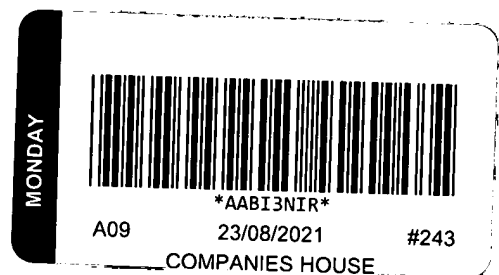


# **Standard Chartered NEA Limited**

## **Strategic Report, Directors' Report and Financial Statements**

**For the year ended 31 December 2020**

**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. Quarterly 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 significant investments in Korea and Taiwan. Korea's performance has improved in 2020 compared to 2019 despite unprecedented shock from COVID-19 pandemic. Strong performance in Financial Markets trading & Wealth Management and disciplined cost management contributed to strong full year results, partly offset by loan impairment increase due to increasing credit concerns amidst COVID-19 driven economy slowdown.

Taiwan delivered a moderate performance in 2020 with net income after tax slightly dropped 5% versus last year, despite the COVID-19 ravage and rate cut compression. Net revenue was down 7% in 2020 year-on-year, mainly due to the fluctuation of interest rate and exchange rate resulting the significant reduction of gains on financial assets or liabilities at fair value through profit and loss, but partially mitigated by funding cost optimisation, strong lending quality control and operating expenses discipline. Driving the interest expenses and operating expenses largely reduced by 49% and 3% respectively. Taiwan will continue to focus on process optimization, product innovation, branch network and trying to diversify income sources to capitalize on economic recovery and produce sustainable long term returns.

## 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 subsidiaries 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 \$227.7 million (2019: \$510.5 million).

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.

In 2020, the Company recovered KRW 181.6 billion (USD 185.1 million) against an outstanding tax refund due from Korean tax authorities. This includes an interest income of KRW 19.4 billion (equivalent to USD 17.9 million). The remaining amount of KRW 18.2 billion (equivalent to USD 16.7 million at 31 December 2020) has been recognised as other debtors (2019: KRW 199.8 billion, USD 172.7 million).

During the year, the Company received from its subsidiaries, gross dividends of \$191.3 million (2019: \$541.7 million) and paid out \$178.0 million dividend to its parent, Standard Chartered Bank (Hong Kong) Limited (2019: \$521.0 million to its then parent, Standard Chartered Bank).

## S.172(1) Statement

### S.172 Duty to promote the success of the company

Under Section 172(1) of the Companies Act 2006 (the 'Act') a director of a Company must act in the way he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the likely consequences of any decision in the long term and the interests of the Company's stakeholders.

The directors are required to evidence how they have engaged with suppliers, customers and others, have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year.

## Director Training

All directors of the Company receive an induction upon being appointed to the Company and receive director training upon appointment and on an ongoing basis as required to support them in fulfilling their duties. Induction and training are delivered by the Group Corporate Secretariat.

## Strategic Report (continued)

### Decision making and corporate governance

The directors recognise the need to make informed decisions under their duties. The Group and its subsidiaries adopt policies which ensure that the correct management information is presented to the board along with confirmation of functional reviews and impact assessments for decisions. The Group adopts a Subsidiary Governance Policy and Governance Standards which all entities within the Group, including the Company, comply with.

### Stakeholder engagement

The purpose of the Company is that of a holding Company which forms part of the Group's wider corporate structure. The Company's key stakeholders are its shareholder and its direct and indirect subsidiary companies. Where key decisions are being made, an impact assessment is carried out through a review process.

Further information on stakeholder information can be found in Standard Chartered PLC financial statements.


### Principal Decisions

During the year, the directors reviewed and approved the payment of an interim dividend to the Company's shareholder in accordance with the Group wide Dividend Policy to support Standard Chartered PLC's payment of dividends to its ordinary shareholders, further details of which can be found in the Directors' Report below. When making the decision the directors considered, amongst other relevant factors, the statutory audited accounts of the Company for the financial year ended 31 December 2019, together with interim management accounts of the Company and the effect the dividend would have on the Company's ability to pay its debts as they fall due, having regard to (i) the financial position of the Company; and (ii) the entirety of the Company's business and the actual and contingent liabilities (present and future) inherent in the business. It was concluded that the Company had sufficient distributable reserves and that the use of the Company's funds to pay the dividend was in the interest of the Company's shareholder and the wider Group.

### Employees

The Company has no employees (2019: nil).

By order of the board



S W Gardiner  
Director  
Company registration number - 05345091  
Date: 27 April 2021

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 2020.

### 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 10 - 13.

### Results and dividends

The results of the Company are set out from pages 10 to 13.

The Company paid a dividend of \$178.0 million to its parent Company, Standard Chartered Bank (Hong Kong) Limited (2019: \$521 million to its then parent, Standard Chartered Bank).

### 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, resigned on 24 February 2021

C J Daniels

S S Rai, alternate director to C J Daniels

G J Powell, resigned on 1 April 2021

S W Gardiner

D P Ellis, appointed on 24 February 2021

S Razvi, appointed on 9 April 2021

### 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 3.

### Stakeholder engagement statement

The Company has no direct employees. However, a number of the Company's subsidiaries have employees and engagement with them is dealt with on a Group basis. As the Company is a holding Company it does not trade, and as a result it has no customers or suppliers. As such, engagement with any key stakeholders is managed on a Group wide basis. Please refer to the Standard Chartered PLC accounts for detail on our group-wide stakeholder engagement practices.

### Risk management

The risk management objectives of the Company are set out in note 14.

### 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.

## Directors' Report (continued)

### Post Balance Sheet Events

On 15 March 2021, Standard Chartered Bank Korea Limited declared a dividend of KRW49 billion (\$45.1 million) to the Company. This was paid on 31 March 2021 after deducting a Korean withholding tax of 5% of KRW2.5 billion (\$2.3 million).

The effect of this withholding tax has been reflected as a deferred tax liability in the Financial Statements for the year ended 31 December 2020.

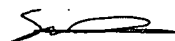
On 23 February 2021, the Company repaid loan to its Group Company for KRW 181.6 billion (\$167.2 million).

On 21 April 2021 the Company received the remaining withholding tax outstanding of KRW 18.2 billion or USD 16.3 million from the Korean tax authorities.

### Auditor

Pursuant to section 487 of the Companies Act 2006, KPMG LLP have ceased to act as auditor for the Company and Ernst & Young LLP ("EY" LLP) has been appointed as statutory auditor for the year ending 31 December 2020.

By order of the board



S W Gardiner  
Director  
Company registration number - 05345091  
Date: 27 April 2021

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 accounting standards as adopted for use in the UK.

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 the international accounting standards as adopted for use within the UK;
- 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 2020 which comprise of the Income Statement, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusion relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained with the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.



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

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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

## Responsibilities of directors

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 for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (IFRS and the Companies Act 2006) and the relevant direct tax compliance regulation in the United Kingdom.
- We understood how the Company is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas, and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing journals identified by specific risk criteria, and ensuring that dividend payments complied with the relevant accounting and legal requirements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

### **Use of our report**

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.

*Ernst & Young LLP*

Bansi Haria (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
Date: 27 April 2021

## Income Statement

for the year ended 31 December 2020

	Note	2020 \$000	2019 \$000
Interest income	4	12	3,417
Interest expense	4	(1,768)	(3,024)
Dividend income		191,252	541,676
Other operating income	5	49,617	7,691
<b>Total operating income</b>		<b>239,113</b>	<b>549,760</b>
Operating expenses	6	(104)	(32)
<b>Operating profit</b>		<b>239,009</b>	<b>549,728</b>
<b>Profit before taxation</b>		<b>239,009</b>	<b>549,728</b>
Tax charge	7	(11,288)	(39,202)
<b>Profit for the year</b>		<b>227,721</b>	<b>510,526</b>

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 2020 and 31 December 2019 other than the profit for the year. A separate statement of other comprehensive income has therefore not been prepared.

The notes on pages 14 to 24 form part of the Financial Statements.

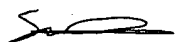
## Statement of Financial Position

as at 31 December 2020

	Note	2020 \$000	2019 \$000
<b>Non-current assets</b>			
Investments in subsidiaries	11	4,414,073	4,266,840
<b>Current assets</b>			
Amounts owed by Group companies	13	264,634	101,326
Interest receivable	12	-	-
Other debtors	8	16,719	172,743
<b>Total assets</b>		<b>4,695,438</b>	<b>4,540,909</b>
<b>Non-current liabilities</b>			
Deferred Tax	7	11,550	13,055
<b>Current liabilities</b>			
Demand loans owed to Group companies	13	183,906	172,743
Accrued interest payable to Group companies		977	1,695
Amount owed to Group undertakings	13	3,185	25,802
Corporation tax payable	7	95	1,303
Derivative financial instruments	10	169,480	49,891
Other creditors		104	-
<b>Total liabilities</b>		<b>369,297</b>	<b>264,489</b>
<b>Equity</b>			
Share capital	9	4,205,165	4,205,165
Retained earnings		120,976	71,255
<b>Total equity</b>		<b>4,326,141</b>	<b>4,276,420</b>
<b>Total equity and liabilities</b>		<b>4,695,438</b>	<b>4,540,909</b>

The notes on pages 14 to 24 form part of the Financial Statements.

These Financial Statements were approved by the Board of Directors on 27 April 2021, and were signed on its behalf by:



S W Gardiner  
Director  
London  
27 April 2021

## Statement of Changes in Equity

for the year ended 31 December 2020

	Share capital \$000	Retained earnings \$000	Total equity \$000
Balance at 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
<b>Balance at 31 December 2019 / 1 January 2020</b>	<b>4,205,165</b>	<b>71,255</b>	<b>4,276,420</b>
Profit for the year	-	227,721	227,721
Dividend paid	-	(178,000)	(178,000)
<b>Balance at 31 December 2020</b>	<b>4,205,165</b>	<b>120,976</b>	<b>4,326,141</b>

The notes on pages 14 to 24 form part of the Financial Statements.

## Statement of Cash Flows

for the year ended 31 December 2020

	Note	2020 \$000	2019 \$000
<b>Cash flows from operating activities</b>			
Profit before tax		239,009	549,728
Adjustment for items not involving the movement of funds			
FX translation on intercompany loan due to Group companies		11,163	(6,289)
FX translation on derivatives		119,590	-
Loss on derivative contracts		-	75,693
Change in fair value hedge		(147,233)	(83,154)
FX translation on other debtors		(11,163)	6,289
Changes in:			
Accruals		(718)	(442)
Other creditors		104	-
Interest receivable		(12)	-
Amounts owed to Group companies		(22,617)	-
Other debtors		167,187	-
Overseas tax and Group tax relief settled		(14,002)	(27,084)
<b>Net cash from operating activities</b>		<b>341,308</b>	<b>514,741</b>
<b>Cash flows from investing activities</b>			
Acquisition of investment in subsidiaries	11	-	(1,593,885)
<b>Net cash used in investing activities</b>		<b>-</b>	<b>(1,593,885)</b>
<b>Cash flows from financing activities</b>			
Dividend paid		(178,000)	(521,000)
Shares issued in year	9	-	1,593,885
<b>Net cash (used in) / from financing activities</b>		<b>(178,000)</b>	<b>1,072,885</b>
<b>Net cash increase/(decrease) in cash and cash equivalents</b>		<b>163,308</b>	<b>(6,259)</b>
Cash and cash equivalents at beginning of year		101,326	107,585
<b>Cash and cash equivalents at end of year</b>	12	<b>264,634</b>	<b>101,326</b>

Included in profit before tax is cash received from dividend income of \$191.3 million (2019: \$541.7 million).

The notes on pages 14 to 24 form part of the Financial Statements.

# Notes to the Financial Statements

for the year ended 31 December 2020

## 1. Principal accounting policies

### Statement of compliance

The Company's Financial Statements have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The Company is exempt by virtue of section 401 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 2020, the Company adopted International Accounting Standards and interpretations that had been issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretation Committee (IFRIC) as adopted for use within the UK. The accounting policies set out below have been applied consistently across the Company and to all periods presented in these Financial Statements. The Company's Financial Statements have been prepared on an historical cost basis and on a going concern basis. The directors have assessed the potential impact of the novel coronavirus (COVID-19) on the Company and have concluded that the Company will still have sufficient resources to continue as a going concern.

### 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 in 2019.

### 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 2020

## 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 2020

### 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 other operating 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 2020, 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 \$21,236 (2019:\$22,959) 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 (2019: nil).

## Notes to the Financial Statements (continued)

for the year ended 31 December 2020

### 4. Financial income and expense

	2020 \$000	2019 \$000
Interest income from Standard Chartered Group	12	3,417
<b>Interest income</b>	<b>12</b>	<b>3,417</b>
Interest expense to Standard Chartered Bank	(1,768)	(3,024)
<b>Interest expense</b>	<b>(1,768)</b>	<b>(3,024)</b>

### 5. Other operating income

	2020 \$000	2019 \$000
Realised gain / (loss) on derivative contracts	4,108	(25,802)
Unrealised loss on derivative contracts	(117,216)	(49,891)
Foreign exchange (loss) / gain	(2,387)	230
Interest on tax refund	17,879	-
Fair value gain attributable to the hedged foreign currency risk on investments	147,233	83,154
<b>Other operating income</b>	<b>49,617</b>	<b>7,691</b>

### 6. Operating expense

	2020 \$000	2019 \$000
Other expense	(104)	(32)
<b>Operating expense</b>	<b>(104)</b>	<b>(32)</b>

## Notes to the Financial Statements (continued)

for the year ended 31 December 2020

### 7. Taxation

#### Analysis of taxation charge for the year

	2020 \$000	2019 \$000
The charge for taxation based upon the profit for the year comprises:		
<b>Current tax:</b>		
United Kingdom corporation tax at 19% (2019: 19%)		
Current tax on income for the year	-	95
Adjustments in respect of prior years	1	3,986
<b>Overseas tax:</b>		
Current tax on income for the year	12,792	27,084
<b>Deferred tax:</b>		
(Reversal) / origination of temporary differences	(1,505)	6,354
Adjustments in respect of prior periods	-	1,683
<b>Tax charge on profit on ordinary activities</b>	<b>11,288</b>	<b>39,202</b>

#### Explanation of the relationship between tax charge and accounting profit

	2020 \$000	2019 \$000
Profit on ordinary activities before taxation	239,009	549,728
Tax charge at 19% (2019: 19%)	45,412	104,448
Effects of:		
Disallowed expenses	-	1,195
Non-taxable income	(2,121)	-
Overseas tax on unremitted earnings	11,287	35,121
Non-taxable dividend income	(36,338)	(102,918)
Utilisation of unrecognised brought forward losses	(469)	(1,213)
Adjustments in respect of prior periods	1	3,986
Non-taxable fair value gain attributable to the hedged foreign currency risk on investments	(27,974)	(15,799)
Non-deductible fair value loss on foreign currency derivatives hedging investments	21,490	14,382
<b>Tax charge on profit on ordinary activities</b>	<b>11,288</b>	<b>39,202</b>

The UK corporation tax rate is 19% for the years ended 31 December 2019 and 31 December 2020. On 22 July 2020, Finance Act 2020 was enacted which maintains the main rate of corporation tax at 19% for financial years 2020 and 2021. This reversed the previously enacted rate reduction to 17% from 1 April 2020. An increase in rate of corporation tax to 25% from April 2023 was announced on 3 March 2021 as part of the UK Budget announcements. This rate change is not expected to be substantively enacted until later in 2021. This rate increase will have no impact on the deferred tax position of the Company as all deferred tax relates to WHT on unremitted earnings from subsidiaries.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2020

### 7. Taxation (continued)

#### Deferred tax

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

	2020	2019
	\$000	\$000
Withholding tax on unremitted earnings from overseas subsidiaries	11,550	13,055
<b>At 31 December</b>	<b>11,550</b>	<b>13,055</b>

#### The movement in net deferred tax liability comprises:

	2020	2019
	\$000	\$000
At 1 January	13,055	5,018
(Credit) / charge to income statement	(1,505)	6,384
Prior year adjustment	-	1,653
<b>At 31 December</b>	<b>11,550</b>	<b>13,055</b>

The company has provided deferred tax on the withholding tax expected to arise in the foreseeable future on dividends from overseas subsidiaries. The deferred tax liability is reached by applying the expected withholding tax rates of 5% for Korea and 10% for Taiwan to these dividends.

The Company has not provided for a deferred tax liability on the withholding tax arising on unremitted earnings from overseas subsidiaries of \$502 million (2019: \$1,002 million) as, at the Balance Sheet date, it is not anticipated these profits will be remitted in the foreseeable future.

#### Current liabilities

	2020	2019
	\$000	\$000
Corporation tax payable through group relief to group undertaking	(95)	(1,303)

### 8. Other debtors

	2020	2019
	\$000	\$000
Other debtors	16,719	172,743

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.

In 2020, the Company recovered KRW 181.6 billion (USD 185.1 million) against an outstanding tax refund due from Korean tax authorities. This includes an interest income of KRW 19.4 billion (equivalent to USD 17.9 million). The remaining amount of KRW 18.2 billion (equivalent to USD 16.7 million at 31 December 2020) has therefore, been recognised as other debtors (2019: KRW 199.8 billion, USD 172.7 million).

## Notes to the Financial Statements (continued)

for the year ended 31 December 2020

### 9. 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.

	2020 \$000	2019 \$000
<b>Issued and fully paid</b>		
4,205,165,153 (2019: 4,205,165,153) Ordinary shares of US \$1.00 each	4,205,165	4,205,165

### 10. Derivative financial instruments

The Company primarily uses derivatives to hedge certain risks exposures. In 2020, the Company entered into non-deliverable United States Dollar - Korean Won (USD-KRW) and United States Dollar - New Taiwan Dollar (USD-TWD) forward contracts to hedge the FX risks associated with its investments in Korea and Taiwan.

The below table summarises the notional principal amounts and the carrying value of derivatives designated in a hedge accounting relationship. Notional principal amounts are the amount of the principal underlying contract at the reporting date.

	Notional principal amounts \$000	Liabilities \$000
<b>Balances at 31 December 2020</b>		
<b>Hedging instruments</b>		
Foreign currency derivatives designated at fair value	2,375,520	169,480
<b>Balances at 31 December 2019</b>		
<b>Hedging instruments</b>		
Foreign currency derivatives designated at fair value	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 and are classified as financial instruments fair valued through profit and loss account.

The derivative financial instruments are foreign currency derivatives with a maturity profile of less than a month from the year ended 31 December 2020 (2019: less than a month) which will roll forward every 6 month. The average exchange rates for the trades during the year were KRW/USD 1197.02 and TWD/USD 28.89. The hedge effectiveness for these derivatives is disclosed as part of other operating income in note 5.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2020

### 11. Investment in subsidiaries

	2020 \$000	2019 \$000
Cost at 1 January	6,177,686	4,583,801
Additions	-	1,593,885
Cost at 31 December	6,177,686	6,177,686
Impairment at 1 January and as at 31 December	(1,994,000)	(1,994,000)
<b>Net book value 31 December</b>	<b>4,183,686</b>	<b>4,183,686</b>
<b>Adjusted net book value at 31 December*</b>	<b>4,414,073</b>	<b>4,266,840</b>

\* Book value adjusted by the fair value hedge adjustment attributable to the foreign currency risk of \$230.4 million for the balance as on 31 December 2020(2019: \$83.1 million).

The Company has not recognised additional impairment charges against the investment in subsidiaries for the year.

The subsidiary undertakings of the Company are as follows:

Investment	Place of incorporation	Type of holding	% Holding		Principal activity
			2020	2019	
Standard Chartered Bank Korea Limited	Korea	Direct	100	100	Banking
Standard Chartered Bank (Taiwan) Limited	Taiwan	Direct	100	100	Commercial banking, securities firm and insurance agent

### 12. Cash and cash equivalents

	2020 \$000	2019 \$000
Standard Chartered Group - interest bearing balances	185,066	-
Amounts due from Standard Chartered Bank	79,568	101,326
<b>Cash and cash equivalents</b>	<b>264,634</b>	<b>101,326</b>

## Notes to the Financial Statements (continued)

for the year ended 31 December 2020

### 13. Related parties

#### Directors and officers

None of the directors or officers received any fees or emoluments from the Company during the year (2019: nil).

#### Company

	2020 \$000	2019 \$000
<b>Assets</b>		
Standard Chartered Group - interest bearing balances	185,066	-
Amounts due from Standard Chartered Bank	79,568	101,326
<b>Total</b>	<b>264,634</b>	<b>101,326</b>
<b>Liabilities</b>		
Amounts due to Standard Chartered Bank - non interest bearing	(3,185)	(25,802)
Amounts due to Standard Chartered Bank - interest bearing loans	(183,906)	(172,743)
Derivative financial instruments	(169,480)	(49,891)
<b>Total</b>	<b>(356,571)</b>	<b>(248,436)</b>

The Company entered into non-deliverable forward contracts with Standard Chartered Bank in respect of Korean Won/United States Dollar (KRW/USD) and New Taiwan Dollar/United States Dollar (TWD/ USD) .

The Company has an interest bearing current account owed by Standard Chartered Bank of \$79.6 million (2019: \$101.3 million). All inter company balances are at amortised cost as per IFRS9 except for derivative financial instruments which are held at fair value through profit and loss account refer note 10.

#### 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

## Notes to the Financial Statements (continued)

for the year ended 31 December 2020

### 13. Related parties (continued)

#### Related party transactions

	Parent		Subsidiaries		Standard Chartered Bank		Total	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Interest income	-	-	(12)	-	-	(3,417)	(12)	(3,417)
Interest expense	-	-	-	-	1,768	3,024	1,768	3,024
Realised (gain)/ loss on derivatives	-	-	-	-	(4,108)	25,802	(4,108)	25,802
Unrealised loss on derivatives	-	-	-	-	117,216	49,891	117,216	49,891
Dividend income	-	-	(191,252)	(541,676)	-	-	(191,252)	(541,676)
Dividend paid	178,000	521,000	-	-	-	-	178,000	521,000
<b>Total</b>	<b>178,000</b>	<b>521,000</b>	<b>(191,264)</b>	<b>(541,676)</b>	<b>114,876</b>	<b>75,300</b>	<b>101,612</b>	<b>54,624</b>

### 14. 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. The Company owes KRW 199 billion or USD 183.9 million to its Group entity as of 31 December 2020 (2019: KRW 199 billion or USD 172.7 million). It repaid KRW 181.6 billion or USD 167.2 million on 23 February 2021. The remaining amount of KRW 18.2 billion or USD 16.7 million is expected to be repaid by the Company in 2021.

#### (c) Foreign currency risk

Foreign currency risk is the risk of loss from assets or liabilities denoted in a foreign currency. The Company's investments are predominantly denominated in USD, and it also entered into non-deliverable forward contracts to hedge foreign currency risk related to its investments in Korea and Taiwan. Refer note 10. Other debtors represents the outstanding Korean withholding tax recoverable amount at 31 December 2020 for KRW 18.2 billion or USD 16.7 million (2019: KRW 199 billion or USD 172.7 billion) which have been realised in April 2021 for USD 16.3 million.

#### (d) Market risk

Market risk is the exposure created by potential changes in market prices and rates. Refer to note 14 (c) for risk associated with fluctuations in exchange rates.

### 15. 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 2020

### 16. 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.

### 17. Post balance sheet events

On 15 March 2021, Standard Chartered Bank Korea Limited declared a dividend of KRW49 billion (\$45.1 million) to the Company. This was paid on 31 March 2021 after deducting a Korean withholding tax of 5% of KRW2.5 billion (\$2.3 million).

The effect of this withholding tax has been reflected as a deferred tax liability in the Financial Statements for the year ended 31 December 2020.

On 23 February 2021, the Company repaid loan to its Group Company for KRW 181.6 billion (\$167.2 million).

On 21 April 2021 the Company received the remaining withholding tax outstanding of KRW 18.2 billion or USD 16.3 million from the Korean tax authorities.