Standard Chartered NEA Limited

Strategic Report, Directors' Report and Financial Statements

For the year ended 31 December 2016

Registered Number: 05345091

Contents

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. In 2016, the Group's income in Korea fell compared to 2015 due to lower Central Bank rates and actions to improve the risk profile of our unsecured lending portfolio. However, the Group's business in Korea returned to a small underlying profit through focused client acquisition, reduced Retail Banking loan impairment, cost efficiencies and an improved risk profile.

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
On 9 December 2016, the Directors approved the issuance of 1,584,495,865 ordinary shares of $1.00 each in the capital of the Company to its immediate parent, Standard Charted Bank ("SCB"), in consideration for the extinguishment of a liability, equal to the amount of $1,584 million owed by the Company to SCB. The Directors also approved the reduction of the Company's share premium account by cancelling and extinguishing the total amount of $1,671 million, which resulted in the positive retained earnings of the Company.

During the year the Company impaired its investment in Standard Chartered Bank Korea Limited by $160 million (2015: $1,834 million). In addition, the Finance Act (No 2) 2015 introduced legislation to levy a surcharge of 8% on the profits of banking companies from 1 January 2016. With this change in the tax rates, all intercompany balances due from and to the Company's parent, SCB, were charged interest from 1 January onwards. In 2016, SCB paid the Company interest income of $2 million on the cash balance deposited with SCB. In addition, an existing loan of capital nature of $1,584 million given by SCB to the Company was charged interest of $30.8 million. As a result, the Company reported a loss after tax of $194 million (2015: $1,420 million).

The Company received $nil (2015: $448 million) gross dividend from its subsidiary, Standard Chartered Bank Korea Limited.

The Company has demand loans of $165 million (2015: $1,755 million) with SCB.

The Company has a current account owed by group undertakings of $101 million (2015: $132 million). This amount is repayable on demand.

Employees
The Company has no employees (2015: nil).

By order of the board

P S Chambers
Director
Company registration number - 05345091
Date: 28 April 2017

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 2016.

Financial instruments
Financial instruments entered into during the year comprised amounts due to and from group companies.

Results and dividends
The results of the Company are set out from pages 8 to 11.
The Company paid no dividend during the year (2015: nil).

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
The Directors are of the opinion that the Company and the Group as a whole have adequate resources to continue operational businesses for the foreseeable future and therefore continued to adopt the going concern basis in preparing the Financial Statements.

The following matters have been considered by the Directors in determining the appropriateness of the going concern basis of preparation in the Financial Statements:

- In December 2016, the Company issued $1,584 million worth of ordinary shares of $1.00 each to its immediate parent in consideration for the extinguishment of loan owed by the Company to SCB. As a result, the Company will have sufficient equity capital to enable it to meet its objectives and financial obligations.

- The Directors also approved the reduction and extinguishing of the Company's share premium account by $1,671 million, this resulted in the positive retained earnings of the Company.

Directors
The Directors who held office during the year were as follows:

P S Chambers
T Lord, alternate director to P S Chambers, resigned on 19 August 2016
C J Daniels
H A Strachan, alternate director to C J Daniels

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.

Risk management
The risk management objectives of the Company are set out in note 12.

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

Auditor
Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

P S Chambers
Director
Company registration number - 05345091
Date: 28 April 2017

1 Basinghall Avenue
London
EC2V 5DD
UK

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

The Directors are responsible for preparing 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 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 and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 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

We have audited the Financial Statements of Standard Chartered NEA Limited (the "Company") for the year ended 31 December 2016 set out on pages 8 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities 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. Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

A description of the scope of an audit of Financial Statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Based solely on the work required to be undertaken in the course of the audit of the Financial Statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Richard Rawstron (Senior statutory auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London E14 5GL
28 April 2017

Income Statement
for the year ended 31 December 2016

	Note	2016 $000	2015 $000
Interest income	4	2,020	-
Interest expense	4	(32,924)	(1,469)
Dividend income		-	447,668
Other operating expense	5	(321)	(16,434)
Operating (loss)/ profit		**(31,225)**	**429,765**
Impairment	9	(160,000)	(1,834,000)
Loss before taxation		**(191,225)**	**(1,404,235)**
Taxation expense	6	(3,263)	(15,737)
Loss for the year		**(194,488)**	**(1,419,972)**

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

Statement of Other Comprehensive Income
for the year ended 31 December 2016

The Company had no comprehensive income for the year ended 31 December 2016 and 31 December 2015 other than the loss for the year. A separate statement of other comprehensive income has therefore not been prepared.

The notes on pages 12 to 21 form part of the Financial Statements.

Statement of Financial Position

as at 31 December 2016

	Note	2016 $000	2015 $000
Non-current assets			
Investments in subsidiaries	9	2,589,801	2,749,801
Current assets			
Amounts owed by group companies	11	100,648	132,324
Other debtors	7	165,411	170,422
Total assets		**2,855,860**	**3,052,547**
Current liabilities			
Demand loans owed to group companies	11	165,411	1,754,918
Accrued interest payable to group companies		967	1,418
Corporation tax payable		2,558	2,607
Non-current liabilities			
Deferred Tax		3,312	-
Total liabilities		**172,248**	**1,758,943**
Equity			
Share capital	8	2,611,280	1,026,784
Share premium		-	1,671,005
Retained earnings/ (Accumulated losses)		72,332	(1,404,185)
Total equity		**2,683,612**	**1,293,604**
Total equity and liabilities		**2,855,860**	**3,052,547**

The notes on pages 12 to 21 form part of the Financial Statements.

These Financial Statements were approved by the Board of Directors on 28 April 2017, and were signed on its behalf by:

P S Chambers
Director
London, 28 April 2017

Statement of Changes in Equity
for the year ended 31 December 2016

	Share capital $000	Share premium $000	(Accumalated losses)/ Retained earnings $000	Total equity $000
Balance at 1 January 2015	1,026,784	1,671,005	15,787	**2,713,576**
Loss for the year	-	-	(1,419,972)	**(1,419,972)**
Balance at 31 December 2015 / 1 January 2016	**1,026,784**	**1,671,005**	**(1,404,185)**	1,293,604
Loss for the year	-	-	(194,488)	**(194,488)**
Shares issued in the year	1,584,496	-	-	**1,584,496**
Share premium reduction	-	(1,671,005)	1,671,005	-
Balance at 31 December 2016	**2,611,280**	-	**72,332**	2,683,612

The notes on pages 12 to 21 form part of the Financial Statements.

Statement of Cash Flows

for the year ended 31 December 2016

	Note	2016 $000	2015 $000
Cash flows from operating activities			
Loss before tax		(191,225)	(1,404,235)
Adjustment for items not involving the movement of funds			
FX translation on intercompany loan due to group companies		(5,011)	-
Impairment on investment in subsidiary		160,000	1,834,000
Change in other debtors		5,011	(170,422)
Change in accruals		(451)	1,418
Overseas tax paid		-	(22,383)
Net cash (used in)/ from operating activities		**(31,676)**	**238,378**
Cash flows from financing activities			
Intercompany loan due to group companies		-	170,421
Repayment of demand loans		(1,584,496)	(450,700)
Shares issued during the year		1,584,496	-
Net cash used in financing activities		**-**	**(280,279)**
Net cash decrease in cash and cash equivalents		**(31,676)**	**(41,901)**
Cash and cash equivalents at beginning of year		132,324	174,225
Cash and cash equivalents at end of year	10	**100,648**	**132,324**

The notes on pages 12 to 21 form part of the Financial Statements.

Notes to the Financial Statements
for the year ended 31 December 2016

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 2016, 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.

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.

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.

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.

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.

1. Principal accounting policies (continued)

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 pre-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.

Recently issued accounting pronouncements
The following pronouncements relevant and applicable to the Company had been issued as at 31 December 2016 but have effective dates for periods beginning after 31 December 2016. The use of IFRS and IFRIC Interpretations that have yet to be endorsed by the European Union is not permitted.

The full impact of these IFRS and IFRIC Interpretations has been assessed by the Company; none of these pronouncements are expected to result in any adjustments to the Financial Statements.

1. Principal accounting policies (continued)

Recently issued accounting pronouncements (continued)

Pronouncement	Description of impact	Mandatory effective date for the Company
IFRS 9 - Financial Instruments (Classification and Measurement)	IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and introduce new requirements for the classification and measurement of financial assets and financial liabilities, a new model for recognising loan loss provisions based on expected losses and provide for simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. The changes in measures arising on initial application of IFRS 9 will be incorporated through an adjustment to the opening reserves and retained earnings position as at 1 January 2018. Although IFRS 9 will be retrospectively applied, the Group is only permitted to restate comparatives if, and only if, it is possible without the use of hindsight. The Group does not consider it possible to restate comparatives for impairment without the use of hindsight. If comparatives were to be restated, they must incorporate all of the requirements of IFRS 9. IFRS 9 has been adopted by the EU in November 2016.	1 January 2018

Notes to the Financial Statements (continued)

for the year ended 31 December 2016

1. Principal accounting policies (continued)

Recently issued accounting pronouncements (continued)

IFRS 10 and IAS 28 - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	On 11 September 2014, the IASB has issued "Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)". The amendments address a conflict between the requirements in IAS 28, "Investments in Associates and Joint Ventures", and those in IFRS 10, "Consolidated Financial Statements". Specifically, they clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The amendments in Effective Date of Amendments to IFRS 10 and IAS 28 defer the effective date of the September 2014 amendments to these standards indefinitely until the research project on the equity method has been concluded.	Deferred indefinitely by amendments made in December 2015
IFRS 15 – Revenue from Contracts with Customers	The standard provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for obligations as they are satisfied. The standard must be applied retrospectively. It is expected that revenue in scope of IFRS 15 will predominantly be fees and commission income and the impact of the standard is currently being assessed. It is not yet practicable to quantify the effect of IFRS 15 in these Financial Statements. IFRS 15 has been endorsed by the EU.	1 January 2018
IFRS 16 – Leases	IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The impact of the standard is currently being assessed. It is not yet practicable to quantify the effect of IFRS 16 on these Financial Statements. The standard has yet to be endorsed by the EU.	1 January 2018

2. Auditor's remuneration

The auditor's remuneration of $11,473 (2015: $12,989) was borne by the Company, following a change in our internal process. In 2015, it was borne by Standard Chartered Bank.

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 (2015: nil).

4. Financial income and expense

	2016 $000	2015 $000
Interest income from Standard Chartered Bank	2,020	-
Interest income	**2,020**	**-**
Interest expense to Standard Chartered Bank	(32,924)	(1,469)
Interest expense	**(32,924)**	**(1,469)**

The Finance Act (No 2) 2015 introduced legislation to levy a surcharge of 8% on the profits of banking companies from 1 January 2016.

With this change in tax rate in 2016, all intercompany balances due from and to the Company's parent, SCB, were charged interest from 1 January onwards. As a result in 2016, SCB paid the Company interest of $2 million on the cash balance deposited with SCB. The interest rate was 12 month fixed rate of 1.69% on the average daily cash balance of $118 million.

In addition, an existing loan of capital nature of $1,584 million given by SCB to the Company was charged interest of $30.8 million on an arm's length basis starting from 1 January 2016. As per the terms of the amended loan agreement, interest payable shall be calculated at a rate equal to the 3-month US$ LIBOR rate prevailing at 11am London time on the date which is two business days prior to the start of each interest period plus 1.40% per annum compounded annually. On 9 December 2016, the Directors approved the issuance of 1,584,495,865 ordinary shares of $1.00 each in the capital of the Company to its immediate parent, Standard Charted Bank ("SCB"), in consideration for the extinguishment of a liability, equal to the amount of $1,584 million owed by the Company to SCB.

5. Other operating expense

	2016 $000	2015 $000
Foreign exchange loss	(266)	(16,435)
Other expenses	(55)	1
Other operating expense	**(321)**	**(16,434)**

6. Taxation

Analysis of taxation charge for the year

	2016 $000	2015 $000
The charge for taxation based upon the losss for the year comprises:		
Current tax:		
United Kingdom corporation tax at 20% (2015: 20.25%)		
Current tax on income for the year	-	(286)
Adjustments in respect of prior years	(49)	-
Overseas tax:		
Current tax on income for the year	-	22,383
Deferred tax:		
Origination/ (reversal) of temporary differences	3,312	(6,360)
Tax on loss on ordinary activities	**3,263**	**15,737**

Explanation of the relationship between tax charge and accounting profit

	2016 $000	2015 $000
Loss on ordinary activities before taxation	(191,225)	(1,404,235)
Tax credit at 20% (2015: 20.25%)	(38,245)	(284,358)
Effects of:		
Disallowed expenses	33,002	374,725
Non taxable dividend income	-	(90,653)
Unremitted earning and overseas tax	3,312	16,023
Adjustments in respect of prior periods	(49)	-
Unrecognised deferred tax on current year losses	5,243	-
Tax on loss on ordinary activities	**3,263**	**15,737**

On 5 December 2012, the UK government announced a reduction in the UK corporation tax rate to 20 percent in 2015-16. This tax rate change has been substantively enacted as at 31 December 2016 giving a rate of 20% for the year ended 31 December 2016.

On 8 July 2015 the UK government announced changes to tax rates the effect of these reductions is to lower the rate to 19 percent in 2017-18 and to 18 percent in 2020-21. On 16 March 2016 the UK Government announced a further one percent reduction in the main rate of UK Corporation Tax in 2020-21, the effect of this reduction is to lower the rate to 17 percent in 2020-21. This rate change has been substantively enacted at the balance sheet date and accordingly these changes have been reflected in these Financial Statements.

Deferred tax

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

	2016 $000	2015 $000
Withholding tax on unremitted earnings from overseas subsidiary	3,312	-
At 31 December	**3,312**	-

The movement in net deferred tax liability comprises:

	2016 $000	2015 $000
At 1 January	-	6,360
Charge/ (credit) to income statement	3,312	(6,360)
At 31 December	**3,312**	-

The Company has not provided a deferred tax liability on the withholding tax arising on unremitted earnings from overseas subsidiaries of $767,511,177 (2015: $324,153,059) as it is not anticipated these profits will be remitted in the foreseeable future.

The Company has not recognised a deferred tax asset on accumulated tax losses carried forward of $26 million (2015: nil) as it is not anticipated that the Company will be able to utilise these losses in the future.

Current liabilities

	2016 $000	2015 $000
Corporation tax payable through group relief to group undertaking	2,558	2,607

7. Other debtors

	2016 $000	2015 $000
Other debtors	165,411	170,422

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 $165.4 million at 31 December 2016 and $170.4 million at 31 December 2015) has therefore been recognised as other debtors.

Notes to the Financial Statements (continued)

for the year ended 31 December 2016

8. Called up share capital

Following 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.

	2016 $000	2015 $000
Issued and fully paid		
2,611,280,281 (2015: 1,026,784,416) Ordinary shares of US $1.00 each	2,611,280	1,026,784

On 9 December 2016, the Directors approved the issuance of 1,584,495,865 ordinary shares of $1.00 each in the capital of the Company to its immediate parent, Standard Charted Bank, in consideration for the extinguishment of a loan, equal to the amount of USD 1,584,495,865 owed by the Company to Standard Chartered Bank.

9. Investment in subsidiaries

	2016 $000	2015 $000
Cost at 1 January	4,583,801	4,583,801
Cost at 31 December	**4,583,801**	**4,583,801**
Impairment at 1 January	(1,834,000)	-
Impairment charge for the year	(160,000)	(1,834,000)
Impairment at 31 December	**(1,994,000)**	**(1,834,000)**
Net book value at 31 December	**2,589,801**	**2,749,801**

The subsidiary undertaking of the Company is as follows:

Investment	Place of incorporation	Type of holding	% Holding 2016	% Holding 2015	Principal activity
Standard Chartered Bank Korea Limited	Korea	Direct	100	100	Banking

During the year, the Company impaired its investment in Standard Chartered Bank Korea Limited ("SCBKL") by $160 million. The impairment charge was mainly due to a fall in the projected revenue generated from the Korean business compared to previous year. This was trigged by reductions in the interest rates and the GDP growth in South Korea. A cost of equity of 12.68% was applied as a discount rate to the projected cash flow, which was determined from a Risk Free Rate, a Market Risk Premium (MRP) rate and average beta for Asia countries of 1.15. According to the discounted cash flow performed using the Gordon growth model, the value in use of SCBKL is $2,590 million, resulting in the impairment charge in the Company's book of $160 million.

10. Cash and cash equivalents

	2016 $000	2015 $000
Amounts owed by Standard Chartered Bank	100,648	132,324

11. Related parties

Directors and officers
None of the Directors or officers received any fees or emoluments from the Company during the year (2015: nil).

Company

	2016 $000	2015 $000
Assets		
Amount due from Standard Chartered Bank	100,648	132,324
	100,648	**132,324**
Liabilities		
Amount due to Standard Chartered Bank	(165,411)	(1,754,918)
	(165,411)	**(1,754,918)**

The Company is a wholly owned subsidiary of Standard Chartered Bank, a company incorporated in England with limited liability.

On 9 December 2016, the Directors approved the issuance of 1,584,495,865 ordinary shares of $1.00 each in the capital of the Company to its immediate parent, Standard Charted Bank, in consideration for the extinguishment of a liability, equal to the amount of USD 1,584,495,865 owed by the Company to Standard Chartered Bank.

The Company has current account owed by Standard Chartered Bank of $101 million (2015: $132 million). In 2016, this current account was interest bearing. For comparison, in 2015, out of $132 million, $7 million was interest bearing and the remaining balance of $125 million was interest free.

11. Related parties (continued)

Company (continued)

Related undertakings of the Company
Subsidiaries

Name and registered address	Country of Incorporation	Type of Holding	Proportion of shares held (%)
The following companies have the address of 47 Jongno, Jongno-gu, Seoul, 110-702, Korea, Republic of			
Standard Chartered Bank Korea Limited	Korea, Republic of	Direct	100
Standard Chartered Securities Korea Limited	Korea, Republic of	Indirect	100

Significant investment holdings

Name and registered address	Country of Incorporation	Type of Holding	Proportion of shares held (%)
The following company has the address of 146-8 Chusa-ro Sinam-myeon, Yesan-gun Chungnam, Korea, Republic of			
Daiyang Metal Company Ltd	Korea, Republic of	Indirect	23.1

12. Risk management

(a) Credit risk
Credit risk is the risk that counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. Financial instruments for the year comprised inter group balances and investments. The Standard Chartered Group has policies and procedures in place to manage risk so the credit risk is not significant from amounts owed by group undertakings. Investments are stated at cost less impairment. The Company's exposure to credit risk from investments is not 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 net assets of the Company are denominated in United States dollars ("USD").

(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.

13. 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.

14. Ultimate holding and parent undertaking of larger group
The Company is a subsidiary undertaking of Standard Chartered Bank a company incorporated in England with limited liability by Royal Charter. The smallest group in which the results of the Company are consolidated is that headed by Standard Chartered Bank. 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.

14. Ultimate holding and parent undertaking of larger group (continued)

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.