



STANDARD & POOR'S RATINGS SERVICES

McGRAW HILL FINANCIAL

Ratings On Standard Chartered Entities Lowered By One Notch; Positive Outlook Reflects ALAC, Restructuring Initiatives

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Following our review of Standard Chartered group, we believe that the group's intrinsic creditworthiness has deteriorated when compared with its peers. As a result, we lowered our rating on Standard Chartered group entities, including Standard Chartered PLC (SCPLC), Standard Chartered Bank (SCB), and their subsidiaries.

HONG KONG (Standard & Poor's) March 31, 2016--Standard & Poor's Ratings Services took the following rating actions on Standard Chartered entities and, where relevant, removed the ratings from CreditWatch with negative implications where they were placed on Feb. 26, 2016.

To	From
Standard Chartered PLC (SCPLC)	
BBB+/Stable/A-2	A-/Watch Neg/A-2
Standard Chartered Bank (SCB)	
A/Positive/A-1	A+/ Watch Neg/A-1
Standard Chartered Bank (Hong Kong) Ltd. (SCBHK)	
A+/Positive/A-1	AA-/Watch Neg/A-1+
Standard Chartered Bank (China) Ltd.	
A/Positive/A-1	A+/ Watch Neg/A-1
Standard Chartered Bank Korea Ltd. (SCBK)	
A-/Positive/A-2	A/Watch Neg/A-1
Standard Chartered Bank (Taiwan) Ltd. (SCBT)	
A-/Positive/A-2	A/Watch Neg/A-1

For a full list of the rating actions, including those on national and regional scale ratings and issue credit ratings, see the Rating List below.

"We consider the Standard Chartered group's creditworthiness to have weakened considerably when compared with global peers with a similar stand-alone credit profile such as major banks in Singapore, Canada, and Australia," said Standard & Poor's credit analyst Terry Sham.

We expect the recovery in the group's performance to be protracted amid an unsupportive operating environment. We therefore lowered the unsupported group credit profile (GCP) by one notch to 'a-' from 'a', which leads to a lowering of the issuer credit ratings on SCPLC and the issue credit ratings on SCPLC 's senior unsecured issuance and the group's hybrid capital instruments. We continue to include only one notch of additional loss-absorbing capacity (ALAC) support into the supported GCP, and so lowered our ratings on most of

the group's operating companies. We lowered the ratings on SCBHK because we expect that its creditworthiness will remain closely linked to that of the wider Standard Chartered group.

We recognize the progress that management already made in 2015 and the bolstering of capitalization that is likely to prove enduring under our base case. Balance sheet strength is improving, but we do not see capitalization as a relative strength that fully offsets the pressures on the business.

We have reflected these developments through the following two adjustments to the composition of the group's unsupported GCP:

We lowered our assessment of the group's business position to adequate from strong. This acknowledges that the group is likely to retain many of its key strengths and competitive advantages, but reflects our view that the group is no longer a positive outlier in this regard.

We raised capital and earnings to strong from adequate, but lowered risk position to moderate from adequate, leading to no net change across these two factors. We now project the group's risk-adjusted capital (RAC) ratio to reach about 11% at end-2016 and to remain close to that level, from 10.4% at end-2015. However, the group's earnings are likely to remain subdued through end-2017 at least.

Standard Chartered's GCP of 'a' remains one notch higher than the unsupported GCP to reflect an uplift for ALAC, which is the buffer of instruments that resolution authorities would use through bail-in to recapitalize the bank if it fails. We expect ALAC to accrue to the benefit of senior creditors of the group's main operating companies, but not those of SCPLC--being a non-operating holding company whose senior obligations would likely not receive full and timely payment in a resolution scenario. We calculate that the group's ALAC ratio was close to 7.5% at end-2015.

Our ratings on SCBHK reflect our view of its 'a' SACP and the two notches of uplift for potential extraordinary support from the Hong Kong government. In our view, SCBHK remains the strongest of Standard Chartered's group operating companies, and we have not revised down the SACP at this stage, nor changed the support uplift. Nevertheless, while we see some differentiation in credit quality with other group companies, we have used a notch of negative adjustment to reflect our view that its creditworthiness will remain closely linked to that of the wider Standard Chartered group. As a result, SCBHK remains rated only one notch above SCB.

Standard Chartered PLC

The stable outlook acknowledges the difficult operating environment and work-in-progress nature of management's actions, but reflects our view that there are currently limited negative or positive pressures on the rating.

While unlikely at this time, we could lower the rating if we see a further weakening in the group's unsupported GCP of 'a-'. This could result from events such as: (1) a sharp adverse development in asset quality; (2) a significant weakening in the group's funding or liquidity profiles; or (3) factors that will require management to undertake a significantly more

far-reaching and substantial restructuring to restore the group's profitability.

While a remote possibility at this time, we could raise the long-term rating if we raise the unsupported GCP. We could do this, for example, if RAC improves substantially beyond our current 11% projection, leading us to conclude that the group's capitalization provides a substantial buffer against possible future losses.

Standard Chartered Bank

The positive outlook reflects our view that the group's accumulation of ALAC is likely to offer increased protection to senior unsecured creditors of the group's operating subsidiaries in the next 12-24 months.

We would likely raise our long-term ratings on SCB once the group accumulates 8.5% ALAC on a sustainable basis. An upgrade would also need to be supported by a view that a higher rating is justified in comparison with similarly highly-rated peer.

If we raised our rating on SCB, we would likely also raise the ratings on SCBC, SCBK, and SCBT, as long as we continue to believe that regulators and resolution authorities would seek to ensure that these entities' senior unsecured creditors continue to be paid on time and in full if the group fails.

We would likely revise the outlook back to stable if the group's accumulation of ALAC seems set to be delayed or fall short. This revision could also result from reduced confidence that a higher rating is justified in comparison with similarly highly-rated peers, for example due to mounting downside risks of the type envisaged under the downside scenario for SCPLC.

Standard Chartered Bank (Hong Kong) Ltd.

The positive outlook on SCBHK mirrors the outlook on SCB.

We would likely raise our long-term ratings on SCBHK if we raise our rating on SCB. This is conditional upon the sovereign rating on Hong Kong staying at 'AAA' and we continue to see a high likelihood of government support for SCBHK.

We would likely revise the outlook on SCBHK to stable, if we have a similar outlook revision on SCB. Alternatively, we could revise the outlook on SCBHK to stable if we see a reduced capacity or likelihood of government support in Hong Kong. This could happen if we lower our rating on Hong Kong, or we see the banking resolution regime in Hong Kong evolves in a way that reduces the willingness or flexibility of the government to support banks in a stressful situation.

RATINGS LIST

Downgraded; CreditWatch/Outlook Action

To

From

Standard Chartered Bank (Hong Kong) Ltd.

Counterparty Credit Rating	A+/Positive/A-1	AA-/Watch Neg/A-1+
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Standard Chartered Bank (Taiwan) Ltd.

Standard Chartered Bank Korea Ltd.

Counterparty Credit Rating	A-/Positive/A-2	A/Watch Neg/A-1
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Standard Chartered PLC

Senior Unsecured	BBB+	A-/Watch Neg
Senior Unsecured	cnA+	cnAA-/Watch Neg
Subordinated	BBB-	BBB/Watch Neg
Junior Subordinated	BB-	BB/Watch Neg
Preference Stock	BB	BB+/Watch Neg

Standard Chartered Bank

Senior Unsecured	A	A+/Watch Neg
Senior Unsecured	Ap	A+p/Watch Neg
Subordinated	BBB	BBB+/Watch Neg
Junior Subordinated	BB+	BBB-/Watch Neg
Junior Subordinated	BBB-	BBB/Watch Neg
Preferred Stock	BB+	BBB-/Watch Neg
Certificate Of Deposit	A	A+/Watch Neg

Standard Chartered Bank (Hong Kong) Ltd.

Senior Unsecured	A+	AA-/Watch Neg
Subordinated	A	A+/Watch Neg

Downgraded; CreditWatch/Outlook Action; Ratings Affirmed

To	From
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Standard Chartered PLC

Counterparty Credit Rating	BBB+/Stable/A-2	A-/Watch Neg/A-2
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Standard Chartered Bank

Standard Chartered Bank (China) Ltd.

Counterparty Credit Rating	A/Positive/A-1	A+/Watch Neg/A-1
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Standard Chartered Bank

Certificate Of Deposit	A/A-1	A+/Watch Neg/A-1
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Standard Chartered Bank (Taiwan) Ltd.

Counterparty Credit Rating		
Taiwan National Scale	twAA/Positive/ twA-1+	twAA+/Watch Neg/ twA-1+

Ratings Affirmed

Standard Chartered Bank

Certificate Of Deposit	A-1
Commercial Paper	A-1

Ratings Affirmed; CreditWatch/Outlook Action

To From

Standard Chartered Bank (China) Ltd.		
Standard Chartered Bank (Hong Kong) Ltd.		
Greater China Regional Scale	cnAAA/cnA-1+	cnAAA/Watch Neg/ cnA-1+
Standard Chartered Bank (Taiwan) Ltd.		
Greater China Regional Scale	cnAA+/cnA-1	cnAA+/Watch Neg/ cnA-1
Standard Chartered Bank		
Certificate Of Deposit	axA-1+	axA-1+/Watch Neg
Certificate Of Deposit	axAAA	axAAA/Watch Neg
Standard Chartered Bank (Hong Kong) Ltd.		
Senior Unsecured	cnAAA	cnAAA/Watch Neg
Subordinated	cnAA+	cnAA+/Watch Neg

RELATED CRITERIA AND RESEARCH

Related Criteria

[Criteria - Financial Institutions - Banks: Bank Rating Methodology And](#)

[Assumptions: Additional Loss-Absorbing Capacity](#) - April 27, 2015

[General Criteria: National And Regional Scale Credit Ratings](#) - September 22, 2014

[General Criteria: Group Rating Methodology](#) - November 19, 2013

[Criteria - Financial Institutions - Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions](#) - January 29, 2015

[Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions](#) - July 17, 2013

[Criteria - Financial Institutions - Banks: Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework](#) - June 22, 2012

[Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions](#) - November 09, 2011

[Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions](#) - November 09, 2011

[Criteria - Financial Institutions - Banks: Bank Capital Methodology And Assumptions](#) - December 06, 2010

[Criteria - Financial Institutions - Banks: Methodology For Mapping Short- And Long-Term Issuer Credit Ratings For Banks](#) - May 04, 2010

[Criteria - Financial Institutions - Banks: Commercial Paper I: Banks](#) - March 23, 2004

[General Criteria: Standard & Poor's National And Regional Scale Mapping Tables](#) - January 19, 2016

[General Criteria: Use Of CreditWatch And Outlooks](#) - September 14, 2009

Related Research

[Standard Chartered PLC And Subsidiaries Ratings On CreditWatch Negative](#)

[On Net Loss](#), Feb. 26, 2016

[U.K. Banks' Proposed Bail-In Buffers And Resolution Paths Largely Support](#)

[Our Rating Assumptions](#), Feb. 19, 2016

[What's Next In The Resolution Story For EMEA Banks?](#) Feb. 2, 2016

[Standard Chartered Bank](#), Dec. 24, 2015

[U.K. Banks Mostly Untroubled By The Latest Regulatory Stress Test And](#)

[Appear Well-Placed For Future Capital Requirements](#), Dec. 1, 2015

[Various Rating Actions On Standard Chartered PLC And Subsidiaries](#), Nov.

20, 2015

[Standard Chartered Bank \(Hong Kong\) Ltd.](#), Oct. 22, 2015

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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