Moody's Investors Service

Rating Action: Moody's takes rating actions on Standard Chartered PLC, Standard Chartered Bank and Standard Chartered Bank (Singapore) Limited following update to banks methodology

13 Jul 2021

Singapore, July 13, 2021 -- Moody's Investors Service (Moody's) has downgraded the senior unsecured debt ratings of Standard Chartered PLC (SCPLC) by one notch to A3, and upgraded the subordinated and junior subordinated debt ratings of Standard Chartered Bank (SCBUK) by one notch to Baa1 and Baa2 respectively. All other ratings and Baseline Credit Assessment (BCA) of these entities have been affirmed. Moody's has also affirmed the A1/P-1 long-term/short-term deposit and issuer rating of Standard Chartered Bank (Singapore) Limited (SCBSL).

The rating actions were driven by revisions to Moody's Advanced Loss Given Failure (Advanced LGF) framework, following the publication of Moody's updated Banks Methodology on 9 July 2021. This methodology is available at this link: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1269625

The outlooks remain stable for the entities affected by today's rating actions, reflecting their stable financial performance on a forward looking basis.

The full list of affected ratings and assessments can be found at the end of this Press Release.

RATINGS RATIONALE

Today's rating actions were driven by revisions to the Advanced LGF framework within Moody's updated banks methodology.

In particular, the rating action on SCPLC reflects Moody's view that group-wide resolutions coordinated in a unified manner will be more common following the requirement to issue internal loss absorbing capital (ILAC), leading to the transfer of losses from subsidiaries to the parent at the point of failure. For SCBUK and SCBSL the rating actions reflect the required and expected issuance of ILAC instruments.

The update further includes the consideration of all Additional Tier 1 (AT1) securities issued by these banks in Moody's Advanced LGF framework, eliminating the previous analytical distinction between those high trigger instruments that were deemed to provide equity-like absorption of losses before the point of failure and other AT1 securities.

RATINGS RATIONALE FOR INDIVIDUAL BANKS

SCPLC: DOWNGRADE OF SENIOR UNSECURED DEBT RATINGS TO A3, AFFIRMATION OF ALL OTHER RATINGS AND BCA

Moody's has downgraded the senior unsecured debt ratings of SCPLC to A3 from A2, with a stable outlook. At the same time, Moody's has affirmed SCPLC's all other ratings and BCA.

The downgrade of the senior unsecured debt ratings reflects Moody's expectation that SCPLC will be resolved in a unified manner alongside its material subsidiaries. The rating agency assesses that issuance of ILAC by its material subsidiaries to SCPLC will result in the effective transfer of losses in a resolution to SCPLC, which is designated as the single point of entry in the group's resolution plans. The inclusion of the Tangible Banking Assets of the material subsidiaries within the Advanced LGF analysis results in a reduced one notch of uplift from its BCA, reflecting the greater volume of losses the bank's liabilities will be expected to absorb following a failure.

SCPLC's improving asset quality and strong liquidity profile have driven the affirmation of its baa1 BCA, even though the removal of equity credit for high trigger AT1 instruments from the group's going concern capital means that the group has a reduced capacity to absorb unexpected losses before the point of failure.

SCPLC's subordinated and junior subordinated debt ratings have been affirmed in line with the affirmation of its
BCA.

SCBUK: UPGRADE OF SUBORDINATED AND JUNIOR SUBORDINATED DEBT RATINGS, AFFIRMATION OF ALL OTHER RATINGS AND BCA

Moody's has upgraded the subordinated and junior subordinated debt ratings of SCBUK to Baa1 and Baa2 respectively, from Baa2 and Baa3. At the same time, it has affirmed SCBUK's all other ratings, BCA and adjusted BCA.

SCBUK's subordinated and junior subordinated debt ratings were upgraded by one notch. The subordinated debt is at the same level and the junior subordinated debt is one notch lower compared to its adjusted BCA, which better captures their risk characteristics following the agency's revised view around the distribution of losses post failure. Specifically, these ratings have benefited from the adjustment of Advanced LGF notching guidance table thresholds at lower levels of subordination and volume in the liability structure.

SCBUK's improving asset quality and strong liquidity have driven the affirmation of its BCA and adjusted BCA, even though the removal of equity credit for high trigger AT1 instruments from the bank's going concern capital means that the bank has a reduced capacity to absorb unexpected losses before the point of failure.

SCBUK's senior unsecured debt rating, counterparty risk rating and counterparty risk assessment have been affirmed in line with the affirmation of its BCA and adjusted BCA.

SCBSL: AFFIRMATION OF DEPOSIT AND ISSUER RATINGS

Moody's has affirmed the A1/P-1 long-term/short-term deposit and issuer ratings of SCBSL, as well as its Counterparty Risk Ratings (CRR) and Counterparty Risk Assessments (CRA).

The affirmation of SCBSL ratings reflects the bank's strong solvency and liquidity, current and upcoming ILAC buffer, and high probability of support from the Government of Singapore (Aaa stable). While Moody's is now applying its Advanced LGF framework for SCBSL, this new approach did not result in changes in deposit and issuer ratings, CRR and CRA of SCBSL because (1) ILAC buffers offer modest protection to the more senior classes of creditors, (2) deposits and senior debt are not subject to bail-in in Singapore, and (3) the probability of government support remains unchanged for SCBSL, resulting in a two-notch rating uplift above the bank's BCA.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

SCPLC

SCPLC's BCA could be upgraded if (a) the bank's profitability were to increase significantly, (b) core equity capital is maintained at current levels, and (c) there continues to be an improvement in the quality of funding.

SCPLC's instrument ratings could be upgraded if its BCA is upgraded.

SCPLC's BCA could be downgraded if the bank's asset quality were to deteriorate materialy. The BCA could also be lowered if the bank's profitability, were to fall to the 2016 levels, without the prospect of a swift recovery.

A downgrade of SCPLC's BCA would likely affect all the ratings assigned to the bank.

The expected volume of junior debt instruments and volume of senior unsecured debt, as a percentage of its tangible banking assets, is just above the level, 10%, at which the senior unsecured debt rating gets a one notch uplift from its BCA. If this ratio falls below 10% for a sustained period because of asset growth exceeding the growth of these liabilities, it will lead to a downgrade of the senior unsecured debt rating.

SCBUK

SCBUK's BCA could be upgraded if the bank's profitability and capital significantly improve from current levels.

Its adjusted BCA could be upgraded if SCPLC's BCA is upgraded. Its instrument ratings could be upgraded if its adjusted BCA is upgraded.

SCBUK's BCA could be downgraded if its asset quality were to significantly deteriorate again. We could also downgrade the BCA if its profitability falls to the 2016 levels, without the prospect of a swift recovery.
A downgrade in SCPLC's BCA would likely lead to a downgrade of SCBUK's adjusted BCA and all its ratings. In addition, we could downgrade SCBUK's bank deposit and senior unsecured ratings if the volume of junior instruments outstanding decreases significantly, reducing the amount of loss protection available to more senior instruments.

SCBSL

SCBSL's deposit and issuer ratings could be upgraded if there is an improvement in the bank's solvency and liquidity metrics.

SCBSL's credit ratings could be downgraded if the bank pursues overly aggressive loan growth, thereby increasing its risk profile, or if the bank's financial ratios deteriorate significantly.

Standard Chartered PLC is a global bank headquartered in London, with total assets of $789.1 billion at 31 December 2020.

Standard Chartered Bank is the principal operating entity of Standard Chartered PLC.

Standard Chartered Bank (Singapore) Limited is headquartered in Singapore, and is 100% owned by Standard Chartered Bank.

PRINCIPAL METHODOLOGY


LIST OF AFFECTED RATINGS AND ASSESSMENTS

..Issuer: Standard Chartered PLC (Lead Analyst: Srikanth Vadlamani)

....Adjusted Baseline Credit Assessment, Affirmed baa1

....Baseline Credit Assessment, Affirmed baa1

....Senior Unsecured Regular Bond/Debenture (Foreign and Local Currency), Downgraded to A3 from A2, outlook stable

....Senior Unsecured Medium-Term Note Program (Foreign Currency), Downgraded to (P)A3 from (P)A2

....Subordinated Regular Bond/Debenture (Foreign and Local Currency), Affirmed Baa2

....Subordinated Medium-Term Note Program (Foreign Currency), Affirmed (P)Baa2

....Junior Subordinated Regular Bond/Debenture (Foreign and Local Currency), Affirmed Baa3

....Pref. Stock Non-cumulative Preferred Stock (Foreign and Local Currency), Affirmed Ba1(hyb)

....Outlook, Remains Stable

..Issuer: Standard Chartered Bank (Lead Analyst: Srikanth Vadlamani)

....Long-term Counterparty Risk Rating (Foreign and Local Currency), Affirmed A1

....Short-term Counterparty Risk Rating (Foreign and Local Currency), Affirmed P-1

....Long-term Bank Deposit (Foreign and Local Currency), Affirmed A1, outlook stable

....Short-term Bank Deposit (Foreign and Local Currency), Affirmed P-1

....Long-term Deposit Note/CD Program (Foreign Currency), Affirmed A1

....Short-term Deposit Note/CD Program (Foreign Currency), Affirmed P-1

....Long-term Counterparty Risk Assessment, Affirmed A1(cr)
Short-term Counterparty Risk Assessment, Affirmed P-1(cr)

Adjusted Baseline Credit Assessment, Affirmed baa1

Baseline Credit Assessment, Affirmed baa2

Senior Unsecured Regular Bond/Debenture (Foreign Currency), Affirmed A1, outlook stable

Senior unsecured Medium-Term Note Program (Foreign Currency), Affirmed (P)A1

Subordinated Regular Bond/Debenture (Foreign Currency), Upgraded to Baa1 from Baa2

Subordinated Medium-Term Note Program (Foreign Currency), Upgraded to (P)Baa1 from (P)Baa2

Junior Subordinated Regular Bond/Debenture (Local Currency), Upgraded to Baa2 from Baa3

Other Short Term (Foreign Currency), Affirmed (P)P-1

Outlook, Remains Stable

Issuer: Standard Chartered Bank (Singapore) Limited (Lead Analyst: Eugene Tarzimanov)

Long-term Counterparty Risk Rating (Foreign and Local Currency), Affirmed Aa3

Short-term Counterparty Risk Rating (Foreign and Local Currency), Affirmed P-1

Long-term Bank Deposit (Foreign and Local Currency), Affirmed A1, outlook stable

Short-term Bank Deposit (Foreign and Local Currency), Affirmed P-1

Short-term Deposit Note/CD Program (Foreign and Local Currency), Affirmed P-1

Long-term Counterparty Risk Assessment, Affirmed Aa3(cr)

Short-term Counterparty Risk Assessment, Affirmed P-1(cr)

Long-term Issuer Rating (Foreign and Local Currency), Affirmed A1, outlook stable

Short-term Issuer Rating (Foreign and Local Currency), Affirmed P-1

Commercial Paper (Foreign and Local Currency), Affirmed P-1

Outlook, Remains Stable

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this
credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1288435.

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the EU and is endorsed by Moody's Deutschland GmbH, An der Welle 5, Frankfurt am Main 60322, Germany, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that issued the credit rating is available on www.moodys.com.

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the UK and is endorsed by Moody's Investors Service Limited, One Canada Square, Canary Wharf, London E14 5FA under the law applicable to credit rating agencies in the UK. Further information on the UK endorsement status and on the Moody's office that issued the credit rating is available on www.moodys.com.

The below contact information is provided for information purposes only. Please see the ratings tab of the issuer page at www.moodys.com, for each of the ratings covered, Moody's disclosures on the lead rating analyst and the Moody's legal entity that has issued the ratings.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Srikanth Vadlamani
VP - Senior Credit Officer
Financial Institutions Group
Moody's Investors Service Singapore Pte. Ltd.
50 Raffles Place #23-06
Singapore Land Tower
Singapore 48623
Singapore
JOURNALISTS: 852 3758 1350
Client Service: 852 3551 3077

Graeme Knowd
MD - Banking
Financial Institutions Group
JOURNALISTS: 852 3758 1350
Client Service: 852 3551 3077

Releasing Office:
Moody's Investors Service Singapore Pte. Ltd.
50 Raffles Place #23-06
Singapore Land Tower
Singapore 48623
Singapore
JOURNALISTS: 852 3758 1350
Client Service: 852 3551 3077
To the extent permitted by law, MOODY’S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY’S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY’S.

To the extent permitted by law, MOODY’S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY’S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY’S IN ANY FORM OR MANNER WHATSOEVER.

Moody’s Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody’s Corporation (“MCO”), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody’s Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody’s Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from $1,000 to approximately $5,000,000. MCO and Moody’s Investors Service also maintain policies and procedures to address the independence of Moody’s Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody’s Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading “Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy.”

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY’S affiliate, Moody’s Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody’s Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to “wholesale clients” within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY’S that you are, or are accessing the document as a representative of, a “wholesale client” and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to “retail clients” within the meaning of section 761G of the Corporations Act 2001. MOODY’S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody’s Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody’s SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization (“NRSRO”). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY550,000,000.
MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.