+	AA+	AA+
aa										aa	AA	AA
aa-										aa-	AA-	AA-
a+										a+	A+	A+
a										a	A	A Negative
a-										a-	A-	A-
bbb+										bbb+	BBB+	BBB+
bbb										bbb	BBB	BBB
bbb-										bbb-	BBB-	BBB-
bb+										bb+	BB+	BB+
bb										bb	BB	BB
bb-										bb-	BB-	BB-
b+										b+	B+	B+
b										b	B	B
b-										b-	B-	B-
ccc+										ccc+	CCC+	CCC+
ccc										ccc	CCC	CCC
ccc-										ccc-	CCC-	CCC-
cc										cc	CC	CC
c										c	C	C
f										f	NF	D or RD

In the grid, the Viability Rating "a", the Issuer Default Rating "A Negative" and the Support Rating Floor "NF" are outlined in red.

The range bars and outlook arrows in the factor columns are graphics and have no text.

Significant Changes

Operating Environment, Asset Quality, Capitalisation Risks Stabilised; Earnings Still Challenged

Fitch sees pandemic-related economic risks subsiding across much of Standard Chartered's footprint, particularly in Hong Kong, China, Singapore, the US and the UK, where economies have been more resilient than we initially expected due to pandemic-containment measures (particularly in Asia) and the effective support measures put in place by authorities. We have therefore revised the outlook on the group's 'a' operating environment to stable, which reflects a blended view on the markets it operates in.

The improved economic backdrop, as well as the group's risk appetite and risk-provisioning policies mean that pressure has also subsided for Standard Chartered's asset quality, for which we have also revised the outlook to stable.

Capitalisation has been resilient since the onset of the pandemic and we have revised the outlook on this factor to stable because we believe that the targeted 13%-14% CET1 will be adhered to.

Profitability is a weakness for the ratings, and could lead to a downgrade if our assumed profitability recovery and the path to at least 7% return on tangible equity (RoTE) by 2023 and 10% over the medium term are disrupted again by weaker than-expected revenue or higher provisioning needs. This would also have implications for our assessment of company profile, and for management and strategy which at this level are contingent on the business model and strategies having reached a degree of stability.

Bar Chart Legend

Vertical bars – VR range of Rating Factor

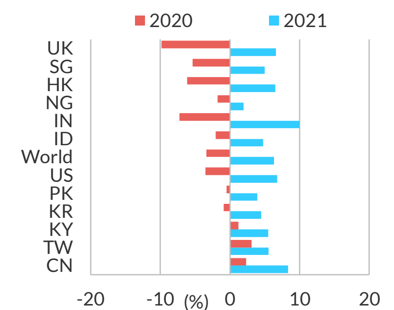
Bar Colors – Influence on final VR

- Higher influence
- Moderate influence
- Lower influence

Bar Arrows – Rating Factor Outlook

- ⇧ Positive
- ⇩ Negative
- ⇳ Evolving
- ▫ Stable

Real GDP Change



Note: sorted by cumulative change in 2020 and 2021; Abu Dhabi shown as proxy for UAE;
Source: Fitch Ratings' GEO and Sovereign Data Comparator (Jun 21)

Brief Company Summary

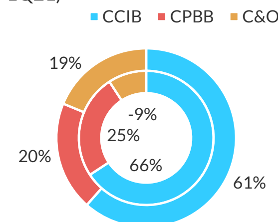
Network is Main Franchise Strength

Extracting value from its network is Standard Chartered' main franchise strength, and is particularly important for the Corporate, Commercial and Institutional Banking (CCIB) business, which is the largest segment, consuming 62% of RWAs and generating nearly 72% of pre-tax income (12 months to 1Q21, excluding the Central & Other loss). CCIB generates the majority of its income from financial markets activities (mainly foreign exchange, rates, credit, commodities, securities services), transaction banking (trade, cash) and corporate finance and lending. Client relationships are managed globally, and its more profitable clients are ones that interact with the bank across products and jurisdictions.

Geographically the Asia division, which encompasses the previous Greater China and North Asia and ASEAN and South Asia divisions, accounts for the bulk of profitability. The regional divisions Europe and Americas typically generate a large amount of network business while Africa and Middle East (AME) adds a global reach which not many peers can replicate.

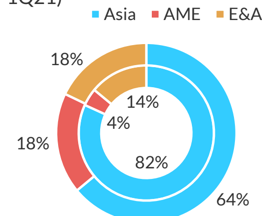
Consumer, Private and Business Banking (CPBB) offers mortgages, unsecured lending products (personal loans, credit cards), wealth management, current and savings accounts, and the business provides the group with a stable and cheap deposit base. In retail banking, Standard Chartered's focus is on wealthier clients (which make up over half of income) although the group maintains an appetite for mass market personal banking in some markets and is exploring ways to increase this segment mainly through digital ventures and partnerships. The group has rolled out digital banks in Africa, which allow it to increase client reach with a smaller physical footprint, launched a digital bank in Hong Kong, and is planning a similar venture in Singapore.

Segment Split - Clients View
(Outer ring: end-1Q21 RWAs; Inner ring: Pre-tax profit in 12 months to end-1Q21)



Note: USD308m loss in C&O not included
Source: Fitch Ratings, SC

Segment Split - Regions
(Outer ring: end-1Q21 RWAs; Inner ring: Pre-tax profit in 12 months to end-1Q21)



Note: C&O not included
Source: Fitch Ratings, SC

Strategic Update Aims to Return Group on Profitability Path

The group's 2021 strategic update aims to offset some of the pandemic-related headwinds on revenue, and is a continuation of the 2019-2021 priorities which mainly aimed to improve the bank's returns after several years of de-risking. In addition to longer-standing strategies to focus on network business in CCIB and affluent clients in retail and wealth, the latest strategy puts additional emphasis on mass-market retail opportunities, on sustainability-linked business, and further growing the financial markets business particularly through expanding originate-to-distribute capabilities.

The group's financial ambitions were moderated and show a protracted and difficult path to the prior 2021 target of over 10% RoTE, which has become unattainable. The group now aims for over 7% RoTE by 2023 and over10% over the medium term. As in the previous plan, the group targets income growth of 5%-7% a year after setbacks in 2020 and 2021, cost control (with costs growing below the rate of inflation, allowing positive jaws) and modest RWAs growth, below the rate of asset growth. Credit losses dented 2020 results but are expected to decline sharply in 2021 in the absence of significant pandemic setbacks.

Some weaker performing markets were restructured with mixed outcome in recent years: the group's presence in South Korea has improved significantly as it has lowered its cost base. UAE, Indonesia and India are still challenged by economic environment developments and weaker business models. However, we would expect that restructuring, exits and restrained risk appetite in recent years have positioned the bank better in these markets for weathering the operating environment challenges.

Key Latest Developments

Risk of Further Asset Quality Deterioration Moderated

Standard Chartered's Stage 3 loans increased to 3.3% at end-2020 and then subsided to 3% at end-1Q21, above 2.7% reported at end-2019. Early alerts came down from the peak but remain significant at around USD10 billion (the peak was about USD14 billion), and will likely result in additional defaults. But the risk of a sharp increase in the Stage 3 ratio has diminished in our view.

LICs rose to USD2.3 billion in 2020 (82bp of average gross loans excluding reverse repos), more than doubling yoy. They included three large fraud-related exposures in the commodity trading and healthcare sectors in 1H20, where the bank and other peers were affected. In 1Q21 the net

LIC charge of 6bp included sharply reduced Stage 3 charges, and modest net releases on performing exposures given some improvements in the economic outlook.

LICs should decline sharply in 2021 with management guiding to the bottom end of a normalised range of 35-40bps. This should be supported by front-loading of LICs in 2020, including through a USD339 million management overlay at end-1Q21, related to risks in the non-purely precautionary early alerts portfolio and to the expiry of government relief measures. We still see some risk to this guidance from high-risk assets or should pandemic containment falter in the group's markets.

Vulnerable Exposure Mostly in CCIB; Retail Performing Well

Asset quality is weaker in the group's CCIB (with a Stage 3 ratio of 5% at end-1Q21) where about 27% of exposure is to vulnerable sectors (defined broadly) cyclical in nature and affected by the pandemic: aviation, commodity traders, metals and mining, CRE, hotels and tourism and oil & gas. CCIB has also seen the most volatility historically, although risk appetite has been tightened with lower concentrations and better collateral and structuring in recent years

The group's commodity trading business (USD10.3 billion gross loans and advances) has seen two high-profile fraud-related defaults in 2020, which triggered heightened credit losses, and further tightening of risk appetite.

In the aviation book (USD4.3 billion) we expect pressure to continue given gradual and uneven recovery in travel, and particularly on smaller regional airlines less likely to benefit from state support. The group additionally has an airline leasing exposure with a net book value of USD3.9 billion, which is also sensitive to increased airline defaults and a fall in the market value of the aircraft.

In commercial real estate (USD19.2 billion) the group finances a variety of assets. Collateral valuations decreased in 2020, but with a 51% average loan-to-value (LTV) ratio at end-2020 and 4% of loans with an LTV of over 80%, the portfolio remains well collateralised to absorb further declines.

Oil & gas and metals & mining remained more resilient than we had expected at the start of the pandemic, likely benefiting from a recovery in oil prices and surge in metals and materials prices.

Retail exposure mostly consists of mortgages, which are well-performing (0.7% Stage 3 ratio at end-2020). These should have limited loss content because of generally conservative collateralisation, as evidenced by an average LTV of 45% at end-2020, which was stable yoy. Unsecured loans were 14% of total retail loans at end-2020, with a moderate 2.5% Stage 3 ratio. CPBB exposure under Covid-19 relief decreased to a relatively limited USD1.3 billion at end-1Q21 (end-2020: USD2.4 billion), although the value may increase following new lockdowns in countries such as India and across southeast Asia.

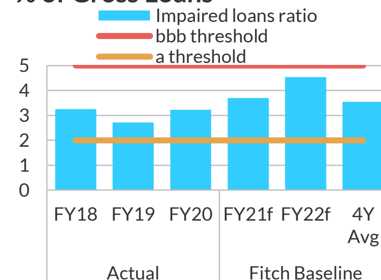
Geographically we continue to see relative strength in SC's exposure in North Asia, where the Hong Kong portfolio has been resilient through prolonged economic disruptions, starting with social unrest in 2019, followed by Covid-19. China recovered earlier from the pandemic, while in South Korea and Taiwan swift containment measures led to more limited economic contraction. Higher-risk markets where the group is present are mainly in South-East Asia and Middle East and Africa. In India the group targets higher credit quality exposure, but nevertheless we expect pressures on Covid-19- affected sectors and on retail exposure. We would also expect disruptions on travel, leisure, manufacturing, construction to pose a risk to markets like UAE, Indonesia and Bangladesh.

Earnings Main Rating Weakness, Slow Improvement Expected

Standard Chartered's relatively modest 0.8% operating return on RWAs (excluding goodwill impairment) for 2020 reflected income and LICs pressure. A modest improvement in profitability is likely in 2021 and 2021, but the path to the targeted 10% RoTE which should have been achieved in 2021 but is now delayed to the 'medium-term' remains challenging, given revenue headwinds and investment needs.

Income decreased yoy by 3% in 2020, excluding debit valuation adjustments (DVA), mainly due to weaker transaction banking, retail products and treasury, which were most affected by lower interest rates. It declined by 3% yoy in 1Q21 as well, with net interest income (NII) pressures

Impaired Loans Ratio
% of Gross Loans



Source: Fitch Ratings

Asset Quality

1Q21, (USDbn)	Gross loans	Stage 3 ratio (%)	Total coverage (%)
Aviation	4.3	5.5	1.7
Commodity traders	10.3	7.8	6.5
Metals & mining	4.3	4.9	3.2
CRE	19.2	2.4	1.2
Hotels/tourism	2.6	5.9	3.9
Oil & Gas	7.4	4.6	3.4
Total vulnerable	**48.2**	**4.6**	**3.1**
Other CIB	97.3	5.1	2.9
Total CIB	**145.5**	**5.0**	**3.0**
CPBB	200.8	0.8	0.6
Total	**346.3**	**2.5**	**1.6**

Source: Fitch Ratings, Standard Chartered

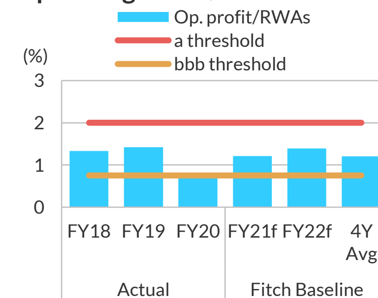
only partly offset by fee and other income growth and another favourable quarter for the financial markets business. The bank targets 5%-7% average revenue growth rate over the medium term. However, prospects for 2021 remain more difficult, and stable yoy revenue is expected with momentum in lending and fee generating wealth management balancing the loss of income due to lower interest rates.

Income growth plans in the bank's 2021 strategic update are built on external macroeconomic and geopolitical trends that should be supportive, such as higher GDP growth, higher wealth creation, mass retail demand expansion, China opening initiatives. The group is also targeting NII through volume growth, a shift towards higher-returning assets (with client optimisation, maturity extension, and more mass-market business) and liquidity optimisation under the new legal structures. Better fee generation is aimed through a focus on wealth management, its digital banks and partnerships, network business, expansion of originate-to-distribute capabilities and sustainable finance business.

The combination of macroeconomic tailwinds and such initiatives should mean that a degree of revenue growth is achievable – in the absence of negative moves in interest rates. There is also considerable NII upside potential should interest rates rise, with a 50bp upward shift potentially adding 2%-3% revenue growth, and accelerating the path to 10% RoTE by about a year.

Operating expenses decreased as targeted in 2020 to USD9.8 billion excluding the UK bank levy, but additional investments and restructuring will likely lead to a small near-term increase. The bank guides to USD10 billion operating costs in 2021, which may increase slightly due to performance-related pay. In the longer-term cost efficiency should be supported by plans to halve the branch network (to about 400), reduce office space (by around one-third with permanent working from home arrangements) and improve automation. Implementing these measures will give rise to restructuring charges (USD 0.5 billion, expected mainly in 2021). Over the medium term expenses are expected to grow at or below the rate of inflation, allowing for positive jaws relative to faster growing revenue.

Operating Profit/RWAs



Source: Fitch Ratings

Strong Capitalisation, Funding and Liquidity

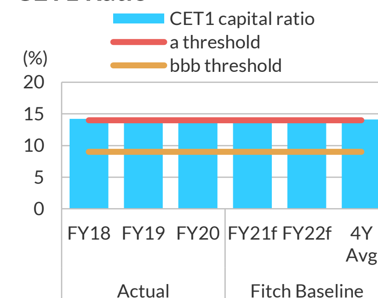
The CET1 ratio reduced by 43bps to 14% in 1Q21, still at the top end of the group's 13% -14% target range. We expect the ratio to be managed within this corridor over the next few years, helped by RWAs optimisation and profit retention despite likely higher distributions. The UK leverage ratio of 5.1% (excluding central bank balances) compares well with local peers and the 3.7% requirement.

The group is mainly funded by deposits, which in turn grew reasonably strongly in 2020 (+8%) driven by operating account balances in cash management and retail current and savings accounts (CASA), while more expensive time deposits decreased. The share of retail and corporate CASA increased to 66% at end-2020 from 58% at end-2019. CASA are a particularly attractive form of funding given their stability and low cost.

Issuance needs for the refinancing of maturities of on average around USD6 billion a year over the next five years are manageable, and below recent issuance levels (USD10 bn in 2020). The group already meets end-state MREL requirements of 25.9% by 2022 (end- 2020: 30.9% MREL position). The issuance strategy is to reshape the MREL stack to get a greater proportion of holding company senior debt, and to further optimise its funding costs.

The liquidity coverage ratio improved to 150% at end-1Q21 from 143% at end-2020.

CET1 Ratio



Source: Fitch Ratings

Summary Financials and Key Ratios

	31 Mar 21	31 Dec 20	31 Dec 19	31 Dec 18
	3 months - 1st quarter	Year end	Year end	Year end
	(USDm)	(USDm)	(USDm)	(USDm)
	Unaudited	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement				
Net interest and dividend income	16.580,0	68.790,0	76.840,0	78.200,0
Net fees and commissions	10.130,0	31.600,0	35.220,0	34.920,0
Other operating income	13.150,0	49.040,0	45.110,0	37.090,0
Total operating income	39.860,0	149.430,0	157.170,0	150.210,0
Operating costs	25.560,0	104.780,0	109.480,0	107.740,0
Pre-impairment operating profit	14.300,0	44.650,0	47.690,0	42.470,0
Loan and other impairment charges	170,0	23.250,0	10.290,0	8.080,0
Operating profit	14.130,0	21.400,0	37.400,0	34.390,0
Other non-operating items (net)	n.a.	-5.270,0	-270,0	-8.910,0
Tax	3.140,0	8.620,0	13.730,0	14.390,0
Net income	10.990,0	7.510,0	23.400,0	11.090,0
Other comprehensive income	-4.550,0	9.130,0	-4.000,0	-8.070,0
Fitch comprehensive income	6.440,0	16.640,0	19.400,0	3.020,0
Summary balance sheet				
Assets				
Gross loans	2.951.000,0	2.853.930,0	2.728.370,0	2.598.340,0
- Of which impaired	87.180,0	92.140,0	73.980,0	84.540,0
Loan loss allowances	62.130,0	66.130,0	57.830,0	64.280,0
Net loans	2.888.870,0	2.787.800,0	2.670.540,0	2.534.060,0
Interbank	480.160,0	469.770,0	522.080,0	575.990,0
Derivatives	598.720,0	694.670,0	472.120,0	456.210,0
Other securities and earning assets	2.685.680,0	3.133.630,0	2.859.890,0	2.602.120,0
Total earning assets	6.653.430,0	7.085.870,0	6.524.630,0	6.168.380,0
Cash and due from banks	722.150,0	667.120,0	527.280,0	575.110,0
Other assets	673.450,0	137.510,0	152.070,0	144.130,0
Total assets	8.049.030,0	7.890.500,0	7.203.980,0	6.887.620,0
Liabilities				
Customer deposits	4.416.840,0	4.482.360,0	4.053.570,0	3.910.130,0
Interbank and other short-term funding	366.280,0	1.030.890,0	1.001.030,0	953.830,0
Other long-term funding	778.970,0	568.180,0	547.530,0	471.710,0
Trading liabilities and derivatives	1.341.330,0	752.870,0	595.840,0	571.860,0
Total funding	6.903.420,0	6.834.300,0	6.197.970,0	5.907.530,0
Other liabilities	622.860,0	547.140,0	491.930,0	469.170,0
Preference shares and hybrid capital	72.510,0	61.890,0	77.540,0	71.950,0
Total equity	450.240,0	447.170,0	436.540,0	438.970,0
Total liabilities and equity	8.049.030,0	7.890.500,0	7.203.980,0	6.887.620,0
Exchange rate	USD1 = USD10	USD1 = USD10	USD1 = USD10	USD1 = USD10

Source: Fitch Ratings, Fitch Solutions, Standard Chartered

Summary Financials and Key Ratios

	31 Mar 21	31 Dec 20	31 Dec 19	31 Dec 18
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	207,0	8,0	142,0	133,0
Net interest income/average earning assets	98,0	106,0	15,0	145,0
Non-interest expense/gross revenue	6.489,0	7.084,0	7.101,0	729,0
Net income/average equity	993,0	171,0	531,0	247,0
Asset quality				
Impaired loans ratio	295,0	323,0	271,0	325,0
Growth in gross loans	34,0	46,0	50,0	213,0
Loan loss allowances/impaired loans	7.127,0	7.177,0	7.817,0	7.604,0
Loan impairment charges/average gross loans	2,0	79,0	32,0	24,0
Capitalisation				
Common equity Tier 1 ratio	140,0	144,0	138,0	142,0
Fully loaded common equity Tier 1 ratio	139,0	143,0	137,0	141,0
Tangible common equity/tangible assets	496,0	502,0	533,0	564,0
Basel leverage ratio	48,0	48,0	50,0	52,0
Net impaired loans/common equity Tier 1	647,0	671,0	442,0	552,0
Funding and liquidity				
Loans/customer deposits	6.681,0	6.367,0	6.731,0	6.645,0
Liquidity coverage ratio	1.500,0	1.430,0	1.440,0	1.540,0
Customer deposits/funding	692,0	7.252,0	700,0	710,0
Net stable funding ratio	n.a.	n.a.	n.a.	n.a.

Source: Fitch Ratings, Fitch Solutions, Standard Chartered

Sovereign Support Assessment

Standard Chartered's and SCB's Support Rating of '5' and Support Rating Floor of 'No Floor' reflect Fitch's opinion that senior creditors cannot rely on extraordinary support from the UK government.

Support Rating Floor			Value
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)			A or A-
Actual country D-SIB SRF			NF
Support Rating Floor:			**NF**
Support Factors	Positive	Neutral	Negative
Sovereign ability to support system			
Size of banking system relative to economy			✓
Size of potential problem	✓		
Structure of banking system			✓
Liability structure of banking system		✓	
Sovereign financial flexibility (for rating level)	✓		
Sovereign propensity to support system			
Resolution legislation with senior debt bail-in			✓
Track record of banking sector support		✓	
Government statements of support			✓
Sovereign propensity to support bank			
Systemic importance			✓
Liability structure of bank			✓
Ownership		✓	
Specifics of bank failure		✓	

Environmental, Social and Governance Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

FitchRatings **Standard Chartered PLC**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Standard Chartered PLC has 5 ESG potential rating drivers

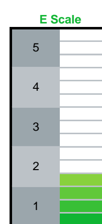
- Standard Chartered PLC has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Management & Strategy; Risk Appetite; Asset Quality

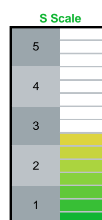
E Scale



Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Company Profile; Management & Strategy; Risk Appetite
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Company Profile; Management & Strategy; Risk Appetite
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Company Profile; Financial Profile

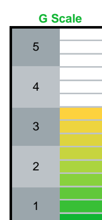
S Scale



Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Operational implementation of strategy	Management & Strategy
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy

G Scale



How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

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