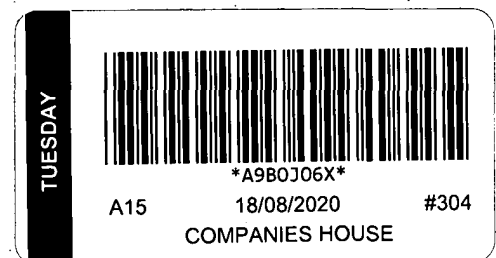


Standard Chartered NEA Limited

Strategic Report, Directors' Report and Financial Statements

For the year ended 31 December 2019

Registered Number: 05345091



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Strategic Report

Principal objectives and strategies

The principal activity of Standard Chartered NEA Limited (the "Company") throughout the year was that of a holding company. Given the nature of business conducted by the Company, the key performance indicator used by management in assessing the performance of the Company is the monitoring of the net return on the specific underlying investment which the Company has entered into. Monthly management accounts are prepared and reviewed by the management of the Standard Chartered business in which this Company resides. The Company forms part of the Standard Chartered Group ("the Group") and this is not expected to change in the foreseeable future.

Economic environment

The Company has a significant investment in Korea and during the year invested in Taiwan. In 2019, the Group's performance in Korea decreased compared to 2018. Despite revenue improvement, from retail banking and corporate and institutional banking, cost and loan impairment has increased. Increased loan impairment was driven by large provisioning for commercial banking clients and lower recovery from retail banking, partly offset by sale of non performing assets. The Group delivered a solid performance in Taiwan, despite the macroeconomic uncertainties and volatile geopolitical climate. This was mainly due to strong growth in Retail Banking and costs being broadly flat compared to the previous year.

Principal risks and uncertainties

The nature of business of the Company is that of a holding company and not of trading, therefore the principal risk facing the entity is that of a fall in value of the underlying investment and dividend remittance restrictions in the jurisdiction in which the Company's subsidiary operates. This risk can be mitigated by creating structures whereby companies experiencing such restrictions are transferred to other companies within the Group.

Business review

The Company reported a profit after tax of \$510.5 million (2018: \$109.9 million).

During the year, the Company received from its subsidiary, Standard Chartered Bank Korea Limited, gross dividend of \$541.7 million (2018: \$116.9 million) and paid out \$521.0 million (2018: \$110 million) dividend to its parent at the time, Standard Chartered Bank.

On 1 October 2019, the Company was sold to Standard Chartered Bank (Hong Kong) Limited (SCB Hong Kong). On the same day, SCB Hong Kong injected an additional \$1,593.9 million into the Company which the Company used to acquire Standard Chartered Bank (Taiwan) Limited from Standard Chartered Bank.

The Finance Act (No. 2) 2015 introduced a surcharge of 8% on the profits of banking companies from 1 January 2016. As a result, interest is applied to all intercompany balances due to and from Standard Chartered Bank ("SCB"). SCB paid the Company interest income of \$3.4 million (2018: \$2.4 million) on the cash balance deposited with SCB.

S.172(1) Statement

During the year the Company was involved in Standard Chartered PLC's strategy to restructure a number of its subsidiary undertakings to constitute a separate Greater China Northeast Asia hub ("GCNA Hub") under Standard Chartered Bank (Hong Kong) Limited (the "Restructuring"). As part of the Restructuring and given the role of the Company as the holding company of Standard Chartered Bank Korea Limited, the Court of Standard Chartered Bank transferred the Company's entire issued share capital consisting of 2,611,280,281 shares to Standard Chartered Bank (Hong Kong) Limited.

Subsequent to this, the Board made the key principle decision in furtherance of the Restructuring to purchase the entire share capital consisting of 2,910,571,976 shares held in Standard Chartered Bank (Taiwan) Limited from Standard Chartered Bank to create the GCNA Hub. These decisions followed extensive internal feasibility reviews and a comprehensive review of the Company's financial position as well as Group wide approval (including approval by its parent) and approvals from the relevant regulators. A hedging strategy was also implemented as, following the restructuring, the Company was open to increased foreign exchange volatility on its capital ratios. After due and careful consideration of the interests of the Company, as a holding company, having regard to the interests of its parent and ultimate parent, the Board approved the purchase of Standard Chartered Bank (Taiwan) Limited in recognition of the benefit to the liquidity position of both the Company and the Group as a whole.

Strategic Report (continued)

Employees

The Company has no employees (2018: nil).

By order of the board



P S Chambers
Director
Company registration number - 05345091
Date: 24 April 2020

1 Basinghall Avenue
London
EC2V 5DD
UK

Directors' Report

The Directors present their report together with the Company's Financial Statements for the year ended 31 December 2019.

Financial instruments

Financial instruments entered into during the year comprised of investment, amounts due to and due from group companies and derivative financial instruments. Refer to note 9.

Results and dividends

The results of the Company are set out from pages 9 to 12.

The Company paid a dividend of \$521 million to its parent company before its sale, Standard Chartered Bank (2018: \$110 million).

Creditor payment policy

The Company is a holding company and does not trade. Therefore it is not considered meaningful to give average supplier payment terms.

Going concern

Having made appropriate enquiries, including consideration of the potential impacts of the novel coronavirus (COVID 19), we consider that the Company has adequate resources to continue in operation for the foreseeable future and therefore continued to adopt the going concern basis in preparing the Financial Statements. The directors have assessed that the potential impacts of the novel coronavirus (COVID 19) do not affect the Company's ability to continue as a going concern.

Directors

The Directors who held office during the year and through to the date of this report were as follows:

P S Chambers
C J Daniels
S S Rai, alternate director to C J Daniels
G J Powell, appointed on 1 October 2019
S W Gardiner, appointed on 1 October 2019

Qualifying third party indemnities

There are no qualifying third party indemnities in force at the time of this report.

Employees

Please refer to strategic report on page 2.

Risk management

The risk management objectives of the Company are set out in note 13.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report and Financial Statements confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post Balance Sheet Events

On 30 March 2020, Standard Chartered Bank Korea Limited declared a dividend of KRW 155 billion (\$127 million) to the Company. This was paid on 1 April 2020 after deducting Korean withholding tax of 5% of KRW 7.8 billion (\$6 million) and, since the dividend was anticipated at Balance Sheet date, the tax has been reflected as a deferred tax liability in the Financial Statements for the year ended 31 December 2019.

Subsequent to the year end, the investments in Standard Chartered Bank Korea Limited and Standard Chartered Bank (Taiwan) Limited were assessed for the impact of the changing market conditions resulting from the COVID 19 outbreak. Please refer to note 10.

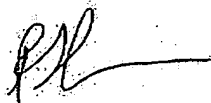
Directors' Report (continued)

Auditor

Pursuant to section 487 of the Companies Act 2006, KPMG LLP will cease to be the auditor for the company.

On 9 November 2017, the Group announced its intention to appoint Ernst & Young LLP ("EY") as auditor. EY will become the Group auditor and therefore the Company's statutory auditor for the year ending 31 December 2020.

By order of the board:



P S Chambers
Director
Company registration number - 05345091
Date: 24 April 2020

1 Basinghall Avenue
London
EC2V 5DD
UK

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the members of Standard Chartered NEA Limited

Opinion

We have audited the financial statements of Standard Chartered NEA Limited ("the Company") for the year ended 31 December 2019 which comprise the Income Statement, Statements of Financial Position, Changes in Equity and Cash Flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Strategic report and Directors' report

The directors are responsible for the Strategic report and the Director's report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Director's report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Director's report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

We have nothing to report in these respects.

Independent Auditor's Report to the members of Standard Chartered NEA Limited

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view, such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

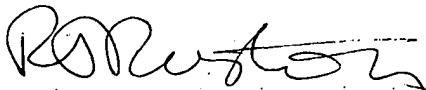
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Richard Rawstron (Senior statutory auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London E14 5GL
Date: 24 April 2020

Income Statement

for the year ended 31 December 2019

	Note	2019 \$000	2018 \$000
Interest income	4	3,417	2,429
Interest expense	4	(3,024)	(3,188)
Dividend income		541,676	116,921
Other operating income	5	7,659	95
Operating profit		549,728	116,257
Profit before taxation		549,728	116,257
Tax charge	6	(39,202)	(6,340)
Profit for the year		510,526	109,917

Profit for the year is attributable to the equity shareholders and relates to continuing operations.

The Company had no comprehensive income for the year ended 31 December 2019 and 31 December 2018 other than the profit for the year. A separate statement of other comprehensive income has therefore not been prepared.

The notes on pages 13 to 22 form part of the Financial Statements.

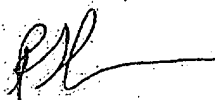
Statement of Financial Position

as at 31 December 2019

	Note	2019 \$000	2018 \$000
Non-current assets			
Investments in subsidiaries	10	4,266,840	2,589,801
Current assets			
Amounts owed by group companies	12	101,326	107,585
Corporation tax receivable		-	2,778
Other debtors	7	172,743	179,033
Total assets		4,540,909	2,879,197
Current liabilities			
Demand loans owed to group companies	12	172,743	179,033
Accrued interest payable to group companies		1,695	2,137
Amounts owed to group undertakings		25,802	-
Corporation tax payable		1,303	-
Derivative financial instruments	9	49,891	-
Non-current liabilities			
Deferred tax		13,055	5,018
Total liabilities		264,489	186,188
Equity			
Share capital	8	4,205,165	2,611,280
Retained earnings		71,255	81,729
Total equity		4,276,420	2,693,009
Total equity and liabilities		4,540,909	2,879,197

The notes on pages 13 to 22 form part of the Financial Statements.

These Financial Statements were approved by the Board of Directors on 24 April 2020, and were signed on its behalf by:



P S Chambers
Director
London
24 April 2020

Statement of Changes in Equity

for the year ended 31 December 2019

	Share capital \$000	Retained earnings \$000	Total equity \$000
Balance at 1 January 2018	2,611,280	81,812	2,693,092
Profit for the year	-	109,917	109,917
Dividend paid	-	(110,000)	(110,000)
Balance at 31 December 2018 / 1 January 2019	2,611,280	81,729	2,693,009
Profit for the year	-	510,526	510,526
Dividend paid	-	(521,000)	(521,000)
Shares issued in year	1,593,885	-	1,593,885
Balance at 31 December 2019	4,205,165	71,255	4,276,420

The notes on pages 13 to 22 form part of the Financial Statements.

Statement of Cash Flows

for the year ended 31 December 2019

	Note	2019 \$000	2018 \$000
Cash flows from operating activities			
Profit before tax		549,728	116,257
Adjustment for items not involving the movement of funds			
FX translation on intercompany loan due to group companies		(6,289)	(7,572)
Loss on derivative contracts		75,693	-
Change in fair value hedge		(83,154)	-
FX translation on other debtors		6,289	7,572
Change in accruals		(442)	200
Overseas tax and Group tax relief settled		(27,084)	(603)
Net cash from operating activities		514,741	115,854
Cash flows from investing activities			
Acquisition of investment in subsidiaries	10	(1,593,885)	-
Net cash used in investing activities		(1,593,885)	-
Cash flows from financing activities			
Dividend paid		(521,000)	(110,000)
Shares issued in year	8	1,593,885	-
Net cash from/ (used in) financing activities		1,072,885	(110,000)
Net cash (decrease)/increase in cash and cash equivalents		(6,259)	5,854
Cash and cash equivalents at beginning of year		107,585	101,731
Cash and cash equivalents at end of year	11	101,326	107,585

The notes on pages 13 to 22 form part of the Financial Statements.

Notes to the Financial Statements

for the year ended 31 December 2019

1. Principal accounting policies

Statement of compliance

The Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) Interpretations as adopted by the European Union (EU) (together 'adopted IFRS').

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated group accounts. These Financial Statements present information about the Company as an individual undertaking and not of its group.

Basis of preparation

At 31 December 2019, the Company had adopted all IFRS and interpretations that had been issued by the International Accounting Standards Board (IASB) and IFRIC, and endorsed by the EU. The accounting policies set out below have been applied consistently across the Company and to all periods presented in these Financial Statements. The Company Financial Statements have been prepared on an historical cost basis.

The directors have made an assessment covering a period of at least 12 months from the date of approval of these financial statements which indicates that, taking account of reasonably possible downsides, the Company has adequate resources to meet its liabilities as they fall due for that period. In preparing this assessment, the directors have considered the current economic uncertainty, in particular the effects of the novel coronavirus (COVID 19) outbreak. The directors do not expect the uncertainty to impact the Company's ability to meet its liabilities.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Functional currency

Items included in the Company Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency of that entity). The Company's functional and presentational currency is the United States Dollar (USD or \$). All financial information presented in USD has been rounded to the nearest thousand, except when otherwise indicated.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary transactions are translated at historical exchange rates.

Investments

Investment in subsidiary undertakings are stated at cost less impairment and dividends from pre-acquisition profits received prior to 1 January 2010, if any. Where the investment in subsidiary is the hedged item in a qualifying fair value hedge relationship, its carrying value is adjusted by the fair value gain or loss attributable to the hedged foreign currency risk.

Subsidiaries are all entities, including structured entities, which the Company controls. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee.

Business combinations

The Group has a policy choice to apply in stand alone accounts of its subsidiaries when accounting for the sale or transfer of investments in consolidated subsidiaries under common control. The Group can either account for the transferred investment at book value (cost) or at fair value (acquisition accounting under IFRS 3- Business Combinations). The Group has chosen to account for its investments in consolidated subsidiaries transferred under common control in the books of the transferee at fair value and this is applied consistently in all standalone entities within the Group.

As a result of this, SC NEA purchased Standard Chartered Bank (Taiwan) Limited from Standard Chartered Bank at fair value.

Dividends

Dividends paid on the Company's ordinary equity shares are recognised in the period in which they are declared.

Dividends received on equity instruments are recognised in the income statement when the Company's right to receive payment is established.

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

1. Principal accounting policies (continued)

Interest income and expense

Interest income and expense is recognised in the income statement using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Expense recharges

Costs and expenses which are incurred in respect of the corporate governance of the Company are recharged by Standard Chartered Group on a cost basis.

Estimates and assumptions

The preparation of the Financial Statements requires management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences. There are no key assumptions concerning the future, or other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. For assets other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Taxation

Income tax on profit or loss for the year comprises current and deferred tax and is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances callable on demand or with less than three months maturity from the date of acquisition, including cash and balances with Standard Chartered Bank.

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

1. Principal accounting policies (continued)

Derivative financial instruments

Derivative contracts are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at their fair value. Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of derivatives are recorded in the income statement.

Derivatives held for hedging

Hedge accounting

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

- a) Hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge)
- b) Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge)
- c) Hedges of the net investment of a foreign operation (net investment hedges)

Hedge accounting is used for derivatives designated in this way, provided certain criteria are met. The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Expected effectiveness should be close to 100 per cent and actual results of the hedge using regression analysis, are expected to be within a range of 80-125 per cent.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the income statement, within trading income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity or derecognition.

Recently issued accounting pronouncements

The pronouncements issued and have effective dates for periods beginning after 31 December 2019, have been assessed by the Company; none of these pronouncements are expected to result in any adjustments to the Financial Statements.

2. Auditor's remuneration

The auditor's remuneration of \$22,959 (2018: \$11,621) was borne by the Company.

3. Directors' emoluments

None of the Directors or officers received any fees or emoluments in respect of qualifying services to the Company during the year (2018: nil).

4. Financial income and expense

	2019 \$000	2018 \$000
Interest income from Standard Chartered Bank	3,417	2,429
Interest income	3,417	2,429
Interest expense to Standard Chartered Bank	(3,024)	(3,188)
Interest expense	(3,024)	(3,188)

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

5. Other operating income

	2019 \$000	2018 \$000
Realised loss on Derivatives contract	(25,802)	-
Unrealised loss on Derivatives contracts	(49,891)	-
Foreign exchange gain	230	124
Fair value gain attributable to the hedged foreign currency risk on investments	83,154	-
Other expenses	(32)	(29)
Other operating income	7,659	95

6. Taxation

Analysis of taxation charge for the year

	2019 \$000	2018 \$000
The charge for taxation based upon the profit for the year comprises:		
Current tax:		
United Kingdom corporation tax at 19% (2018: 19%)		
Current tax on income for the year	95	1,313
Adjustments in respect of prior years	3,986	-
Overseas tax:		
Current tax on income for the year	27,084	5,846
Deferred tax:		
Origination/(reversal) of temporary differences	6,354	(819)
Adjustments in respect of prior periods	1,683	-
Tax charge on profit on ordinary activities	39,202	6,340

Explanation of the relationship between tax charge and accounting profit

	2019 \$000	2018 \$000
Profit on ordinary activities before taxation	549,728	116,257
Tax charge at 19% (2018: 19%)	104,448	22,089
Effects of:		
Disallowed expenses	1,195	1,439
Overseas tax on unremitted earnings	35,121	5,027
Non-taxable dividend income	(102,918)	(22,215)
Utilisation of unrecognised brought forward losses	(1,213)	-
Adjustments in respect of prior periods	3,986	-
Non-taxable fair value gain attributable to the hedged foreign currency risk on investments	(15,799)	-
Non-deductible fair value loss on foreign currency derivatives hedging investments	14,382	-
Tax charge on profit on ordinary activities	39,202	6,340

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

6. Taxation (continued)

The UK corporation tax rate is 19% for the years ended 31 December 2019 and 31 December 2018. A reduction in the rate from 19% to 17% was substantively enacted on 6 September 2016 by the Finance Act 2016, effective from 1 April 2020. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020.

Deferred tax

The following are the major deferred tax liabilities recognised by the Company

	2019 \$000	2018 \$000
Withholding tax on unremitted earnings from overseas subsidiaries	13,055	5,018
At 31 December	13,055	5,018

The movement in net deferred tax liability comprises:

	2019 \$000	2018 \$000
At 1 January	5,018	5,837
Charge/(credit) to income statement	6,354	(819)
Prior year adjustment	1,683	-
At 31 December	13,055	5,018

The company has provided deferred tax on the withholding tax expected to arise on unremitted earnings from overseas subsidiaries on the basis that a dividend of KRW 155 billion (\$134 million using the 31 December 2019 exchange rate of 1156.5) will be paid on 1 April 2020 and a dividend of TWD 1.9 billion (\$64 million using the 31 December 2019 exchange rate of 30.1) will be paid on June 2020. Accordingly, the earnings are expected to be remitted in the foreseeable future. The deferred tax liability is reached by applying the expected withholding tax rates of 5% for Korea and 10% for Taiwan to these dividends.

In 2019, the Company has not provided for a deferred tax liability on the withholding tax arising on unremitted earnings from overseas subsidiaries of \$1,002 million (2018: \$1,083 million) as, at the Balance Sheet date, it is not anticipated these profits will be remitted in the foreseeable future.

Current liabilities

	2019 \$000	2018 \$000
Corporation tax (payable)/receivable through group relief to group undertaking	1,303	2,778

7. Other debtors

	2019 \$000	2018 \$000
Other debtors	172,743	179,033

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

7. Other debtors (continued)

During April and May 2015, the Company paid KRW 199.8 billion in corporate income tax and local income surtax to the Korean tax authorities. Based on external legal advice, the Directors are confident that the Company will recover this amount through ongoing litigation with the Korean Tax Authorities. The amount of KRW 199.8 billion (equivalent to \$172.7 million at 31 December 2019 and \$179.0 million at 31 December 2018) has therefore, been recognised as other debtors.

8. Called up share capital

Following the amendment to corporate law in the UK through the companies Act, 2006, the Company has amended its Articles of Association to remove the provision for authorised share capital.

	2019 \$000	2018 \$000
Issued and fully paid		
4,205,165,153 (2018: 2,611,280,281) Ordinary shares of US \$1.00 each	4,205,165	2,611,280

During the year, the Company received \$1,593.9 million capital injection from its parent, Standard Chartered Bank (Hong Kong) Limited which it used to acquire Standard Chartered Bank (Taiwan) Limited from Standard Chartered Bank.

9. Derivative financial instruments

The Company primarily uses derivatives to hedge certain risks exposures. In 2019, the company entered into non-deliverable USD KRW and USD TWD forward contracts to hedge the FX risks associated with its investments in Korea and Taiwan.

The table analyses the notional principal amounts and the positive and negative fair values of the Company's derivative financial instruments. Notional principal amounts are the amount of the principal underlying contract at the reporting date.

	Notional principal amounts \$000	Liabilities \$000
Hedging instruments		
Derivatives designated as fair value hedges	2,225,923	49,891

All the derivatives detailed above are categorised as Level 2 instruments as they are valued using directly or indirectly observable inputs.

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

10. Investment in subsidiaries

	2019 \$000	2018 \$000
Cost at 1 January	4,583,801	4,583,801
Additions	1,593,885	-
Cost at 31 December	6,177,686	4,583,801
Impairment at 1 January and as at 31 December	(1,994,000)	(1,994,000)
Net book value 31 December	4,183,686	2,589,801
Adjusted net book value at 31 December*	4,266,840	2,589,801

* Book value adjusted by the fair value hedge adjustment attributable to the foreign currency risk of \$83.1 million for the balance as on 31 December 2019.

On 1 October 2019, the Company acquired 2,910,571,976 shares of Standard Chartered Bank (Taiwan) Limited at TWD10.00 each from Standard Chartered Bank at \$1,593.9 million.

The Company has not recognised additional impairment charges against the investment in subsidiaries for the year. The recoverable amounts of Standard Chartered Bank Korea Limited ("SCBK") and Standard Chartered Bank (Taiwan) Limited ("SCBT") are measured based on value-in-use ("ViU"). ViU is calculated using five-year cash flow projections and an estimated terminal value based on a perpetuity value after year five. The cash flow projections are based on forecasts approved by management up to 2024 and based on assumption and information available as at the balance sheet date. The perpetuity terminal value amount is calculated using year five cash flows using long-term growth rates. All cash flows are discounted using a post-tax discount rate which reflect risk premiums and rates of returns appropriate to the environment in which the subsidiary operates.

	Standard Chartered Bank Korea Limited	Standard Chartered Bank (Taiwan) Limited
Value in Use	\$2,779 million (2018: \$3,327 million)	\$2,029 million
Headroom	\$189 million (2018: \$737 million)	\$436 million
Local risk free pre-tax discount rate adjusted for equity premium	15.47% (2018: 15.15%)	13.17%
Average long-term GDP growth rate	2.73% (2018: 3.01%)	2.05%

The Company has performed sensitivity analysis on the key assumptions for each investment's recoverable amount. The following investments are considered sensitive to the key variables and any individual movements on the estimates (cashflow, discount rate and GDP growth rate) up to the levels disclosed below would eliminate the current headroom.

	Standard Chartered Bank Korea Limited	Standard Chartered Bank (Taiwan) Limited
Cash flow reduction per cent	6.83% (2018: 22.15%)	21.50%
Discount rate increase percent	0.87% (2018: 3.14%)	2.79%
GDP growth rate decline percent	0.98% (2018: 3.80%)	3.50%

Subsequent to the year end, the investments in SCBK and SCBT were assessed for the impact of the changing market conditions resulting from the COVID 19 outbreak. The assessment of the investment in SCBK results in a significant reduction of the headroom which might result in an impairment of the investment estimated at \$370 million. The assessment of the investment in SCBT also results in a significant reduction of the headroom. However, this does not result in an impairment in the investment.

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

10: Investment in subsidiaries (continued)

The subsidiary undertakings of the Company are as follows:

Investment	Place of incorporation	Type of holding	% Holding		Principal activity
			2019	2018	
Standard Chartered Bank Korea Limited	Korea	Direct	100	100	Banking
Standard Chartered Bank (Taiwan) Limited	Taiwan	Direct	100	-	Commercial banking, securities firm and insurance agent

11. Cash and cash equivalents

	2019 \$000	2018 \$000
Amounts owed by Standard Chartered Bank	101,326	107,585

12. Related parties

Directors and officers

None of the Directors or officers received any fees or emoluments from the Company during the year (2018: nil).

Company

	2019 \$000	2018 \$000
Assets		
Amounts due from Standard Chartered Bank	101,326	107,585
Total	101,326	107,585

Liabilities

Amounts due to Standard Chartered Bank - non-interest bearing	(25,802)	-
Amounts due to Standard Chartered Bank- interest bearing loans	(172,743)	(179,033)
Derivative financial instruments	(49,891)	-
Total	(248,436)	(179,033)

Prior to 1 October 2019, the Company was a wholly owned subsidiary of Standard Chartered Bank. On 1 October 2019, the Company was sold to Standard Chartered Bank (Hong Kong) Limited ("SCB Hong Kong"). On the same day, SCB Hong Kong injected additional \$1,593.9 million in the Company which the Company used to acquire Standard Chartered Bank (Taiwan) Limited from Standard Chartered Bank.

During the year, the Company entered into non-deliverable forward contracts with Standard Chartered Bank in respect of South Korean Won/USD and Taiwan Dollar/USD.

The Company has an interest bearing current account owed by Standard Chartered Bank of \$101 million (2018: \$108 million).

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

12. Related parties (continued)

In accordance to the UK Company accounts guidance, the Company, not being a large sized entity, has opted for exemption from related party transactions disclosure.

Related undertakings of the Company Subsidiaries

Name and registered address	Country of Incorporation	Type of Holding	Proportion of shares held (%)
Standard Chartered Bank Korea Limited 2F 47 Jongno, Jongno-gu, Seoul, 110-702, Republic of Korea.	Republic of Korea	Direct	100
Standard Chartered Bank (Taiwan) Limited 1, 2, 4, 7, 9, 10F, No. 168/170 & 8F, 12F, No.168 Tun-Hwa N. Rd., Songshan Dist. Taipei 105 Taiwan	Taiwan	Direct	100
Standard Chartered Securities Korea Limited 2F 47 Jongno, Jongno-gu, Seoul, 110-702, Republic of Korea.	Republic of Korea	Indirect	100

Significant investment holdings

Name and registered address	Country of Incorporation	Type of Holding	Proportion of shares held (%)
Daiyang Metal Company Ltd.* 146-8 Chusa-ro Sinam-myeon, Yesan-gun Chungnam, Republic of Korea	Republic of Korea	Indirect	

*A 23.1% indirect holding in Daiyang Metal Company Ltd was divested on 31 December 2019.

13. Risk management

(a) Credit risk

Credit risk arises from the possibility that the counterparty in a transaction may default. The Company's credit risk is primarily attributable to amounts due from other Group undertakings. Standard Chartered Group has policies and procedures in place to manage risk so that the credit risk from amounts owed by Group undertakings is not considered significant.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risk is mitigated as both investing and funding decisions are within the control of the ultimate parent undertaking.

(c) Foreign currency risk

Foreign currency risk is the risk of a loss from assets or liabilities denoted in a foreign currency. The Company's investments are predominantly denominated in USD, in addition the Company enters into non-deliverable forward contracts to hedge foreign currency risk in Korea and Taiwan.

(d) Market risk

Market risk is the exposure created by potential changes in market prices and rates. The Company is not exposed to any significant market risk. The Company has no significant exposures as its transactions and balances are confined within the group.

14. Capital Management

The Company's primary objective in respect of capital management is to ensure that it has sufficient capital now and in the future to support the risks in the business.

The Company is not subject to externally imposed capital requirements in either the current year or the prior year, other than the minimum share capital required by the Companies Act with which it complies. The Company manages its ordinary share capital in order that there is sufficient capital, in the opinion of the directors, to support the transactions and level of business undertaken by the Company.

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

15. Ultimate holding and parent undertaking of larger group

The Company is a subsidiary undertaking of Standard Chartered Bank (Hong Kong) Limited a company incorporated in Hong Kong. The smallest group in which the results of the Company are consolidated is that headed by Standard Chartered Bank (Hong Kong) Limited. The ultimate holding company is Standard Chartered PLC registered in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by Standard Chartered PLC. The consolidated Financial Statements of this company are available to the public and may be obtained from the Company Secretary at 1 Basinghall Avenue, London, EC2V 5DD.

16. Post balance sheet events

On 30 March 2020, Standard Chartered Bank Korea Limited declared a dividend of KRW 155 billion (\$127 million) to the Company. This was paid on 1 April 2020 after deducting Korean withholding tax of 5% of KRW 7.8 billion (\$6 million) and, since the dividend was anticipated at Balance Sheet date, the tax has been reflected as a deferred tax liability in the Financial Statements for the year ended 31 December 2019.

Subsequent to the year end, the investments in Standard Chartered Bank Korea Limited and Standard Chartered Bank (Taiwan) Limited were assessed for the impact of the changing market conditions resulting from the COVID 19 outbreak. Please refer to note 10.