Standard Chartered plc

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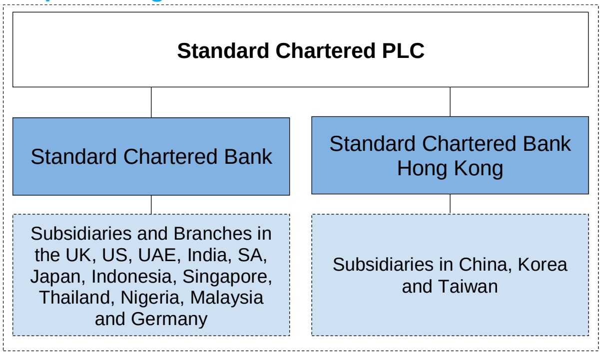
	Senior Preferred	Senior Non-Preferred	Outlook
Moody's	A2	Baa2	Stable
S&P	BBB+	BBB-	Stable
Fitch	A	BBB+	Negative

Source: Moody's, S&P and Fitch

Background and ownership

Standard Chartered PLC (SCPLC) is the holding and listed entity of the Standard Chartered Group, which offers retail and wholesale banking services across more than 59 countries in Asia, Africa and Middle East (MENA), Europe and the U.S. It has a particularly strong franchise in trade finance and cash management. Although the group's headquarters are in London, its activities are focused on Asia (72% of group revenues in 1Q21) and MENA (15%), where it has long established franchises due its roots as The Chartered Bank of India, Australia and China, and Standard Bank of British South Africa, which merged in 1969 to form Standard Chartered.

Simplified Legal Structure



Source: SC PLC

Due to its size and global presence, SCPLC is classified as a 'bucket 1' Global Systemically Important Bank (G-SIB), which requires it to maintain an additional regulatory capital buffer of 1%. The holding consolidates the two main subsidiaries: Standard Chartered Bank (SCB), which, in turn encompasses various subsidiaries and branches, including those in the UK, Germany, US, Japan, India, MENA and others; and Standard Chartered Bank Hong Kong (SCBHK), which consolidated the subsidiaries in China, Korea and Taiwan. SCB has no retail operations in the UK, unlike its regional peers, so it does not have to ring-fence any of its activities in the UK.

In 2019 the group completed an internal legal reorganisation that saw SCBHK ceasing to be a subsidiary of SCB and now fully owned by SCPLC. Group operations in China, Korea and Taiwan were moved from SCB to SCBHK, further diminishing the role of SCB within the group. The aim of the restructure was to improve the group's capital management and overall liquidity position by tapping into the group's strong funding franchise in Hong Kong. Further changes to the group structure were announced in September 2020 and became effective January 2021. They included the following:

- Private Banking and Retail Banking: The two client segments that serve individual and business banking clients have been combined to form a single **Consumer, Private & Business Banking** segment;
- Corporate & Institutional Banking and Commercial Banking: The two client segments that serve larger companies and institutions have been combined to form a single **Corporate, Commercial & Institutional Banking** segment;
- Greater China & North Asia and ASEAN & South Asia: These two regions have been combined to form a single **Asia** region;
- The group's **Financial Markets** business that serves the Corporate, Commercial & Institutional Banking segment has been expanded and reorganised to include macro trading, credit markets (credit trading, financing solutions and issuance), structured finance, financing and security services, and debit valuation adjustment (DVA). M&A advisory was transferred into the lending and portfolio management thus better integrating its capabilities across the broader coverage organisation.

SCPLC is listed in London, Hong Kong and New York, with a total market cap value of USD15.68bn as of 24 May 2021 (Price-to-Book ratio of 0.51). The current largest shareholders are the Temasek Holdings (16.37%), BlackRock (6.11%) and Vanguard Group (4.01%).

Financial strength indicators

Profitability – 2021 revenue outlook should be flat as the group only expects to see meaningful revenue growth from 2022 onwards with CAGR of 5-7%. Nevertheless, improvements against the same period last year were clearly visible in 1Q21 as Asian operations remain the group's main profitability centres. Underlying pre-tax income grew strongly in all regions with Asia up 21% yoy to USD1.2bn, Europe & Americas which has non-retail banking activities also up 131% yoy to USD233m followed by MENA at USD190m (+304% yoy). Group-wide underlying pre-tax profit rose 18% to USD1.45bn helped by credit impairment charges near zero compared to USD1bn one year ago. Despite the bank's emerging market footprint, top-line revenue performance has come under pressure with operating income falling to USD3.9bn (-9% yoy) on the back of a 10% reduction in NII, compounded by rising operating expenses of USD2.5bn (+6% yoy) due to normalising performance-based pay accruals and investments into digital transformation initiatives. SCPLC stated that for 2021 they expect to remain below USD10bn in annual expenses (FY20: USD9.8bn) and plan to achieve this by reducing office space by a third and by cutting the number of branches in the network by half to 400. These and other steps will incur a restructuring charge of USD500m, the majority of which is likely to be booked during 2021. The group's operating efficiency as measured by the cost to income ratio (excl. DVA effects) weakened slightly, standing at 63% compared to 59% one year ago.

NII was down to USD1.66bn (-10% yoy) despite a solid 9% increase in interest bearing assets over the same period. We note that NII was broadly stable over the last four quarters and SCPLC stated that it expects NIM (currently 1.22%) to also remain stable for the remainder of the year based on continued client demand, improved pricing and treasury asset tenor extensions. Income from the group's wealth management division was a bright spot, growing 21% to USD641m. The division benefitted from strong FX, equities and structured notes performance, which together were up 28% while bancassurance that makes up ~25% of total wealth management revenues continues to be affected by lower footfall but was up 3% yoy nonetheless. Financial market returns were down 14% yoy to USD1.32bn, including a reduction in debit valuation adjustments (DVA) of USD305m. Macro trading, accounting for more than half of financial market income, was down 19% yoy. The trading result were disappointing given the strong returns observed among other US and European banks. We deem a RoTE target of >7% by 2023 uninspired given the group's emerging markets focus. Although the better than expected quarterly profitability resulted in a RoTE of 10.8% (1Q20: 8.6%) we expect this to tail off as low interest rates and ongoing lockdowns in some of Standard Chartered's key markets continue to exert pressure on revenues and business activity.

SCPLC – Key Data			
Key Ratios (%)	1Q21	1Q20	1Q19
CET1	14.0	13.4	13.9
Total Capital	21.2	19.6	20.8
NPL	2.9	2.8	3.2
NPL Coverage	57.8	65.4	67.0
LCR	150	142	153
Cost to Income	63.5	54.5	63.3
Balance Sheet (USDbn)			
Total assets	805	765	709
Loans to customers	292	271	265
Customer deposits	441	422	378
Debt securities	61	55	53
Total Equity	52	50	50
Income Statement (USDbn)			
Revenues	3.9	4.3	3.8
o/w NII	1.6	1.8	1.9
Operating Expenses	2.5	2.3	2.6
Impairment charge	0.02	0.9	0.6
Net Income	1.1	0.5	0.8

Source: Company earnings reports, Bloomberg

Asset quality – The group reported total assets of USD805bn as at 1Q21, up 5.2% yoy, with customer loans accounting for 36% of the balance sheet, at USD292bn, up 7.7% yoy. The loan book is geared towards the newly created 'Asia' region (81% of total customer loans). Credit risk is well diversified by customer, industry and region. However, its higher exposure to emerging markets and presence spread out across a large number of countries makes it more exposed to operational and geopolitical risks, macroeconomic volatility, and wider FX fluctuations. We deem the outlook on the group's asset quality to be uncertain given the ongoing pandemic that saw non-performing loan volumes rise to USD9.3bn at 3Q20. Impaired loans have since subsided to USD8.7bn, translating to a NPL ratio of 2.9% (3Q20: 3.24%) and a coverage ratio of 58% at 1Q21. This is much improved on the poor asset quality displayed back in 2015 when NPLs stood at 4.8% on the back of weaker risk management and underwriting practices.

Funding & Liquidity – Standard Chartered benefits from a large customer deposit base, backed by its long established global network, and fully funding its loan book, with a loan to deposit ratio of 67.5%. Customer deposits are the primary source of funding with deposits of USD441.6bn accounting for 59% of non-equity funding. The creation of the aforementioned 'Asia' region is expected to make funding and liquidity more efficient by allowing the group to replace expensive funding from certain operating regions (e.g. Korea) with cheaper deposits from Hong Kong. Debt securities in issue amounted to USD84bn, up 16.8% yoy and add to funding diversification of the group as well as fulfil MREL requirements. SCPLC is the group's sole issuer of external MREL and it met its 2022 MREL requirement of 26.3% with eligible instruments relative to RWA of 31.3%. During 2020 SCPLC issued USD10bn in MREL eligible debt and issuance was across the capital structure including USD1bn of AT1, USD2.4bn of Tier 2 and some USD6.8bn callable senior debt. Liquidity indicators were robust with an LCR ratio of 150% (1Q20: 142%), well above minimum requirements of 100%.

Capitalisation - CET1 capital ratio was reported at 14% (1Q20: 13.4%), in line with European banking sector averages but still below direct rival HSBC that reported 15.9%. Capitalisation now remains at the upper end of the group's internal 13-14% target and comfortably meets its 9.9% regulatory capital requirements. Despite the sizeable buffer over requirements, we believe that SCPLC requires this additional capital to guard from the inherently more volatile operating regions it is active in. Recently the regulatory capital requirement was slightly reduced by 10bps as the group's Pillar2a requirement was lowered due to higher RWAs. Over the past quarter however, SCPLC saw CET1 decline by 40bps which was primarily to do with an RWA increase of USD8bn (Total: USD277bn) due to overall balance sheet growth. RWA inflation had a -50bps effect on CET1 that was only partially offset by retained earnings (+40bps). Other items such as share buybacks, fair value adjustments and FX effects also weighed down CET1 by a combined -40bps. The bank's leverage ratio remained strong at 5.1% above the minimum requirement of 3.7%.

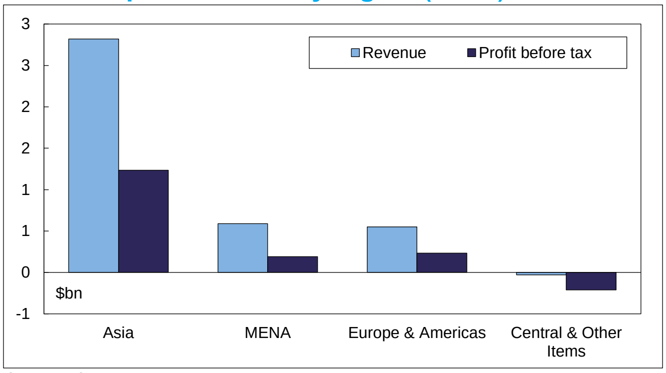
Rating agencies' views

Moody's: The rating action from December 2020 reflects the group's stabilised asset quality as legacy asset-quality issues that have been resolved. Robust capitalisation benefits from profit accretion and risk-weighted assets (RWA) optimisation. Nevertheless, Moody's expect asset quality to deteriorate and profit growth to weaken in 2020 and 2021 amid difficult operating conditions as a result of the coronavirus pandemic. At the same time, the ratings also reflect SCPLC's strong liquidity, stemming from the group's substantial proportion of short-term trade finance loans and holdings of investment-grade Treasury bills and debt securities, as well as good funding because of its access to customer deposits.

S&P: The January 2021 rating and stable outlook reflects S&P's expectation that the bank can navigate through a difficult market environment overshadowed by COVID-19, low interest rates, and trade conflicts. This, in their view, is due to group's focus since 2015 on cleaning up its balance sheet and strengthening its risk management. The assessment is also underpinned by SC PLC's strong and stable deposit base, which benefits from flight to quality in times of market stress. This was evident in March 2020 amid a liquidity crunch in markets. The group's capital is marginally strong, but S&P consider this factor in conjunction with the bank's overall risk management capabilities. The agency expects the group to maintain asset quality and credit losses that are broadly comparable to its peers that are global systematically important banks (G-SIB).

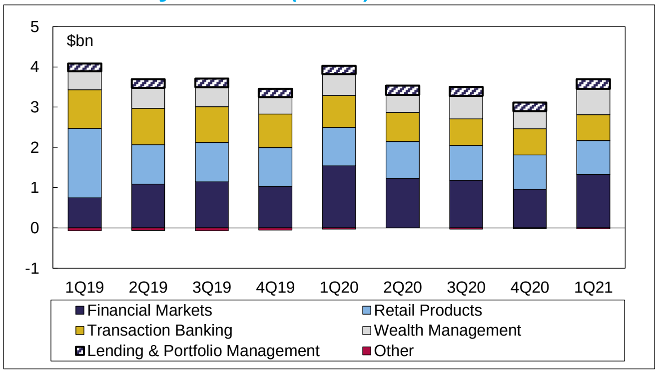
Fitch: In August 2020, Fitch affirmed the ratings of SCPLC that reflect its consolidated risk profile, which mainly consists of principal operating subsidiaries in the UK and Hong Kong. Fitch reflect the group's consolidated profile in SCB's ratings as well, as they believe that its risk profile is highly correlated with the group's, reflecting deep integration. Fitch believes that the economic fallout from the pandemic has heightened risks to the group's ratings, which is underlined in the Negative Outlook on the Long-Term IDRs. The agency believes that the group's asset quality and earnings will deteriorate, and the path to pre-pandemic targets will be delayed by a challenging economic outlook. Rating headroom is limited because the group's earnings and asset quality were lagging those of similarly rated peers pre-crisis. On the other hand, the group maintains solid capitalisation, stable funding and ample liquidity.

Financial performance by region (1Q21)



Source: Company reports

Revenues by division (1Q21)



Source: Company reports

Recent Benchmark Transactions

Issue Date	Security	Maturity/Call	Currency	Size (m)	Type	Coupon	Yield	Final Spread (bps)
16/03/2021	Sr. Unsecured (Sustainability)	4NC3	USD	500	Fixed	1.214%	1.214%	T + 88
16/03/2021	Tier 2	10.5NC5.5	EUR	1,000	Fixed	1.20%	1.238%	MS + 155
07/01/2021	RegS	4NC3	USD	1,500	Fixed	0.991%	0.991%	T + 78
07/01/2021	Sr. Unsecured	6NC5	USD	1,500	Fixed	1.456%	1.456%	T + 100
05/01/2021	AT1	PNC10	USD	1,250	Fixed	4.75%	4.75%	n.a.

Source: BondRadar

This is an issuer profile and contains factual statements only. All statements are sourced from Standard Chartered financial reports, which can be found at https://www.sc.com/en/investors/financial-results/

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In order to ensure the fairness and transparency in the markets, Credit Rating Agencies became subject to the Credit Rating Agencies' registration system based on the Financial Instruments and Exchange Act. In accordance with this Act, in soliciting customers, Financial Instruments Business Operators, etc. shall not use the credit ratings provided by unregistered Credit Rating Agencies without informing customers of the fact that those Credit Rating Agencies are not registered, and shall also inform customers of the significance and limitations of credit ratings, etc.

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Registered Credit Rating Agencies are subject to the following regulations:
1) Duty of good faith.
2) Establishment of control systems (fairness of the rating process, and prevention of conflicts of interest, etc.).
3) Prohibition of the ratings in cases where Credit Rating Agencies have a close relationship with the issuers of the financial instruments to be rated, etc.
4) Duty to disclose information (preparation and publication of rating policies, etc. and public disclosure of explanatory documents).

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■ Credit Rating Agencies

[Standard & Poor's]

The Name of the Credit Rating Agencies group, etc

The name of the Credit Rating Agencies group: S&P Global Ratings ("Standard & Poor's")
The name and registration number of the Registered Credit Rating Agency in the group: S&P Global Ratings Japan Inc. (FSA commissioner (Rating) No.5)

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Credit ratings assigned by Standard & Poor's are statements of opinion on the future credit quality of specific issuers or issues as of the date they are expressed and they are not indexes which show the probability of the occurrence of the failure to pay by the issuer or a specific debt and do not guarantee creditworthiness. Credit ratings are not a recommendation to purchase, sell or hold any securities, or a statement of market liquidity or prices in the secondary market of any issues.

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[Moody's]

The Name of the Credit Rating Agencies Group, etc

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The name and registration number of the Registered Credit Rating Agency in the group: Moody's Japan K.K. (FSA commissioner (Rating) No.2)

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The information is posted under "Unregistered Rating explanation" in the section on "The use of Ratings of Unregistered Agencies" on the website of Moody's Japan K.K. (The website can be viewed after clicking on "Credit Rating Business" on the Japanese version of Moody's website (https://www.moodys.com/pages/default_ja.aspx)

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[Fitch]

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February 2020

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Daiwa Securities Co. Ltd. and Daiwa Securities Group Inc.: Daiwa Securities Co. Ltd. is a subsidiary of Daiwa Securities Group Inc.

Other Disclosures Concerning Individual Issues:
1) As of 26 April 2016, Daiwa Securities Co. Ltd., its parent company Daiwa Securities Group Inc., GMO Financial Holdings, Inc., and its subsidiary GMO CLICK Securities, Inc. concluded a basic agreement for the establishment of a business alliance between the four companies.
As of end-December 2017, Daiwa Securities Group Inc. owned shares in GMO Financial Holdings, Inc. equivalent to approximately 9.3% of the latter's outstanding shares. Given future developments in and benefits from the prospective business alliance, Daiwa Securities Group Inc. could boost its stake in GMO Financial Holdings, Inc. to up to 20% of outstanding shares.

2) Daiwa Real Estate Asset Management is a subsidiary of Daiwa Securities Group Inc. and serves as the asset management company for the following J-REITS: Daiwa Office Investment Corporation (8976), Daiwa Securities Living Investment Corporation (8986).

3) Samty Residential Investment became a consolidated subsidiary of Daiwa Securities Group Inc. effective 10 September 2019.

4) On 30 May 2019, Daiwa Securities Group Inc. formalized an equity/business alliance with Samty, and as of 14 June 2019 it owned 16.95% of shares outstanding in Samty along with convertible bonds with a par value of Y10bn. Conversion of all of said convertible bonds into common shares would bring the stake of Daiwa Securities Group Inc. in Samty to 27.28%.

5) Daiwa Securities Group Inc. and Credit Saison Co., Ltd. entered into a capital and business alliance, effective 5 September 2019. In line with this alliance, Daiwa Securities Group Inc. is to acquire up to 5.01% of Credit Saison's total common shares outstanding (excl. treasury shares; as of 31 Jul 2019).

Notification items pursuant to Article 37 of the Financial Instruments and Exchange Law
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If you decide to enter into a business arrangement with our company based on the information described in this report, we ask you to pay close attention to the following items.

- In addition to the purchase price of a financial instrument, our company will collect a trading commission* for each transaction as agreed beforehand with you. Since commissions may be included in the purchase price or may not be charged for certain transactions, we recommend that you confirm the commission for each transaction. In some cases, our company also may charge a maximum of ¥2 million per year as a standing proxy fee for our deposit of your securities, if you are a non-resident.
- For derivative and margin transactions etc., our company may require collateral or margin requirements in accordance with an agreement made beforehand with you. Ordinarily in such cases, the amount of the transaction will be in excess of the required collateral or margin requirements**.
- There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
- There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by our company.
- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.

* The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.
** The ratio of margin requirements etc. to the amount of the transaction cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

When making an actual transaction, please be sure to carefully read the materials presented to you prior to the execution of agreement, and to take responsibility for your own decisions regarding the signing of the agreement with our company.

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Memberships: Japan Securities Dealers Association, The Financial Futures Association of Japan, Japan Investment Advisers Association, Type II Financial Instruments Firms Association