Rating Action: Moody's affirms ratings of Standard Chartered PLC and Standard Chartered Bank

27 Feb 2019

Singapore, February 27, 2019 -- Moody's Investors Service has affirmed all the ratings of Standard Chartered PLC (SCPLC) and Standard Chartered Bank (SCB), after the announcement by Standard Chartered Group on 26 February 2019 of a group restructuring.

At the same time, Moody's has downgraded SCB's Baseline Credit Assessment (BCA) to baa2 from baa1, while affirming its adjusted BCA at baa1.

In addition, Moody's has assigned a notional BCA of baa1 to SCPLC.

The outlook on all ratings, where applicable, is stable.

A full list of the ratings affected can be found at the end of this press release.

RATINGS RATIONALE

On 26 February 2019, Standard Chartered Group (the group) announced a plan to change the legal structure of how the group is organized. SCB is currently the primary operating entity of the group, while SCPLC is the ultimate holding company of the group. Under the announced plan, Standard Chartered Bank (Hong Kong) Limited (SCBHK) will be held directly by SCPLC.

In addition, the group's subsidiaries in Korea, China and Taiwan will be restructured under SCBHK. By contrast, under the current arrangement, SCB holds all of these subsidiaries.

Notional BCA of baa1 assigned to SCPLC

The planned restructuring changes the legal structure of the group and does not cause any material changes in the underlying group operations, including how the group is managed. The notional BCA of SCPLC, which is the BCA of the group evaluated as a single consolidated entity, is therefore the same as the previously published BCA of SCB of baa1.

BCA of SCB downgraded to baa2 from baa1

Moody's has downgraded SCB's BCA by one notch to baa2 because under the proposed structure, SCBHK will no longer be jointly owned by SCB (51%) and SCPLC (49%), and will instead be fully owned by SCPLC.

SCBHK's credit profile is stronger than that of the overall group. The change in ownership structure therefore results in SCB's standalone credit profile — and in turn its BCA — becoming weaker.

On a pro forma basis, Moody's estimates that the change in ownership will weaken SCB's credit metrics. In particular, four of the five financial profile factors — asset quality, capital, profitability and funding — will be weaker.

Adjusted BCA of SCB affirmed at baa1

The adjusted BCA of SCB is affirmed at baa1, because it benefits from one notch of affiliate support from the group.

SCB, post restructuring, will continue to represent a critical part of the group, accounting for around 60% of the overall group assets. As such, Moody's expects SCB to enjoy a very high level of affiliate support, leading to a one notch uplift from its BCA.

Instruments ratings of SCPLC, and instrument ratings and CRR of SCB affirmed

The instrument level ratings of SCPLC, and the instrument level ratings and CRR of SCB are based on
Moody's Advanced Loss Given Failure (LGF) analysis.

The resolution perimeter for arriving at the ratings of SCPLC and SCB consists of the assets of SCPLC and SCB on a standalone basis.

The advanced LGF analysis factors in the forward looking issuance plan of the group, as well the downstreaming of internal loss absorbing capital to its subsidiaries.

Based on this LGF analysis, the notching output of the LGF model is in line with the current level of notching in SCPLC’s and SCB’s published ratings. With the notional adjusted BCA of SCPLC being at the same level as the current adjusted BCA of SCB, all supported ratings are affirmed at current levels.

What Could Change the Ratings Up/Down

Moody's could raise the BCA of SCPLC and SCB if the group's and bank's profitability were to significantly increase from current levels.

However, Moody's could downgrade SCPLC’s and SCB's BCA if the group's and bank's asset quality were to materially deteriorate once again. Moody's could also downgrade the BCA if profitability falls to 2016 levels, without the prospect of a swift recovery.

A change in SCPLC’s BCA would likely affect all the ratings assigned to SCB and SCPLC. In addition, Moody's could downgrade SCPLC’s senior debt ratings, and SCB's deposit and senior debt ratings if the volume of junior instruments outstanding decreases significantly, reducing the amount of loss protection available to more senior instruments.

In addition, if the proposed transaction is not completed, Moody's could upgrade SCB's BCA.

The principal methodology used in these ratings was Banks published in August 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Standard Chartered PLC (SCPLC) is a global bank headquartered in London, with total assets of $688.7 billion at 31 December 2018.

Standard Chartered Bank (SCB) is the principal operating entity of Standard Chartered PLC.

List of affected ratings/assessments:

**Standard Chartered PLC**
- Local and Foreign currency senior unsecured long-term debt affirmed at A2; outlook maintained at stable
- Foreign currency senior unsecured long-term MTN program affirmed at (P)A2
- Foreign currency senior unsecured shelf program rating affirmed at (P)A2
- Local and foreign currency subordinated debt affirmed at Baa2
- Foreign currency subordinated MTN program affirmed at (P)Baa2
- Local and foreign currency junior subordinated debt affirmed at Baa3(hyb)
- Local and foreign currency non-cumulative preference shares affirmed at Ba1(hyb)
- BCA of baa1 assigned
- Adjusted BCA of baa1 assigned
- Outlook is maintained at stable

**Standard Chartered Bank**
- BCA downgraded to baa2 from baa1
- Adjusted BCA affirmed at baa1
- Long-term CR Assessment affirmed at A1(cr)
- Local and foreign currency long-term deposits affirmed at A1; outlook maintained at stable
- Foreign currency long-term deposit notes/CD program affirmed at A1
- Local and foreign currency senior unsecured long-term debt affirmed at A1; outlook maintained at stable
- Foreign currency senior un secured long-term MTN program affirmed at (P)A1
- Foreign currency subordinated debt affirmed at Baa2
- Foreign currency subordinated MTN program affirmed at (P)Baa2
- Local currency junior subordinated debt affirmed at Baa3(hyb)
- Local and foreign currency short-term deposits affirmed at P-1
- Foreign currency short-term Deposit Note/CD program affirmed at P-1
- Foreign currency short-term MTN program affirmed at (P)P-1
- Short-term CR Assessment affirmed at P-1(cr)
- Local currency and foreign currency long-term Counterparty Risk Ratings affirmed at A1
- Local currency and foreign currency short-term Counterparty Risk Ratings affirmed at P-1
- Outlook is maintained at stable

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