Standard Chartered PLC

Full Rating Report

Ratings

Standard Chartered PLC

Long-Term IDR	A
Outlook	Stable
Short-Term IDR	F1
Viability Rating	a

Standard Chartered Bank

Long-Term IDR	A+
Outlook	Stable
Short-Term IDR	F1
Viability Rating	a

Sovereign Risk

United Kingdom Long-Term IDR	AA/Rating Watch Negative

Financial Data

Standard Chartered PLC

	2018	2017
Total assets (USDbn)	688.8	663.5
Total equity (USDbn)	43.9	45.4
Net income (USDm)	1,109	1,268
Operating profit/RWA (%)	1.3	1.0
Return on equity (%)	2.5	2.9
Cost/income (%)	72.9	72.6
Impaired Loans/Gross Loans(%)	2.7	3.5
Fitch Core Capital/risk-weighted assets (%)	14.7	14.2
Common equity Tier 1 ratio (fully loaded) (%)	14.2	13.6
Loans/deposits (%)	64.9	67.7

Source: Fitch Ratings, Fitch Solutions

Related Research

Standard Chartered PLC - Ratings Navigator

Global Economic Outlook (June 2019)

Analysts

Jonathan Cornish
+852 2263 9901
jonathan.cornish@fitchratings.com

Ioana Sima, CFA
+44 20 3530 1736
ioana.sima@fitchratings.com

Key Rating Drivers

Standalone Strength: Standard Chartered PLC (SC) and its main operating entity Standard Chartered Bank's (SCB) ratings primarily reflect the entities' strong global network and cross-border franchise, solid liquidity and sound capitalisation. These strengths are partly offset by moderate asset quality risks and modest, albeit improving, profitability. Fitch Ratings equalises the two entities' Viability Ratings (VRs) because of their aligned risk profiles and the low common equity double leverage (112% at end-2018).

Strong Cross-border Franchise: SC's wide global network is its main franchise strength. It enables it to compete for large corporate and institutional clients, including multinationals. The group also maintains leading retail franchises in a few selected markets.

Better Asset Quality: SC's asset quality continues to improve, as indicated by Stage 3 loans falling to 2.7% of loans at amortised cost at end-2018, a higher share of investment-grade corporate exposures, and given more stringent underwriting implemented over the past years. Exposure to emerging markets and a degree of volatility remains inherent in SC's country footprint and operations.

Targeting Earnings Improvement: Earnings should benefit from volume growth (including asset-light growth), cost control and continued focus on strategic clients and products. Turning around underperforming operations in Korea, India, Indonesia and UAE looks challenging but necessary for the group to reach its 10% return on tangible equity target in 2021. Execution risk would be magnified by economic slowdown, competition and greater geopolitical uncertainty.

Well Capitalised: The common equity Tier 1 (CET1) ratio target of 13%-14% and latest CET1 ratio of 13.9% at end-1Q19 are commensurate with the risk profile. We believe that these levels are sufficient to accommodate capital inefficiencies arising from local capital requirements. We expect planned growth and shareholder distributions to be financed from higher earnings and measures to optimise risk-weighted assets (RWAs).

Well-Managed Liquidity: Holdings of high-quality liquid assets comfortably exceed regulatory requirements. The group is mainly deposit funded and deposits in key markets significantly exceed loans. Deposit stability is supported by a reasonable share of operational deposits.

Junior Debt Uplift: Fitch rates the Long-Term Issuer Default Rating (IDR) of SCB one notch above its VR to reflect the presence of a significant buffer of qualifying junior debt. In addition we expect senior holding-company debt to become eligible for total loss absorbing capital and minimum requirement for eligible liabilities (MREL) requirements from 2019.

Rating Sensitivities

Financial Profile: SC and SCB's IDRs and VRs would come under pressure if loan or earnings deterioration undermines capital strength. They could be upgraded if earnings (and thus capital generation ability) improve significantly and sustainably without an increase in risk appetite.

Short-Term IDRs: SC and SCB's short-term IDRs and debt ratings were place Under Criteria Observation in May 2019, following the publication of a new Short-Term Ratings Criteria. They could be upgraded by one notch subject to Fitch reviewing its assessment of funding and liquidity feeding into the group's VRs.

Junior Debt Buffer: SCB's Long-Term IDR and senior debt ratings are sensitive to the amount of junior debt relative to RWAs and to our assumptions about its long-term sustainability.

SC's Main Markets

	% op. income	MPI	GDP (%) 2019f	2020f
Hong Kong	25	3	1.6	2.0
Singapore	10	2	2.2	2.4
Korea	7	1	2.0	2.6
China	5	1	6.2	6.0
India	6	1	6.6	7.1

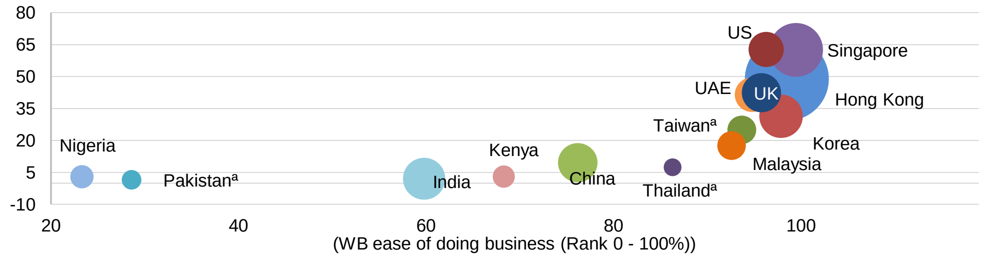
Note: Fitch's Macro-Prudential Indicator (MPI) signals the potential for banking system stress over the medium term, from 1 (low) to 3 (high). Source: Fitch Ratings

Operating Environment

SC is headquartered in the UK but, due to its international operations, Fitch blends key characteristics of SC's main markets when it assesses SC's operating environment. The group earns most of its income in developed markets (Hong Kong, Singapore, South Korea and the UK), but significant parts of SC's business are domiciled in or is in relation to emerging markets in Asia, Middle East and Africa. SC is regulated by the UK Prudential Regulation Authority in the UK and is subject to additional local regulation and supervision on its subsidiaries (the largest being Hong Kong, Singapore, Korea, China).

Economic activity across the Asia-Pacific region weakened in late 2018 and early 2019 due to sharply lower global trade flows. Fitch expects further slowdown in China, which could be exacerbated by tariffs imposed by the US, especially if it were to have spill-over effects across the region, as well as on world growth. Conversely, fiscal policies in Asia-Pacific continue to support infrastructure spending and monetary conditions are becoming more accommodative after the interest-rate rises in some economies last year to stabilise currencies. Economic fundamentals remain strong in SC's two largest markets Hong Kong and Singapore.

Operating Environments Vary Across SC's Region



Bubble size indicates the operating income based on the location from which the relationship is managed, in USDm. For countries marked with ª income refers to the local subsidiary 's financial accounts.
Source: Fitch Ratings, Fitch Solutions, Sovereign data comparator

Company Profile

Network Is Main Franchise Strength

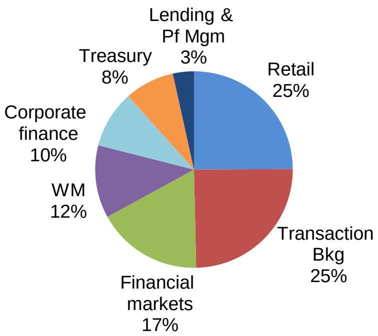
Providing international corporates and institutions access to its unique global network is SC's strength. This is complemented by some strong local franchises, despite most of them being in small markets. SC's on-shore presence in the key Asia-Pacific markets of Hong Kong, Singapore, India, South Korea, Taiwan, Thailand and Indonesia is significant but these domestic franchises compare less favourably with those of leading local peers.

Extracting value from its network is particularly important for the Corporate and Institutional Banking (CIB) business, where the group manages client relationships globally. CIB generates the majority of its income from financial markets activities, transaction banking (trade, cash, and securities services) and corporate finance. Its more profitable clients are ones that interact with the bank across products and jurisdictions. Banking to local corporates and SMEs is provided by the Commercial Bank (CB), which is a less profitable division.

In retail banking, SC's focus is on wealthier clients although the group maintains an appetite for mass market personal banking in some markets. Retail banking offers mortgages, unsecured lending products (personal loans, credit cards), wealth management, current and savings accounts to around nine million retail and small businesses in 26 markets.

The relatively small private bank is focused on high-net-worth and ultra-high-net-worth clients. Private banking is not profitable due to increased investments for hiring relationship managers and in technology infrastructure, and as yet insufficient revenue growth.

Operating Income Breakdown



Source: Fitch Ratings, SC

Related Criteria

Bank Rating Criteria (October 2018)
Short-Term Ratings Criteria

Rated Subsidiaries

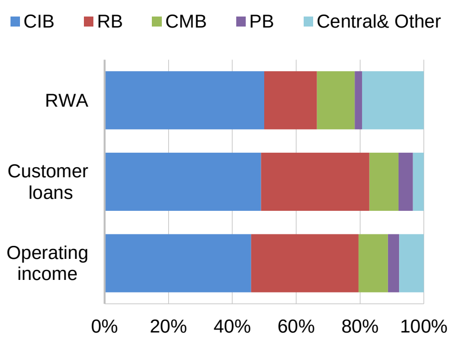
	IDR	VR
Standard Chartered Bank Korea Limited	A	bbb
Standard Chartered Bank (China) Limited	A	NR
Standard Chartered Bank (Singapore) Limited	A	a
Standard Chartered Bank (Taiwan) Limited	A	bbb-
Standard Chartered Bank (Thai) Public Company Limited	A-	bbb
Standard Chartered Bank AG	A	NR
PT Bank Permata Tbk	AAA(idn)	NR

NR – Not rated
Source: Fitch Ratings

Targets for 2021

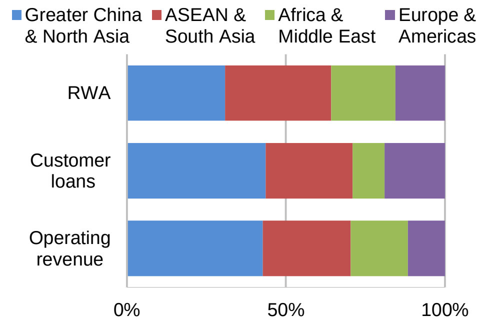
- 5%-7% cumulative annual growth rate (CAGR) in income
- Cost growth below the rate of inflation and below income growth
- USD700m cumulative gross cost reduction
- Above 10% return on tangible equity
- About 4% underlying asset growth and about 2% RWA growth
- 13%-14% CET1 ratio

Business Split by Client Business



Source: Fitch Ratings, SC

Business Split by Region



Note: Excluding Central & Other
Source: Fitch Ratings, SC

Hub Structure increases Focus on Asia

SC's legal entity structure is evolving. Standard Chartered Bank (Hong Kong) is now fully owned by SC (previously: 51% owned by SCB and 49% by SC through a holding company). This entity is planned to become the parent bank of a North Asia hub encompassing the operations in Hong Kong, China, Korea and Taiwan (excluding the branches in Japan, Macau and Taiwan), subject to regulatory approvals. In 2019, the group consolidated its Singapore operations, previously held in a subsidiary and a branch of SCB, into the subsidiary Standard Chartered Bank (Singapore) Limited.

These changes should allow the group to manage funding costs more efficiently, by making better use of the strong deposit bases it has in Hong Kong and Singapore. This should benefit profitability and allow the group to pursue growth opportunities in Asia.

Brexit has a lower impact on SC's businesses given its international focus. However, SC has prepared its German subsidiary, Standard Chartered Bank AG, to become the booking entity for clients domiciled in the EU to ensure business continuity in the event of a 'no deal' Brexit.

Management and Strategy

Strategic Update Targeting Better Profitability

The group's updated strategy for 2019-2021 mainly aims to improve the bank's returns. It comes after several years of de-risking, carried out by the current management team since 2015. We believe that management will show progress towards the new targets, but meeting them will be challenging given unfolding geopolitical risks around US – China trade relations and difficult competitive environments (particularly in the turnaround markets).

The headline profitability target set for 2021 is to achieve a return on tangible equity above 10%, from 5.1% in 2018, before restructuring and litigation. Management plans to achieve this by driving interest and non-interest income growth, keeping costs under control, and optimising capital usage.

A number of the envisaged measures appear to be within management's control, like business exits, optimising liquidity costs via the legal entity restructuring and reviewing processes and staff allocation to save costs. The bank should also benefit from measures it has implemented in the past three years, such as more focused customer targeting, increased digitalisation and reducing risk on the balance sheet.

Around 150bp of return on tangible equity uplift is expected from four turnaround markets. In India, cost efficiency is weak given the high costs of maintaining a branch network in a large country, and low margins in retail banking. Increased reliance on digital channels is targeted to bring costs down while maintaining client reach. Weak productivity and high costs also remain an issue in Korea, and difficult to address due to local labour protection laws, although some progress has been demonstrated. Business growth is aimed at priority, wealth and network

clients, which are strategic for the group overall but underweight in the Korean operations.
In Indonesia, the group is testing new digital strategies in retail banking, which are likely take time to show any success or become meaningful in scale. The joint-venture PT Permata has been deemed non-core but no option for disposal has been revealed yet. Challenges in UAE include difficult macroeconomic conditions and strong competition. SC's approach to the country includes cost actions and promotion of wealth and network business.

The updated financial targets also include maintaining a CET1 ratio in the range of 13%-14%, higher than the previous target of 12%-13%. We expect that profitability and RWA-optimisation measures to allow it to keep this target and create sufficient capacity for higher dividend payments and other shareholder returns.

Risk Appetite

More Stringent Underwriting Standards Than In the Past

SC's underwriting standards are more stringent than in the past, having been significantly tightened since 2015. In CIB, it mainly targets multinational corporates and financial institutions with cross-border business. CB customers tend to be local mid-sized companies. Underwriting has and continues to be tightened in this division. In retail lending, the group mainly targets affluent retail customers, but maintains a mass-market unsecured lending appetite in selected jurisdictions.

In 2018, top 20 corporate concentrations increased to 56% of Tier 1 capital from 50% 2017, but at the same time the credit quality of corporate exposures improved, to 62% share of investment-grade customers. Exposures in CIB and CB are predominantly short term (70% have less than one year maturity) which provides flexibility to exit borrowers should their risk profile weaken. In retail lending, the share of unsecured lending was kept stable at 15% of retail loans in 2018. Mortgage lending is done at conservative loan-to-value (LTV) ratios as evidenced by a 45% average LTV and just 2% of the mortgage portfolio being extended at more than 80% LTV.

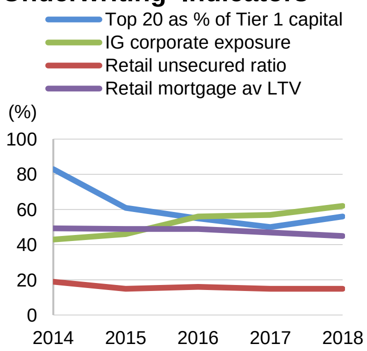
Exposure to emerging markets and commodity producers and traders remains inherent in SC's country footprint and operations. Assets employed in China were USD30.3 billion at end-2018 based on management view[1] and cross-border exposure[2] was USD43.5 billion. A high 85% of the cross-border exposure had a tenor of below one year. Assets employed in India were USD29.9 billion and cross-border risk USD16.2 billion (of which 65% short-term). Commodities exposure is no longer disclosed but it consisted of USD37.8 billion credit exposure to commodities producers and traders and USD10.6 billion to commodities-related sectors at end-2016.

Controls Enhancements Targeting Non-Financial Risks

The group's credit-risk management framework is well developed, having been strengthened after credit impairments increased in 2015. More recent enhancements were aimed at how non-financial risks are measured and to take a more forward-looking approach to embedding risks in decision-making.

The bank has had to improve its anti-money-laundering (AML) and sanction controls, after being subject to regulatory investigations, an independent monitoring between 2012 and 2018, and to fines. In early 2019, SC agreed to pay a USD947 million fine to US authorities over breaches of US sanctions and regulations between 2007 and 2014. It was also fined GBP102 million by the UK Financial Conduct Authority for AML weaknesses in its UK correspondent banking business and its branches in the UAE during the same time.

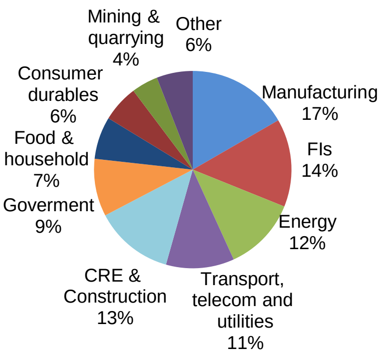
Underwriting Indicators



Source: Fitch Ratings, SC

[1] Management view is based on the location from which the client relationship is managed, which may differ from where the assets are booked.
[2] Cross-border exposure refers to exposure that could potentially be at risk from transfer and convertibility restrictions, or other government restrictions.

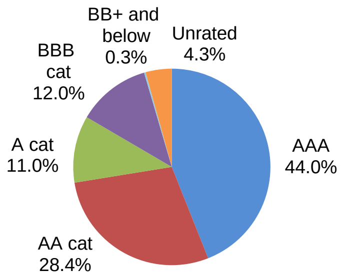
Wholesale Loans by Industry



Source: Fitch Ratings, SC

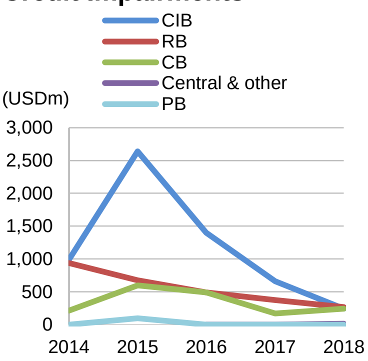
Quality of Debt Securities

(USD126bn at amortised cost and FVOCI)



Source: Fitch Ratings, SC

Credit Impairments



Source: Fitch Ratings, SC

Manageable Market Risk

Market risk largely extends to foreign-exchange and interest-rate mismatches, and is adequately managed. The principal structural foreign exposures amounted to USD30.8 billion at end-2018, after hedges. These arise from investments in subsidiaries and branches. The largest exposures are to Hong Kong dollar, Indian rupee and Chinese renminbi. The group has taken hedges on the exposure to Korean won, Chinese renminbi, Taiwanese dollar and Indian rupee, but typically does not completely hedge the risk.

Interest-rate risk is managed by the local treasury functions. The group reported positive income sensitivity to a 50bp parallel increase of overall USD210 million in 2018 (2017: USD330 million). Trading market risk is small (USD13.8 million maximum total trading value at risk in 2018, one day, 97.5% confidence), and related to client volumes.

SC is also exposed to price volatility from holdings of equity shares (USD2 billion, 5% of Fitch Core Capital (FCC)), commodities (USD2.5 billion, 6.6% of FCC) and in its assets held for sale (USD1 billion, 2.7% of FCC) which are mainly made up of a principal finance portfolio invested in pan-Asian funds expected to be sold in 2019.

Financial Profile

Asset Quality

Improved Loan Quality, but Wholesale Lags Other Parts Of Its Loan Portfolio

SC's loan quality continued to improve, as indicated by Stage 3 loans falling to 2.5% and early alerts to 1.6% of gross loans at end-1Q19 (excluding reverse repurchase agreements). This resulted from efforts since 2015 to exit higher credit-risk exposures and implement stricter, risk-sensitive underwriting. It also benefitted from benign economic conditions in most of its markets. The liquidation portfolio's gross value reduced to USD1.4 billion at end-2018 and is no longer reported separately. A complete exit of this portfolio over time would allow the group's Stage 3 ratio to trend down by around another 37bp.

SC's loan book is biased towards large corporate and institutional banking, followed by retail banking clients. Asset quality is significantly weaker in the wholesale portfolio, which has a Stage 3 ratio of 4% of gross loans and reverse repos to customers at amortised cost. Within this, the worst performing segments are construction, trading, mining and quarrying, food and houshold products, which have Stage 3 loans of less than 6%.

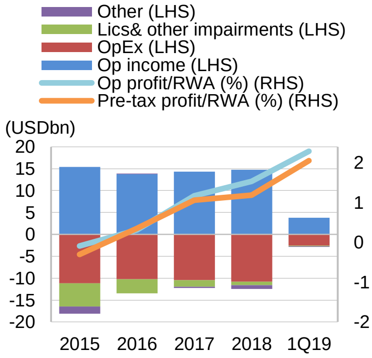
Retail and wealth products are performing well overall (0.9% Stage 3 ratio) but asset-quality metrics vary across the bank's countries of operation. Credit-risk losses in retail banking in the past were driven by unsecured lending, reflecting exposure to mass market clients (which are less but still strategic in many markets), weaker underwriting, and the impact of regulatory actions.

Mortgages are well performing (0.5% Stage 3) and represent a larger 29% of gross loans. Mortgages in Hong Kong and Singapore, which make up a large part of the book, benefit from conservative underwriting (partly driven by regulation) and SC's targeting of affluent customers.

Other assets

Net customer loans represented only 37% of assets at end-2018. A further 18% of assets is made up of debt securities at amortised cost and fair value through other comprehensive income (FVOCI), which are reasonably high-quality (95% investment-grade, and 44% rated AAA). Derivatives and reverse repurchase agreements recognised on the balance sheet of USD107.4 billion (16% of assets) are largely collateralised.

SC's P&L



Source: Fitch Ratings, SC

Capital Ratios

	1Q19	2018
FCC/RWA	14.5	14.7
CET1 ratio	13.9	14.2
CET1 ratio (IFRS9 fully loaded)	13.7	14.1
Tier 1 ratio	16.3	16.8
Total capital ratio	20.8	21.6
UK leverage	5.4	5.6
CRR leverage	5.1	5.2

Source: Fitch Ratings, SC

Earnings and Profitability

Further Earnings Improvements Targeted

SC's operating profit[3] before tax of USD3.4 billion in 2018 was up 27% yoy, mainly due the benefit of credit impairment charges that halved yoy. However its operating return on RWA of 1.3% (1Q19: 2.1%) remains weak relative to similarly-rated peers. The measure should further improve subject to execution on a series of measures announced in early 2019.

Among the group's divisions, retail banking performed better than the group in 2018 (2.2% operating return on RWA), driven by operations in Greater China and North Asia, which houses the strong Hong Kong franchise. CIB benefitted from an increased focus on financial institutions and OECD clients, which have been targeted for growth, and from higher income from transaction banking. The division is the biggest income contributor, but returns are still modest (1.3% operating return on RWA). CB incurred higher relative loan impairments than other divisions, in particular in Africa and Middle East contributing to a modest 0.7% operating return on RWA. Private banking continues to be loss-making, due to high investments and lagging revenue growth.

SC's operating income increased by 3% in 2018, benefitting from rates and volume tailwinds and from a stronger focus on core and profitable customers. However, including the negative income contribution from restructuring activities, this was below the rate of increase in operating expenses. In 1Q19, revenue fell by 2% yoy due to currency headwinds and lower business activity.

For the next three years, the group targets a 5%-7% cumulative average growth rate in income. We see this target as difficult to achieve without an increase in risk appetite given potentially stronger headwinds from trade tensions, moderating global growth and intense competition. However, our expectation is that a degree of revenue growth will be achieved from volumes growth, focused customer targeting and optimised liquidity management across legal entities.

Operating expenses increased by 3.4% in 2018, more or less in line with the bank's guidance. Over the next years, the target is to grow expenses below the rate of inflation, which will require targeted cost reductions. These should be supported by a continued focus on digitisation and further process and staff location optimisations.

The restructuring-related loss of USD409 million in 2019 was 31% lower yoy. This figure, which includes income, expenses and impairments related to the group's restructuring, also includes USD169 million front-loaded charges in relation to the next three year's strategic priorities. About USD500 million such charges are expected by 2021, which suggests a lower impact than in the past.

The group booked USD1.1 billion provisions to settle regulatory investigations by US authorities and the FCA into SC's financial crime controls and practices in 2018 and 1Q19. We do not foresee fines of such magnitude recurring in the near term.

Capitalisation and Leverage

Well Capitalised

SC's CET1 ratio was 13.9% at end-1Q19, having dropped in the quarter from 14.2% at end-2018 due to RWA growth, which included seasonal effects in market risk RWA and a one-off increase due to IFRS 16. The ratio compares well with that of UK and international peers.

[3] We have excluded provisions for regulatory matters and small net gains on sale of businesses from operating profit in 2018. In other years the main items excluded from operating income and expenses are: impairment of goodwill, gains on sales of businesses, own credit gains/losses and related charges due to change in calculation methodology.

The group aims to maintain a CET 1 ratio in the range of 13%-14%. This supports the VR and provides good headroom over the 10% consolidated requirement. It also mitigates loss in capital fungibility due to local requirements in several markets, including additional capital required in Singapore and Germany where operations have been consolidated in local subsidiaries.

Shareholder pay-outs accelerated in 2019 when the group announced it would pay USD694 million dividends, equivalent to 63% of the net profit of 2018. It also announced a USD1 billion share buy-back that will lower its CET1 ratio by about 35bp.

Over the next years SC targets higher dividends and further share buy-backs which we believe will be financed from profits and RWA optimising measures.

The RWA growth over the next years is budgeted below the growth in client assets at around 2% CAGR by 2021. This includes relief of about USD9 billion if the Indonesian joint venture PT Permata is exited and USD2.5 billion from the principal finance portfolio that is likely to be exited in 2019. This also includes USD0.9 billion from a discontinued ship leasing portfolio and further USD9 billion relief from other optimisation initiatives. Controlled RWA growth comes ahead of a 5%-10% foreseen increase from 2022 because of Basel III reform implementation.

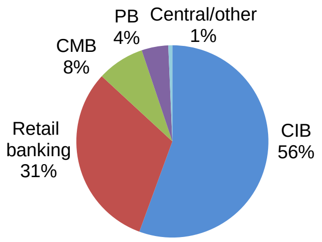
The Bank of England indicated that SC's minimum requirement for own funds and eligible liabilities (MREL) will be 25.7% of RWAs by 2022, including buffers. SC estimates that its MREL position was around 27.2% of RWA and around 9.5 % of leverage exposure end-2018. Ongoing MREL issuance by the holding company mainly refinances maturing instruments, including legacy Tier 2 issued by SCB.

Funding and Liquidity

	2018	2017
Loans/deposits (%)	65	68
Deposits/funding (incl. hybrids, %)	72	71
LCR (%)	154	146
Liquidity buffer/ST wholesale funding (%)	152	148
Liquidity buffer (USDbn)	150	132
ST wholesale liabilities (USDbn)	103	100

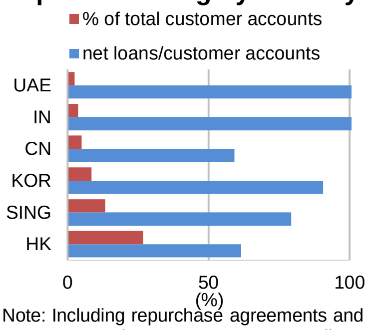
Note: ST wholesale liabilities exclude customer accounts and derivatives
Source: Fitch Ratings, SC

Customer Accounts By Division
(USD437bn at end-2018)



Note: Customer accounts include repurchase agreements
Source: Fitch Ratings, SC

Deposit Funding by Country



Note: Including repurchase agreements and reverse repurchase agreements, as well as loans at FVOCI
Source: Fitch Ratings, SC

Funding and Liquidity

Mainly Deposit Funded

SC is primarily funded by customer deposits, which made up 72% of funding at end-2018. Deposits are mainly sourced from corporate and institutional banking, as well as retail clients. They appear reasonably sticky as about half of overall deposits are current and savings accounts and about half of transaction banking deposits are operating accounts. However, during the latter part of 2018, the share of current and savings accounts has decreased as rising interest rates have motivated some clients to switch to time deposits.

The bank's consolidated gross loans-to-deposits ratio decreased to a low 65% at end-2018, which reflects a preference for deposit funding and a low share of loans on balance sheet. Loans in disclosed key markets are generally more than covered by customer deposits. India and the UAE have the highest net loans-to-deposits ratios at 102%.

Funding efficiency is expected to improve in Singapore and in North Asia, following legal entity restructuring that should result in a better ability to deploy low-cost deposits to fund lucrative business, or replace higher-cost instruments.

SC has regular market access through instruments such as senior debt and subordinated debt issued by the holding company, covered bonds issued by Korea and structured notes issued in Hong Kong. Non-deposit funding adds funding diversification and addresses upcoming MREL requirements.

Debt maturities are well spread. Holding company debt refinancing needs are of USD3.9 billion senior debt in 2019, of which USD3.3 billion was raised by early July 2019. Issuance amounted to USD5 billion in 2018. Maturities in 2020 include USD2 billion SC senior debt, as well as capital instruments (USD2 billion SC AT 1 and USD2.3 billion Tier 2 issued by SC and SCB).

Liquidity Well Managed

SC's liquidity buffer increased to USD150 billion (2017: USD132 billion) in 2018. The group's consolidated liquidity coverage ratio of 154% was well above requirements. Average weighted high-quality-liquid assets of USD145 billion in 2018 were made up of Level 1 securities (55%), cash and reserves (39%) and Level 2A and B liquid assets (6%). SC's subsidiaries adhere to local liquidity requirements, which results in a moderate loss in liquidity fungibility.

Junior Debt Buffer

SCB's IDR is rated one notch above its VR, factoring in the protection afforded by the buffer of qualifying junior debt. Fitch expects SC to downstream holding-company senior debt to SCB in a subordinated form to meet its internal total loss-absorbing capital and MREL requirements.

Debt Ratings

SC and SCB's senior debt ratings are rated in line with their IDRs, while subordinated debts are notched down once from the respective issuer's VR to reflect below-average recovery prospects in case of non-performance. Ratings on hybrid regulatory capital securities issued by SC and SCB are notched down five times, reflecting above-average (two notches) loss-severity risk and higher risk of non-performance (three notches) as coupon payments are fully discretionary. SCB's legacy upper Tier 2 securities are notched down three times, with one notch for loss severity and two notches for non-performance.

Peer Data Table

Current Viability Rating	Standard Chartered a		HSBC Holdings aa-		The Hongkong and Shanghai Banking Corporation aa-		Bank of China (Hong Kong) Ltd a		DBS Group Holdings aa-	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Structural indicators										
Total assets (USDbn)	689	664	2,558	2,522	1,055	1,017	360	322	402	387
Total equity (USDbn)	44	45	170	174	99	94	31	30	34	34
Fitch Core Capital (USDbn)	38	40	137	146	87	82	31	30	30	30
Net income (USDm)	1,109	1,268	15,025	11,879	14,318	12,288	4,037	3,919	4,131	3,370
Asset quality										
Impaired loans/gross loans (%)	2.7	3.5	1.4	1.6	0.6	0.5	0.2	0.2	1.5	1.7
Loan loss allowances/impaired loans (%)	70.7	64.2	64.8	48.4	84.6	74.2	227.3	197.5	88.4	84.7
Loan impairment charges/average gross loans (%)	0.2	0.5	0.2	0.2	0.1	0.1	0.1	0.1	0.2	0.6
Growth of gross loans (%)	1.5	9.2	2.1	11.6	6.1	17.4	8.1	18.3	6.7	7.3
Earnings & profitability										
Operating profit/RWAs (%)	1.3	1.0	2.4	2.0	4.8	4.2	3.7	3.3	2.3	1.7
Return on equity (%)	2.5	2.9	8.5	7.0	14.9	13.7	13.3	13.6	12.3	10.1
Return on assets (%)	0.2	0.2	0.6	0.5	1.4	1.2	1.2	1.3	1.1	0.9
Cost/income ratio (%)	72.9	72.7	62.9	67.9	41.5	43.5	27.3	27.8	44.1	43.0
Capitalisation & leverage										
Fitch Core Capital/RWAs (%)	14.7	14.2	15.8	16.7	24.2	23.3	23.6	22.4	14.1	14.0
CET1 ratio (%)	14.2	13.6	14.0	14.5	16.5	15.9	17.5	16.5	13.9	14.3
Regulatory leverage ratio (%)	5.2	5.7	5.5	5.6	6.5	6.3	7.5	6.9	7.1	7.6
Impaired loans less loan loss allowances/FCC (%)	5.3	8.0	3.4	5.5	0.4	0.7	-1.3	-0.9	1.5	2.1
Funding & liquidity										
Loans/customer deposits (%)	64.9	67.7	72.7	71.1	68.1	65.0	67.6	66.7	88.8	87.7
Customer deposits/total funding (%)	72.2	71.2	69.9	69.9	83.8	84.9	81.3	86.4	83.6	85.0
Liquidity coverage ratio (%)	154.0	146.0	154.0	142.0	161.0	153.6	160.2	135.6	143.0	140.0

Source: Fitch Ratings

Standard Chartered PLC
Income Statement

	31 Mar 2019 3 Months - 1st Quarter USDm Unaudited	31 Dec 2018 Year End USDm Audited - Unqualified	31 Dec 2017 Year End USDm Audited - Unqualified	31 Dec 2016 Year End USDm Audited - Unqualified	31 Dec 2015 Year End USDm Audited - Unqualified
1. Interest Income on Loans	n.a.	10527	8845	8461	10266
2. Other Interest Income	2272	6737	5590	4549	4347
3. Dividend Income	n.a.	25	46	52	111
4. Gross Interest and Dividend Income	**2272**	**17289**	**14481**	**13062**	**14724**
5. Interest Expense on Customer Deposits	n.a.	5764	3859	3187	3472
6. Other Interest Expense	n.a.	2707	2395	2029	1734
7. Total Interest Expense	**n.a.**	**8471**	**6254**	**5216**	**5206**
8. Net Interest Income	**2272**	**8818**	**8227**	**7846**	**9518**
9. Net Fees and Commissions	n.a.	3492	3512	3231	3607
10. Net Gains (Losses) on Trading and Derivatives	n.a.	1746	1562	2137	1629
11. Net Gains (Losses) on Assets and Liabilities at FV	n.a.	-63	-35	-251	-349
12. Net Gains (Losses) on Other Securities	n.a.	38	235	192	336
13. Net Insurance Income	n.a.	n.a.	n.a.	n.a.	n.a.
14. Other Operating Income	1541	749	832	621	628
15. Total Non-Interest Operating Income	**1541**	**5962**	**6106**	**5930**	**5851**
16. Total Operating Income	**3813**	**14780**	**14333**	**13776**	**15369**
17. Personnel Expenses	n.a.	7074	6758	6303	7119
18. Other Operating Expenses	2415	3700	3654	3909	4054
19. Total Non-Interest Expenses	**2415**	**10774**	**10412**	**10212**	**11173**
20. Equity-accounted Profit/ Loss - Operating	66	241	332	-37	192
21. Pre-Impairment Operating Profit	**1464**	**4247**	**4253**	**3527**	**4388**
22. Loan Impairment Charge	78	607	1365	2605	4816
23. Securities and Other Credit Impairment Charges	2	201	181	631	461
24. Operating Profit	**1384**	**3439**	**2707**	**291**	**-889**
25. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	n.a.	n.a.	n.a.
26. Goodwill Impairment	n.a.	n.a.	320	166	n.a.
27. Non-recurring Income	44	9	28	284	288
28. Non-recurring Expense	186	900	0	0	1417
29. Change in Fair Value of Own Debt	n.a.	0	0	0	495
30. Other Non-operating Income and Expenses	n.a.	n.a.	n.a.	n.a.	n.a.
31. Pre-tax Profit	**1242**	**2548**	**2415**	**409**	**-1523**
32. Tax expense	424	1439	1147	600	673
33. Profit/Loss from Discontinued Operations	n.a.	n.a.	n.a.	n.a.	n.a.
34. Net Income	**818**	**1109**	**1268**	**-191**	**-2196**
35. Change in Value of AFS Investments	n.a.	-61	136	-140	-385
36. Revaluation of Fixed Assets	n.a.	n.a.	n.a.	n.a.	n.a.
37. Currency Translation Differences	n.a.	-1180	1349	-787	-1913
38. Remaining OCI Gains/(losses)	n.a.	434	-191	-486	4
39. Fitch Comprehensive Income	**818**	**302**	**2562**	**-1604**	**-4490**
40. Memo: Profit Allocation to Non-controlling Interests	n.a.	55	49	56	-2
41. Memo: Net Income after Allocation to Non-controlling Interests	818	1054	1219	-247	-2194
42. Memo: Common Dividends Relating to the Period	n.a.	n.a.	363	0	366
43. Memo: Preferred Dividends and Interest on Hybrid Capital Accounted for as Equity Related to the Period	n.a.	98	113	252	190

Standard Chartered PLC
Balance Sheet

	31 Mar 2019 3 Months - 1st Quarter USDm	31 Dec 2018 Year End USDm	31 Dec 2017 Year End USDm	31 Dec 2016 Year End USDm	31 Dec 2015 Year End USDm
Assets					
A. Loans					
1. Residential Mortgage Loans	n.a.	75,716	78,778	73,507	73,688
2. Other Mortgage Loans	n.a.	n.a.	n.a.	n.a.	n.a.
3. Other Consumer/ Retail Loans	n.a.	40,072	37,796	32,149	36,547
4. Corporate & Commercial Loans	n.a.	142,516	137,835	127,391	138,494
5. Other Loans	269,918	n.a.	n.a.	n.a.	n.a.
6. Less: Loan Loss Allowances	4,813	4,898	5,702	6,354	6,680
7. Net Loans	**265,105**	**253,406**	**248,707**	**226,693**	**242,049**
8. Gross Loans	**269,918**	**258,304**	**254,409**	**233,047**	**248,729**
9. Memo: Impaired Loans included above	6,836	6,924	8,877	9,680	12,626
10. Memo: Specific Loan Loss Allowances	n.a.	n.a.	n.a.	n.a.	n.a.
B. Other Earning Assets					
1. Loans and Advances to Banks	59,873	57,599	57,494	54,538	47,164
2. Reverse Repos and Securities Borrowing	n.a.	61,735	55,187	44,916	32,637
3. Derivatives	n.a.	45,621	47,031	65,509	63,143
4. Trading Securities and at FV through Income	n.a.	32,363	26,652	19,258	23,401
5. Securities at FV through OCI / Available for Sale	n.a.	116,598	110,055	105,696	111,857
6. Securities at Amortised Cost / Held to Maturity	n.a.	9,303	6,970	3,276	210
7. Other Securities	n.a.	n.a.	0	0	2,700
8. Total Securities	**n.a.**	**158,264**	**143,677**	**128,230**	**138,168**
9. Memo: Government Securities included Above	n.a.	84,219	80,177	75,989	78,951
10. Memo: Total Securities Pledged	n.a.	4,083	5,796	4,780	1,105
11. Equity Investments in Associates	n.a.	2,307	2,307	1,929	1,937
12. Investments in Property	n.a.	n.a.	n.a.	n.a.	n.a.
13. Insurance Assets	n.a.	n.a.	n.a.	n.a.	n.a.
14. Other Earning Assets	n.a.	10,323	9,513	14,230	13,430
15. Total Earning Assets	**324,978**	**589,255**	**563,916**	**536,045**	**538,528**
C. Non-Earning Assets					
1. Cash and Due From Banks	n.a.	57,511	58,864	70,706	65,312
2. Memo: Mandatory Reserves included above	n.a.	8,152	9,761	8,648	9,112
3. Foreclosed Assets	n.a.	n.a.	n.a.	n.a.	n.a.
4. Fixed Assets	n.a.	6,490	7,211	7,252	7,209
5. Goodwill	n.a.	3,116	3,252	3,456	3,616
6. Other Intangibles	n.a.	1,940	1,761	1,263	1,026
7. Current Tax Assets	n.a.	492	491	474	388
8. Deferred Tax Assets	n.a.	1,047	1,177	1,294	1,059
9. Discontinued Operations	n.a.	3,816	3,808	3,973	2,001
10. Other Assets	383,896	25,095	23,021	22,229	21,344
11. Total Assets	**708,874**	**688,762**	**663,501**	**646,692**	**640,483**
Liabilities and Equity					
D. Interest-Bearing Liabilities					
1. Total Customer Deposits	377,974	397,764	375,745	344,632	346,119
2. Deposits from Banks	32,434	30,033	31,682	33,590	30,650
3. Repos and Securities Lending	n.a.	44,401	39,783	37,692	20,606
4. Commercial Paper and Short-term Borrowings	n.a.	32,120	31,624	31,083	43,440
5. Customer Deposits and Short-term Funding	**410,408**	**504,318**	**478,834**	**446,997**	**440,815**
6. Senior Unsecured Debt	n.a.	21,739	21,778	21,287	25,357
7. Subordinated Borrowing	n.a.	14,557	16,704	19,064	20,335
8. Covered Bonds	n.a.	n.a.	n.a.	n.a.	n.a.
9. Other Long-term Funding	n.a.	0	0	0	0
10. Total LT Funding	**n.a.**	**36,296**	**38,482**	**40,351**	**45,692**
11. Memo: o/w matures in less than 1 year	n.a.	n.a.	n.a.	n.a.	n.a.
12. Trading Liabilities	n.a.	3,226	3,637	3,763	2,824
13. Total Funding	**410,408**	**543,840**	**520,953**	**491,111**	**489,331**
14. Derivatives	n.a.	47,209	48,101	65,712	61,939
15. Total Funding and Derivatives	**410,408**	**591,049**	**569,054**	**556,823**	**551,270**
E. Non-Interest Bearing Liabilities					
1. Fair Value Portion of Debt	n.a.	n.a.	n.a.	n.a.	n.a.
2. Credit impairment reserves	n.a.	n.a.	n.a.	n.a.	n.a.
3. Reserves for Pensions and Other	n.a.	1,729	638	738	660
4. Current Tax Liabilities	n.a.	676	376	327	769
5. Deferred Tax Liabilities	n.a.	563	404	353	293
6. Other Deferred Liabilities	n.a.	n.a.	n.a.	n.a.	0
7. Discontinued Operations	n.a.	247	0	965	72
8. Insurance Liabilities	n.a.	n.a.	n.a.	n.a.	n.a.
9. Other Liabilities	247,365	43,702	40,750	38,369	37,390
10. Total Liabilities	**657,773**	**637,966**	**611,222**	**597,575**	**590,454**
F. Hybrid Capital					
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	444	472	459	1,517
2. Pref. Shares and Hybrid Capital accounted for as Equity	6,455	6,455	6,455	5,463	3,487
G. Equity					
1. Common Equity	44,646	49,287	49,427	48,768	49,644
2. Non-controlling Interest	n.a.	273	341	321	321
3. Securities Revaluation Reserves	n.a.	(41)	83	(4)	132
4. Foreign Exchange Revaluation Reserves	n.a.	(5,612)	(4,454)	(5,805)	(5,026)
5. Fixed Asset Revaluations and Other Accumulated OCI	n.a.	(10)	(45)	(85)	(46)
6. Total Equity	**44,646**	**43,897**	**45,352**	**43,195**	**45,025**
7. Memo: Equity plus Pref. Shares and Hybrid Capital accounted for as E	51,101	50,352	51,807	48,658	48,512
8. Total Liabilities and Equity	**708,874**	**688,762**	**663,501**	**646,692**	**640,483**
9. Memo: Fitch Core Capital	38,828	37,913	39,789	36,477	39,124

Standard Chartered PLC
Summary Analytics

	31 Mar 2019 3 Months - 1st Quarter	31 Dec 2018 Year End	31 Dec 2017 Year End	31 Dec 2016 Year End	31 Dec 2015 Year End
A. Interest Ratios					
1. Interest Income/ Average Earning Assets	2.0	3.4	2.7	2.4	2.6
2. Interest Income on Loans/ Average Gross Loans	n.a.	4.1	3.5	3.4	3.7
3. Interest Expense on Customer Deposits/ Average Customer Deposits	n.a.	1.5	1.0	0.9	0.9
4. Interest Expense/ Average Interest-bearing Liabilities	n.a.	1.6	1.1	0.9	0.9
5. Net Interest Income/ Average Earning Assets	2.0	1.7	1.5	1.5	1.7
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	2.0	1.6	1.3	1.0	0.8
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	2.0	1.7	1.5	1.4	1.7
B. Other Operating Profitability Ratios					
1. Operating Profit/ Risk Weighted Assets	2.1	1.3	1.0	0.1	(0.3)
pre-tax profut/RWA	1.9	1.0	0.9	0.2	(0.5)
2. Non-Interest Expense/ Gross Revenues	63.3	72.9	72.6	74.1	72.7
3. Loans and securities impairment charges/ Pre-impairment Op. Profit	5.5	19.0	36.4	91.8	120.3
4. Operating Profit/ Average Total Assets	0.8	0.5	0.4	0.0	(0.1)
5. Non-Interest Income/ Gross Revenues	40.4	40.3	42.6	43.1	38.1
6. Non-Interest Expense/ Average Total Assets	1.4	1.6	1.6	1.6	1.6
7. Pre-impairment Op. Profit/ Average Equity	13.4	9.5	9.6	7.9	9.9
8. Pre-impairment Op. Profit/ Average Total Assets	0.9	0.6	0.7	0.5	0.6
9. Operating Profit/ Average Equity	12.7	7.7	6.1	0.7	(2.0)
C. Other Profitability Ratios					
1. Net Income/ Average Total Equity	7.5	2.5	2.9	(0.4)	(4.9)
2. Net Income/ Average Total Assets	0.5	0.2	0.2	(0.0)	(0.3)
3. Fitch Comprehensive Income/ Average Total Equity	7.5	0.7	5.8	(3.6)	(10.1)
4. Fitch Comprehensive Income/ Average Total Assets	0.5	0.0	0.4	(0.3)	(0.7)
5. Taxes/ Pre-tax Profit	34.1	56.5	47.5	146.7	(44.2)
6. Net Income/ Risk Weighted Assets	1.2	0.4	0.5	(0.1)	(0.7)
D. Capitalization					
1. FCC/ FCC-Adjusted Risk Weighted Assets	14.5	14.7	14.2	13.5	12.9
2. Tangible Common Equity/ Tangible Assets	6.3	5.6	6.1	5.9	6.3
3. Equity/ Total Assets	6.3	6.4	6.8	6.7	7.0
4. Basel Leverage Ratio	5.1	5.2	5.7	5.7	5.5
5. Common Equity Tier 1 Capital Ratio	13.9	14.2	13.6	13.6	12.6
6. Fully Loaded Common Equity Tier 1 Capital Ratio	13.7	14.1	13.6	13.6	12.6
7. Tier 1 Capital Ratio	16.3	16.8	16.0	15.7	14.1
8. Total Capital Ratio	20.8	21.6	21.0	21.3	19.5
9. Impaired Loans less Loan Loss Allowances/ Fitch Core Capital	5.2	5.3	8.0	9.1	15.2
10. Impaired Loans less Loan Loss Allowances/ Equity	4.5	4.6	7.0	7.7	13.2
11. Cash Dividends Paid & Declared/ Net Income	n.a.	8.8	37.5	(131.9)	(25.3)
12. Risk Weighted Assets/ Total Assets	37.8	37.5	42.2	41.7	47.3
13. Risk Weighted Assets - Standardised/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.	n.a.
14. Risk Weighted Assets - Advanced Method/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.	n.a.
E. Loan Quality					
1. Impaired Loans/ Gross Loans	2.5	2.7	3.5	4.2	5.1
2. Growth of Gross Loans	4.5	1.5	9.2	(6.3)	(10.3)
3. Loan Loss Allowances/ Impaired Loans	70.4	70.7	64.2	65.6	52.9
4. Loan Impairment Charges/ Average Gross Loans	0.1	0.2	0.5	1.0	1.7
5. Growth of Total Assets	2.9	3.8	2.6	1.0	(11.8)
6. Loan Loss Allowances/ Gross Loans	1.8	1.9	2.2	2.7	2.7
7. Net Charge-offs/ Average Gross Loans	n.a.	0.8	0.8	1.0	0.6
8. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	2.5	2.7	3.5	4.2	5.1
F. Funding and Liquidity					
1. Loans/ Customer Deposits	71.4	64.9	67.7	67.6	71.9
2. Liquidity Coverage Ratio	156.3	154.0	146.0	133.0	n.a.
3. Customer Deposits/ Total Funding (including Pref. Shares & Hybrids)	90.7	72.2	71.2	69.3	70.0
4. Interbank Assets/ Interbank Liabilities	184.6	191.8	181.5	162.4	153.9
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.	n.a.
6. Growth of Total Customer Deposits	(5.0)	5.9	9.0	(0.4)	(15.1)

Standard Chartered PLC
Reference Data

	31 Mar 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015
	3 Months - 1st Quarter	Year End	Year End	Year End	Year End
	USDm	USDm	USDm	USDm	USDm
A. Off-Balance Sheet Items					
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	n.a.	n.a.	n.a.
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	n.a.	n.a.	n.a.
3. Guarantees	n.a.	36,511	31,429	32,286	29,694
4. Acceptances and documentary credits reported off-balance sheet	n.a.	3,982	5,808	4,120	4,852
5. Committed Credit Lines	n.a.	147,728	147,978	173,985	182,467
6. Other Contingent Liabilities	n.a.	5,441	6,210	6,016	n.a.
7. Other Off-Balance Sheet items	n.a.	n.a.	n.a.	6	9,891
8. Total Assets under Management	n.a.	n.a.	n.a.	54,218	57,000
B. Average Balance Sheet					
1. Average Loans	264,111	257,342	253,215	250,391	278,885
2. Average Earning Assets	457,117	512,329	546,399	542,625	566,213
3. Average Total Assets	698,818	682,936	655,944	649,388	687,118
4. Average Managed Securitized Assets (OBS)	n.a.	n.a.	n.a.	n.a.	n.a.
5. Average Interest-Bearing Liabilities	500,729	540,928	565,842	561,951	606,890
6. Average Common equity	46,967	48,438	49,230	49,464	47,848
7. Average Equity	44,272	44,868	44,485	44,518	44,491
8. Average Customer Deposits	387,869	383,335	372,905	354,150	387,370
C. Maturities					
Senior Debt Maturing < 3 months	n.a.	16,903	15,095	17,373	26,947
Senior Debt Maturing 3-12 Months	n.a.	15,217	16,529	13,710	16,493
Senior Debt Maturing 1- 5 Years	n.a.	10,251	11,685	13,804	14,506
Senior Debt Maturing > 5 Years	n.a.	11,488	10,093	7,483	10,851
Total Senior Debt on Balance Sheet	**n.a.**	**53,859**	**53,402**	**52,370**	**68,797**
Total Subordinated Debt on Balance Sheet	**n.a.**	**14,557**	**16,704**	**19,064**	**20,335**
D. Risk Weighted Assets					
1. Risk Weighted Assets	268,206	258,297	279,748	269,445	302,925
2. Fitch Core Capital Adjustments for Insurance and Securitisation Risk Weighted	n.a.	n.a.	n.a.	n.a.	n.a.
3. Fitch Core Capital Adjusted Risk Weighted Assets	**268,206**	**258,297**	**279,748**	**269,445**	**302,925**
4. Other Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.	n.a.
5. Fitch Adjusted Risk Weighted Assets	**268,206**	**258,297**	**279,748**	**269,445**	**302,925**
E. Fitch Core Capital Reconciliation					
1. Total Equity as reported (including non-controlling interests)	44,646	43,897	45,352	43,195	45,025
2. Fair-value adjustments relating to own credit risk on debt issued	(266)	(539)	(119)	(312)	(664)
3. Non-loss-absorbing non-controlling interests	0	0	0	0	0
4. Goodwill	0	3,116	3,252	3,456	3,616
5. Other intangibles	5,200	1,940	1,761	2,386	1,026
6. Deferred tax assets deduction	266	266	290	396	396
7. Net asset value of insurance subsidiaries	0	0	0	0	0
8. First loss tranches of off-balance sheet securitizations	86	123	141	168	199
9. Fund for general banking risks if not already included and readily convertible int	0	0	0	0	0
10. Fitch Core Capital	**38,828**	**37,913**	**39,789**	**36,477**	**39,124**

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.