

**STANDARD CHARTERED BANK KOREA LIMITED  
AND SUBSIDIARIES**

Consolidated Financial Statements

December 31, 2019 and 2018  
(With Independent Auditors' Report Thereon)

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## **Independent Auditors' Report**

Based on a report originally issued in Korean

The Board of Directors and Shareholder of  
Standard Chartered Bank Korea Limited:

### **Opinion**

We have audited the consolidated financial statements of Standard Chartered Bank Korea Limited and its subsidiaries (collectively the "Bank"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS")

### **Basis for Opinion**

We conducted our audits in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, 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.

### **Other Matter**

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with K-IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank'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 management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 KSAs 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 consolidated financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG Samjong Accounting Corp.*

Seoul, Korea  
March 16, 2020

This report is effective as of March 16, 2020, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES  
Consolidated Statements of Financial Position

**As of December 31, 2019 and 2018**

(In millions of Korean won)	2019		2018	
<b>Assets</b>				
I. Cash and due from banks <Notes 4, 46>	5,384,603		3,158,908	
II. Financial assets measured at fair value through profit or loss <Note 5, 10>	5,680,214		4,569,745	
III. Financial assets designated as measured at fair value through profit or loss <Note 6, 10>	321,178		376,150	
IV. Financial assets measured at fair value through other comprehensive income <Note 7, 10>	9,635,967		9,364,126	
V. Financial assets measured at amortized cost <Note 8, 10>	43,411,761		44,103,386	
VI. Derivative assets held for risk management <Note 9>	34,908		18,455	
VII. Other financial assets <Note 15>	2,304,730		2,366,023	
VIII. Property and equipment <Note 11>	525,555		464,389	
IX. Investment property <Note 12>	313,137		318,103	
X. Intangible assets <Note 13>	70,686		79,655	
XI. Deferred tax assets <Note 33>	126,807		131,368	
XII. Other assets <Note 15>	50,622		48,348	
XIII. Assets held for sale <Note 16>	2,617		16,192	
<b>Total assets</b>		<b>67,862,785</b>		<b>65,014,848</b>
<b>Liabilities</b>				
I. Deposits <Note 17>	46,343,729		41,883,034	
II. Financial liabilities measured at fair value through profit or loss <Note 5>	4,616,714		3,364,829	
III. Financial liabilities designated as measured at fair value through profit or loss <Note 6>	2,274,599		2,831,150	
IV. Borrowings <Note 18>	1,230,140		1,805,260	
V. Debt securities issued <Note 19>	3,703,762		1,649,981	
VI. Derivative liabilities held for risk management <Note 9>	2,061		21,017	
VII. Other financial liabilities <Note 22>	4,975,950		8,340,115	
VIII. Provisions <Note 20>	76,391		107,193	
IX. Current tax liabilities	7,877		32,527	
X. Other liabilities <Note 22>	78,262		97,476	
<b>Total liabilities</b>		<b>63,309,485</b>		<b>60,132,582</b>
<b>Equity</b>				
I. Capital stock <Note 29>	1,313,043		1,313,043	
II. Capital surplus <Notes 21, 29>	680,711		712,781	
III. Capital adjustments <Note 30>	(5,180)		(5,180)	
IV. Accumulated other comprehensive loss <Notes 7, 9, 31>	(40,706)		(41,378)	

STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES  
 Consolidated Statements of Financial Position, Continued

**As of December 31, 2019 and 2018**

(In millions of Korean won)	<b>2019</b>		<b>2018</b>	
V. Retained earnings <Note 32>	2,605,432		2,903,000	
(As of December 31, 2019 :				
Regulatory reserve for credit losses appropriated in 2018	277,767			
Required regulatory reserve for credit losses in 2019	54,214			
Provision of regulatory reserve for credit losses in 2019	54,214			
As of December 31, 2018 :				
Regulatory reserve for credit losses appropriated in 2017	274,625			
Required regulatory reserve for credit losses in 2018	3,142			
Provision of regulatory reserve for credit losses in 2018	3,142)			
<b>Total equity</b>		4,553,300		4,882,266
<b>Total liabilities and equity</b>		67,862,785		65,014,848

See accompanying notes to the consolidated financial statements.

STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES  
Consolidated Statements of Comprehensive Income

**For the years ended December 31, 2019 and 2018**

(In millions of Korean won)	2019		2018	
I. Net interest income <Note 35>		950,672		940,357
Interest income	1,625,665		1,543,853	
Interest income incurred from financial instruments measured at amortized cost and financial instruments measured at fair value through other comprehensive income	1,571,558		1,506,362	
Interest income incurred from financial instruments measured at fair value through profit or loss	54,107		37,491	
Interest expense	(674,993)		(603,496)	
II. Net fees and commission income <Note 36>		173,461		178,444
Fees and commission income	252,187		242,670	
Fees and commission expense	(78,726)		(64,226)	
III. Net other operating loss		(758,657)		(815,492)
Net gain on financial instruments measured at fair value through profit or loss <Notes 5, 37>	369,977		140,765	
Net loss on financial instruments designated as measured at fair value through profit or loss <Notes 6, 38>	(92,908)		(109,350)	
Net gain (loss) on derivatives held for risk management <Notes 9, 39>	1,100		(11,655)	
Net gain (loss) on hedged items for fair value hedges <Note 9>	(898)		11,499	
Net other gain (loss) on financial instruments <Note 41>	1,875		(1,433)	
Net foreign exchange gain (loss) <Note 42>	(78,276)		96,134	
General and administrative expenses <Note 43>	(914,046)		(882,121)	
Gain on derecognition of financial assets measured at amortized cost <Note 40>	23,146		7,088	
Other operating loss <Note 44>	(68,627)		(66,419)	
IV. Operating profit before impairment of loans and other provisions		365,476		303,309
Reversal of (provision for) expected credit losses <Notes 4,7,8,15,20>	(12,187)		4,559	
Reversal of (provision for) other provisions <Notes 15, 20>	11,562		(14,540)	
V. Operating profit, net of impairment of loans and other provisions		364,851		293,328
VI. Non-operating profit <Note 45>		15,681		10,314
Other income	32,051		22,605	
Other expenses	(16,370)		(12,291)	
VII. Profit before income tax		380,532		303,642
VIII. Income tax expense <Note 33>		(66,100)		(82,250)
IX. Profit for the year <Note 32> (Profit adjusted by regulatory reserve for credit losses: December 31, 2019: 260,218 December 31, 2018: 221,794)		314,432		221,392
X. Other comprehensive income (loss) for the year, net of income tax		672		(6,693)
Reclassifiable to profit or loss subsequently:		8,263		9,596
Net unrealized gain on financial assets measured at fair value through other comprehensive income <Note 7>	5,648		11,877	
Changes in cash flow hedge reserve <Note 9>	2,615		(2,281)	
Non-reclassifiable to profit or loss subsequently:		(7,591)		(16,289)
Credit risk fluctuation of financial liabilities designated as measured at fair value through profit or loss <Note 6>	(33)		164	
Remeasurements of defined benefit plans, net of tax <Note 20>	(7,558)		(16,453)	
XI. Total comprehensive income for the year		315,104		214,699
XII. Earnings per share <Note 34>				
Basic and diluted earnings per share (won)		1,197		843

See accompanying notes to the consolidated financial statements

STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES  
Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(In millions of Korean won)	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
<b>Balance at January 1, 2018</b>	1,313,043	707,987	(5,180)	(37,737)	2,818,879	4,796,992
Adjustment from the adoption K-IFRS No. 1109 (net of tax)	-	-	-	3,052	(12,271)	(9,219)
<b>Adjusted balance at January, 2018</b>	1,313,043	707,987	(5,180)	(34,685)	2,806,608	4,787,773
<b>Total comprehensive income:</b>	-	-	-	(6,693)	221,392	214,699
1. Profit for the year	-	-	-	-	221,392	221,392
2. Other comprehensive gain, net of income tax	-	-	-	(6,693)	-	(6,693)
Net unrealized gain on financial assets measured at fair value through other comprehensive income <Note 7>	-	-	-	11,877	-	11,877
Net unrealized loss on valuation of cash flow hedges <Note 9>	-	-	-	(2,281)	-	(2,281)
Credit risk fluctuation of financial liabilities designated as measured at fair value through profit or loss <Note 6>	-	-	-	164	-	164
Remeasurements of defined benefit plans, net of tax<Note 20>	-	-	-	(16,453)	-	(16,453)
<b>Transactions with shareholder, etc.:</b>	-	4,794	-	-	(125,000)	(120,206)
1. Dividends	-	-	-	-	(125,000)	(125,000)
2. Share-based payment transactions <Note 21>	-	4,794	-	-	-	4,794
<b>Balance at December 31, 2018</b>	1,313,043	712,781	(5,180)	(41,378)	2,903,000	4,882,266
<b>Balance at January 1, 2019</b>	1,313,043	712,781	(5,180)	(41,378)	2,903,000	4,882,266
<b>Total comprehensive income:</b>	-	-	-	672	314,432	315,104
1. Profit for the year	-	-	-	-	314,432	314,432
2. Other comprehensive gain, net of income tax	-	-	-	672	-	672
Net unrealized gain on financial assets measured at fair value through other comprehensive income <Note 7>	-	-	-	5,648	-	5,648
Net unrealized gain on valuation of cash flow hedges <Note 9>	-	-	-	2,615	-	2,615
Credit risk fluctuation of financial liabilities designated as measured at fair value through profit or loss <Note 6>	-	-	-	(33)	-	(33)
Remeasurements of defined benefit plans, net of tax<Note 20>	-	-	-	(7,558)	-	(7,558)
<b>Transactions with shareholder, etc.:</b>	-	(32,070)	-	-	(612,000)	(644,070)
1. Dividends	-	-	-	-	(112,000)	(112,000)
2. Interim dividends	-	-	-	-	(500,000)	(500,000)
3. Share-based payment transactions	-	(32,070)	-	-	-	(32,070)
<b>Balance at December 31, 2019</b>	1,313,043	680,711	(5,180)	(40,706)	2,605,432	4,553,300

See accompanying notes to the consolidated financial statements.



STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES  
Consolidated Statements of Cash Flows

**For the years ended December 31, 2019 and 2018**

(In millions of Korean won)	2019		2018	
<b>I. Cash provided by operating activities</b>		135,159		(57,584)
1. Profit for the year	314,432		221,392	
2. Adjustments for transactions of a non-cash nature and others included in the statements of comprehensive income <Note 46>	(823,950)		(726,004)	
3. Changes in operating assets and liabilities <Note 46>	(210,818)		(430,572)	
4. Interest received	1,597,566		1,514,008	
5. Interest paid	(655,758)		(543,585)	
6. Dividends received	122		244	
7. Income tax paid	(86,435)		(93,067)	
<b>II. Cash flows from investing activities</b>		(224,647)		(728,887)
1. Cash inflows from investing activities:	14,497,276		12,523,769	
Proceeds from sales of financial assets measured at fair value through other comprehensive income	14,455,469		12,498,298	
Proceeds from sales of property and equipment and investment property	12,318		4	
Proceeds from sales of assets held for sale	15,559		7,536	
Proceeds from sales of intangible assets	658		1,206	
Decrease in security deposits	13,272		16,725	
2. Cash outflows from investing activities:	(14,721,923)		(13,252,656)	
Acquisitions of financial assets measured at fair value through other comprehensive income	(14,657,340)		(13,202,558)	
Acquisitions of property and equipment and investment property	(24,394)		(11,334)	
Acquisitions of intangible assets	(13,879)		(29,894)	
Increase in security deposits	(26,310)		(8,870)	
<b>III. Cash flows from financing activities</b>		183,014		627,120
1. Cash inflows from financing activities:	4,644,815		2,920,708	
Proceeds from financial liabilities designated as measured at fair value through profit or loss	150,000		200,000	
Proceeds from long term borrowings	1,085,497		939,439	
Net proceeds from other borrowings	-		186,800	
Proceeds from debt securities issued	3,409,318		1,594,469	
2. Cash outflows from financing activities:	(4,461,801)		(2,293,588)	
Redemptions of financial liabilities designated as measured at fair value through profit or loss	(715,722)		(1,336)	
Repayments of long term borrowings	(1,483,812)		(1,097,252)	
Net repayments of other borrowings	(217,349)		-	
Repayments of debt securities issued	(1,390,010)		(1,070,000)	
Reduction of lease liabilities	(22,520)		-	
Payments of dividends to the shareholder	(612,000)		(125,000)	
Settlement of share-based compensation	(20,388)		-	
<b>IV. Effect of foreign exchange rate fluctuations on cash and cash equivalents held</b>		(3,822)		(223)
<b>V. Net increase (decrease) in cash and cash equivalents</b>		89,704		(159,574)
<b>VI. Cash and cash equivalents at beginning of year &lt;Note 46&gt;</b>		669,992		829,566
<b>VII. Cash and cash equivalents at end of year &lt;Note 46&gt;</b>		759,696		669,992

See accompanying notes to the consolidated financial statements.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 1. Reporting entity

#### 1-1 Parent company

Standard Chartered Bank Korea Limited (“SC Bank Korea”, the parent company of its consolidated entities, “the Bank”) was established on July 1, 1929 under the name of Chosun Savings Bank. Chosun Savings Bank changed its name to Korea First Bank in 1958 and changed to Standard Chartered First Bank Korea Limited on September 12, 2005 and subsequently changed to Standard Chartered Bank Korea Limited on January 11, 2012.

The Bank is primarily engaged in the corporate and retail banking, investment, foreign exchange and trust business under the General Banking Act, the Foreign Exchange Transactions Act and the Financial Investment Services and Capital Market Act of the Republic of Korea. SC Bank Korea has 216 local branch operations, including Private Banking (“PB”) locations, as of December 31, 2019 and its headquarter is located at 47 Chongro (Kongpyung-dong), Chongro-gu, Seoul, Korea.

On June 30, 2009, Standard Chartered Korea Limited (“SCK”) which was incorporated on the same date became the parent company of SC Bank Korea by acquiring all the capital stock of SC Bank Korea from Standard Chartered NEA Limited through a stock exchange.

As of December 1, 2015, the Bank became the parent company of SC Securities by merging with SCK, which was held by Standard Chartered NEA Limited, and acquired the entire shares of SC Securities. The shares of the Bank were allocated to the shareholder of SCK at an exchange rate of 1: 0.9787558, where the shareholder of SCK received 0.9787558 shares of the Bank per one share of SCK.

#### 1-2 Subsidiaries

1-2-1 Consolidated subsidiaries as of December 31, 2019 and 2018 were as follows:

	Ownership		Location	Reporting date	Industry
	December 31, 2019	December 31, 2018			
SC Securities	100%	100 %	Korea	December 31	Financial investment business

#### ① Standard Chartered Securities Korea Limited

Standard Chartered Securities Korea Limited (“SC Securities”) was established on June 16, 2008 under the Capital Market and Financial Investment Business Act of the Republic of Korea to engage in the business of security trading, underwriting and brokerage transactions. SC Securities’ headquarter is located at 47 Chongro (Kongpyung-dong), Chongro-gu, Seoul, Korea. The total par value of SC Securities’ capital stock issued and outstanding amounted to ₩300,000 million as of December 31, 2019.

#### ② Consolidated structured entities

Consolidated structured entities as of December 31, 2019 and 2018 were as follows:

	Ownership		Location	Reporting date	Industry
	December 31, 2019	December 31, 2018			
Principal (and interest) guaranteed trusts(*)	-	-	Korea	December 31	Trust business

(\*) The Bank concluded that it has control over the principal (and interest) guaranteed trusts as it has existing rights that give it the ability to direct the relevant activities, and is exposed to variable returns from its involvement with trusts. Accordingly, principal (and interest) guaranteed trusts are included in the consolidated financial statements of the Bank.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

1-2-2 The condensed statements of financial position of the consolidated subsidiaries as of December 31, 2019 and 2018, and condensed statements of comprehensive income (loss) of the consolidated subsidiaries for the years ended December 31, 2019 and 2018 were as follows:

As of and for the year ended December 31, 2019 (In millions of Korean won)

	Total assets	Total liabilities	Total shareholder's equity	Operating income	Profit for the year	Total comprehensive income for the year
SC Securities	298,832	8,836	289,996	18,245	3,188	3,178

As of and for the year ended December 31, 2018 (In millions of Korean won)

	Total assets	Total liabilities	Total shareholder's equity	Operating income	Profit for the year	Total comprehensive income for the year
SC Securities	292,134	4,684	287,450	10,721	(2,871)	(2,949)

1-2-3 The condensed statements of financial position of the consolidated structured entities as of December 31, 2019 and 2018, and condensed statements of comprehensive income of the consolidated entities for the years ended December 31, 2019 and 2018 were as follows:

As of and for the year ended December 31, 2019 (In millions of Korean won)

	Total assets	Total liabilities	Total shareholder's equity	Operating income	Profit for the year	Total comprehensive income for the year
Principal (and interest) guaranteed trusts	109,245	104,815	4,430	2,455	-	-

As of and for the year ended December 31, 2018 (In millions of Korean won)

	Total assets	Total liabilities	Total shareholder's equity	Operating income	Profit for the year	Total comprehensive income for the year
Principal (and interest) guaranteed trusts	116,904	112,219	4,685	2,233	-	-

1-2-4 The nature and intention of contractual arrangements that could require the Bank to provide financial support to its consolidated Structured Entities ("SEs") were summarized as follows:

Type of SEs	Nature and intention of contractual arrangements
Principal (and interest) guaranteed trusts	The Bank provides a guarantee on the principal and interest or on the principal of certain trusts. These guarantees require the Bank to reimburse the trust participants for any shortfall incurred when the performance of the trust was not up to the principal (and interest) agreed under the contract. As a trustee, the Bank provides these types of guarantees in order to enhance the credit of trust instruments in operation.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 1-3 Unconsolidated SEs

1-3-1 The natures, purposes and activities of the unconsolidated SEs in which the Bank had interest as of December 31, 2019 and 2018, and how these SEs are financed were summarized as follows:

Type	Nature, purposes, activities, and how these SEs are financed
Asset-backed securitization	SEs, as securitization vehicles, issue asset-backed securities based on underlying assets and pay principals and interests or dividends to the security holders using borrowed funds or gains from managing or disposing their underlying assets. The Bank is exposed to the relevant risk on the issuances of asset-backed securities through providing contracts of asset-backed securities purchase arrangements (granting of liquidity) or granting of credit, and recognizes interest income, fee and commission income and valuation gain (loss) from these transactions. There are certain entities providing contracts of additional capital funding or debt acquisition related to the underlying assets prior to the Bank's financial supports. However, in case those entities are in default with non-performing underlying assets, the Bank may be exposed to the losses as a result of purchasing the asset-backed securities issued by these SEs, failing to collect the loans or being obligated to provide additional loans.
Structured finance	SEs for structured finance are project financing vehicles, real estate investment companies, real estate investment trusts, redevelopment unions or developers. In order to propel their development projects efficiently, they are established as separate entities with limited purposes and raise funds through equity investments or borrowings from financial institutions or participating institutions. The Bank provides borrowings to these SEs and recognizes interest income, fee and commission income from these transactions. There are certain entities providing financial support to the SEs, which are prior to the Bank's financial support. However, in case those entities are in default under the project's financial difficulties caused by failure in fund collection or suspension of project, the Bank may be exposed to the losses as a result of failing to collect the loans provided.

STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

1-3-2 Total assets of the unconsolidated SEs, carrying amount of assets and liabilities and maximum exposure to loss as of December 31, 2019 and loss from unconsolidated SEs for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)			
As of and for the year ended December 31, 2019	Asset-backed securitization	Structured finance	Total
Total assets of the unconsolidated SEs	17,256,256	7,953,889	25,210,145
Carrying amount			
Assets			
Financial assets designated as measured at fair value through profit or loss (A)	321,178	-	321,178
Financial assets measured at fair value through other comprehensive income (B)	126,105	-	126,105
Financial assets measured at amortized cost (C)	78,975	2,336,849	2,415,824
Allowance for loan losses	(19)	(4,473)	(4,492)
Total	526,239	2,332,376	2,858,615
Liabilities			
Provisions	298	212	510
Equity			
Allowance for financial assets measured at fair value through other comprehensive income	31	-	31
Net assets	525,941	2,332,164	2,858,105
Granting of credit and other contracts (D)	75,000	661,071	736,071
Maximum exposure to loss (= A + B + C + D)	601,258	2,997,920	3,599,178
Loss from unconsolidated SEs(*)	138	966	1,104

(In millions of Korean won)			
As of and for the year ended December 31, 2018	Asset-backed securitization	Structured finance	Total
Total assets of the unconsolidated SEs	20,733,097	3,008,367	23,741,464
Carrying amount			
Assets			
Financial assets designated as measured at fair value through profit or loss (A)	376,150	-	376,150
Financial assets measured at fair value through other comprehensive income (B)	181,016	-	181,016
Financial assets measured at amortized cost (C)	98,252	1,509,795	1,608,047
Allowance for loan losses	(21)	(8,269)	(8,290)
Total	655,397	1,501,526	2,156,923
Liabilities			
Provisions	525	182	707
Equity			
Allowance for financial assets measured at fair value through other comprehensive income	30	-	30
Net assets	654,872	1,501,344	2,156,216
Granting of credit and other contracts (D)	130,000	617,009	747,009
Maximum exposure to loss (= A + B + C + D)	785,418	2,126,804	2,912,222
Loss from unconsolidated SEs(*)	526	3,720	4,246

(\*) Expected credit losses on loans, off-balances commitment, and debt-securities related to the investments in the unconsolidated SEs recognized for the years ended December 31, 2019 and 2018.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 2. Basis of preparation and significant accounting policies

#### 2-1 Statement of compliance and the accounting policies

The consolidated financial statements have been prepared in accordance with the Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in Article 5 (1) 1 of The Act on External Audit of Stock Companies, etc. in the Republic of Korea.

The consolidated financial statements as of and for the years ended December 31, 2019 and 2018 have been prepared in accordance with the accounting policies stated below. Lease related matters in consolidated financial statements as of December 31, 2019 have been prepared in accordance with the K-IFRS No. 1116 and K-IFRS No. 1017, respectively, and related interpretations. The accompanying consolidated financial statements as of December 31, 2018 have not been restated and the stated lease related accounting policy has been applied in the consolidated financial statements as of December 31, 2019.

#### 2-2 Basis of measurement

The accompanying consolidated financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments measured at fair value.
- Financial assets measured at fair value through profit or loss.
- Financial assets measured at fair value through other comprehensive income.
- The liability (asset) for defined benefit obligations is recognized as the present value of the defined benefit obligation less the fair value of the plan assets.
- Financial instruments designated as hedged items in qualifying fair value hedge relationships and adjusted for changes in fair value attributable to the risk being hedged.

#### 2-3 Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

At the reporting date, accounting estimates and assumptions that have a material impact on the accompanying consolidated financial statements are included in the following footnotes:

- Fair value of financial instruments: 2-11
- Lease: 2-15
- Impairment of financial assets: 2-16-1
- Measurement of defined benefit obligations: 2-19-4
- Provisions: 2-21
- Deferred tax: 2-23

#### 2-4 Basis of consolidation and business combination under common control

The Bank includes an investee in its consolidated financial statements when it has control over the investee. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee.

Intra-group balances and transactions, income and expenses, and any unrealized income and expenses, arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Non-controlling interest represents the portion of equity ownership in a subsidiary not attributable to the parent company, who has a controlling interest in such subsidiary directly or indirectly through another subsidiary, and is comprised of the amount initially measured, in accordance with K-IFRS No. 1103 Business Combinations, at its proportionate share of the recognized amount of the identifiable net assets at the acquisition date and the amount of change in equity related to non-controlling interest thereafter.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For trust accounts with a guarantee of the principal and interest or a guarantee of the principal, the Bank recognizes a special reserve accumulated in accordance with the terms and conditions of the trust as equity (in retained earnings).

The assets and liabilities acquired under business combinations under common control are recognized at the carrying amounts recognized previously in the consolidated financial statements of the parent. The difference between consideration transferred and carrying amounts of net assets acquired is recognized as part of share premium.

### 2-5 Associates

An associate is an entity in which the Bank has significant influence, but not control or joint control over the entity's financial and operating policies.

With regard to the investments in associates held by a venture capital organization which are designated on initial recognition as financial assets at fair value through profit or loss under K-IFRS No. 1109 Financial Instruments in the consolidated financial statements of the Bank in accordance with K-IFRS No. 1028 Investments in Associates and Joint Ventures, the same accounting treatment is applied in its consolidated financial statements and the Bank applies K-IFRS No. 1105 Non-current Assets Held for Sale and Discontinued Operation on the investments in associates only when the investments meet the criteria to be classified as assets held for sale.

### 2-6 Cash and cash equivalents

The Bank considers cash on hand, call deposits and highly liquid financial assets which are subject to insignificant risk of changes in their fair values to be cash and cash equivalents.

### 2-7 Non-derivative financial assets

Non-derivative financial assets are classified into the following measurement categories:

- Financial assets measured at fair value
- Financial assets measured at amortized cost

Gain or loss from financial assets measured at fair value are recognized as either profit or loss, or other comprehensive income.

In addition, a regular way purchase or sale of financial assets, which is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned, is recognised or derecognised using trade date accounting.

A non-derivative financial asset is measured initially at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition.

#### 2-7-1 Debt instruments

Financial assets are subsequently measured based on the contractual cash flow characteristics of the financial assets and business model for managing the financial assets. Debt instruments are classified as the following measurement categories:

##### 2-7-1-1 Financial assets measured at amortized cost

A financial asset shall be measured at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. A gain or loss on a financial asset measured at amortized cost and is not part of a hedging relationship shall be recognized in profit or loss when the financial asset is either derecognized or impaired.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 2-7-1-2 Financial assets measured at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and when the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. Profit or loss from all financial assets measured at fair value through other comprehensive income except for the credit losses (reversal), interest income, and foreign exchange gain or loss, are recognized in other comprehensive income. The cumulative gain or loss previously recognized in other comprehensive income will be reclassified from equity to profit or loss as a reclassification adjustment.

### 2-7-1-3 Financial assets measured at fair value through profit or loss

A debt instrument shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss are measured at fair value upon initial recognition and changes therein are recognized in profit or loss. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred.

A financial asset can be irrevocably designated as financial assets measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis.

### 2-7-2 Equity instruments

Investments in equity instrument that is not held for trading can be irrevocably elected to present the subsequent changes in fair value in other comprehensive income. Investments in equity instruments not elected to present the subsequent changes in fair value in other comprehensive income shall recognize the changes in fair value in profit or loss.

### 2-7-3 Derecognition of financial assets

The Bank derecognizes financial assets when the contractual rights to the cash flows from the financial assets expire, or it transfers the rights to receive the contractual cash flows on the financial assets in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. In the transaction in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of the financial assets, if the Bank does not retain control over the asset, the Bank derecognizes such financial asset; if the Bank retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement and the relevant liability is recorded. When the Bank transfers the rights to receive cash flows on a financial asset but retains substantially all of the risks and rewards of ownership, the Bank continues to recognize the transferred asset and the proceeds from the transfer are recognized as a liability.

2-7-3-1 The transfer of risks and rewards is evaluated by comparing the entity's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred financial assets. Control over the transferred assets is determined through the existence of explicit or implicit restrictive conditions over the disposal by the transferee. The Bank derecognized financial assets if, and only if, the part being considered for derecognition meets one of the following 3 conditions:

- (1) The contractual rights to the cash flows from the financial assets expired.
- (2) Transferred the contractual rights to receive cash flows of the financial assets and substantially all the risks and rewards of ownership of the financial assets.
- (3) Transferred the contractual rights to receive cash flows of the financial assets, neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets, and has not retained control of the financial assets.



# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

2-7-3-2 If the Bank has retained substantially all the risks and rewards of ownership of the financial assets, the Bank shall continue to recognize the transferred assets in its entirety and shall recognize a financial liabilities for the consideration received. Examples of when the Bank has retained substantially all the risks and rewards of ownership were as follows:

- (1) When the repurchase price of the financial assets by the Bank after a sale is either a fixed price; or sale price plus a lender's return.
- (2) A securities lending agreement.
- (3) A sale of a financial assets together with a total return swap that transfers the market risk exposure back to the Bank.
- (4) A sale of a financial assets together with a deep in-the-money put or call option (an option that is so far in the money that it is highly unlikely to go out of the money before expiry).
- (5) A sale of short-term receivables in which the entity guarantees to compensate the transferee for credit losses that are likely to occur.

### 2-7-4 Offsetting

Financial assets and liabilities are offset and the net amount is presented in the consolidated statements of financial position when, and only when, the Bank has a legally enforceable right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### 2-8 Non-derivative financial liabilities

Based on the contractual terms and definition of the financial liabilities, the financial liabilities are classified either as financial liabilities measured at fair value through profit or loss or other financial liabilities, all of which are recognized in its statement of financial position when, and only when the Bank becomes a party to the contractual provisions of the instrument.

The financial liabilities measured at fair value through profit or loss include financial liabilities designated at fair value through profit or loss at initial recognition. Such financial liabilities measured at fair value through profit or loss are recognized initially at fair value and changes therein are recognized in profit or loss. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred.

Financial liabilities except for financial liabilities measured at fair value through profit or loss can be designated as financial liabilities measured at fair value through profit or loss on initial recognition when they meet any of the following conditions:

- It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.
- A group of financial liabilities is managed and its performance is evaluated on a fair value basis and the information about the group is provided internally in accordance with a documented risk management or investment strategy.
- A financial liability includes one or more than one embedded derivative and the hybrid contract is permitted to be designated at fair value through profit or loss in accordance with K-IFRS No. 1109 Financial Instruments.

The non-derivative financial liabilities not classified as financial liabilities measured at fair value through profit or loss are classified as other financial liabilities. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method. The related interest expense is recognized using the effective interest rate method.

The Bank derecognizes a financial liability when its contractual obligations are satisfied, cancelled or expired.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 2-9 Derivatives

The Bank holds various derivative financial instruments, such as forward foreign exchange, interest rate swaps, currency swaps, etc., to hedge its foreign currency and interest rate risk exposures. Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value at the end of each reporting periods, and changes therein are accounted for as described below.

The Bank designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships.

At the inception of the hedge, the Bank formally documents the hedging relationship and the risk management objective and strategy for undertaking the hedge. The Bank makes an assessment both at the initial designation of the hedging relationship as well as on an ongoing basis (at least at the end of each reporting period) to assess the effectiveness of the hedging relationship. The documentation shall include identification of the hedging instruments, the hedged items, and the nature of the risk being hedged and how the Bank will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and how it determines the hedge ratio).

#### 2-9-1 Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in the fair value of a recognized asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognized immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

The Bank shall discontinue hedge accounting prospectively only when the hedging instrument expires or is sold, terminated or exercised and when the hedging relationship ceases to meet the qualifying criteria. If the hedged item is financial asset measured either at amortized cost or at fair value through other comprehensive income, any hedging adjustment on the hedge item shall be amortized over the remaining life and recognized in profit or loss.

#### 2-9-2 Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction, the cash flow hedge reserve from the year when the hedge was effective is reclassified from equity to profit or loss as a reclassification adjustment when the forecast transaction occurs and affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in cash flow hedge reserve is immediately reclassified immediately to profit or loss as a reclassification adjustment.

#### 2-9-3 Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a "host contract"). The terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

When the non-derivative financial asset is a hybrid contract with an embedded derivative, the Bank considers the entire hybrid contract in determining whether the contractual cash flow is composed of solely payments of principal and interest.

When the non-derivative financial liability consists of a hybrid contract with an embedded derivative and the host contract is not measured at fair value through profit or loss, the Bank accounts for the embedded derivative separately from the host contract. Any changes in the fair value of the separated embedded derivatives are recognized in profit or loss.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 2-9-4 Other derivatives

When a derivative is not designated as a hedging instrument in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss.

### 2-10 Amortized cost

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

### 2-11 Fair value

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the Bank establishes fair value by using highly accredited independent credit rating agencies in Korea or adopting a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis, etc.

The fair value measurement of a financial instrument is classified between 'Level 1', 'Level 2' and 'Level 3' of the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. If the Level 1 or Level 2 fair value differs from the actual consideration, the difference is recognized in profit or loss. If the Level 3 fair value differs from the actual consideration, the difference is deferred and amortized over the life of the financial instrument using the straight-line method. The details of fair value hierarchy are as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (e.g., prices) or indirectly (e.g., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the valuation techniques used did not incorporate all factors that market participants would consider in setting a price, the fair value is further adjusted for those missing factors, such as credit risk of the counter party or the Bank, bid price, ask price, relationship between inputs, etc.

In Standard Chartered Group (the "SC Group"), valuation of financial instrument held at fair value are subject to a review independent of the Business by Valuation Control. Valuation Control performs price testing by comparing external and independent market data (e.g. consensus data, trade prices and broker quotes) against internal data, semi-annually. The market data used for price testing may include those sourced from recent trade data involving external counterparties or third parties such as Bloomberg, Reuters, brokers and consensus pricing providers.

A Product Valuation Committee exists for each asset class where there is a material valuation risk. The Committee members meet quarterly and comprise representatives from Group Market Risk, Product Control, Valuation Control and the Business. The Committee is responsible for reviewing the results of the valuation control process and reporting the results to the Financial Markets Valuation Committee which is a sub-committee of the Group Market Risk Committee.

The Bank's Business Finance operates its own Valuation Committee with local management representing Global Market, Foreign Exchange Trading, Structuring, Market/Liquidity Risk, and representative from Group Valuation Control on a quarterly basis. The Valuation Committee is responsible for reviewing the appropriateness of a valuation adjustment to reflect fair value of financial instruments to its consolidated financial statements properly. Market/Liquidity Risk in the Bank performs verification of a valuation model of SC Group, and Market/Liquidity Risk Committee approves the results. In order to select external valuation agencies, the Bank operates a Selection Committee which consists of representatives from Business Finance, Market/Liquidity Risk, Country Finance Department, etc.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 2-12 Property and equipment

Property and equipment are initially recorded at cost. Subsequent to initial recognition, property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset, the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The Bank elected to measure part of land and buildings at fair value at the date of transition, January 1, 2010, and use those values as their deemed costs in accordance with the K-IFRS No. 1101 First-time Adoption of K-IFRS.

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of property and equipment is recognized in profit or loss as incurred.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives and depreciation methods for the current and comparative years are as follows:

	Useful lives	Depreciation method
Buildings	40 ~ 50 years	Straight-line method
Leasehold improvements	5 years or less	Straight-line method
Equipment and other properties	3 ~ 5 years	Straight-line method
Right-of-use	10 years or less	Straight-line method

Depreciation methods, useful lives and residual values are reassessed at the end of each reporting date, and any adjustment is accounted for as a change in accounting estimates.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and the net amount is recognized as other income or other expenses.

### 2-13 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is initially recognized at cost including expenditures that are directly attributable to the acquisition of the asset. Subsequent to initial recognition, the asset is measured at cost less accumulated depreciation and accumulated impairment losses, if any. The Bank elected to measure investment property at fair value at the date of transition, January 1, 2010, and use those values as their deemed costs in accordance with the K-IFRS No. 1101 First-time Adoption of K-IFRS.

The accounting policies related to depreciation methods, useful lives and residual values of investment property are the same as those applied to property and equipment.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 2-14 Intangible assets

Intangible assets are initially recognized at cost. Subsequent to initial recognition, the assets are measured at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized using the straight-line method over the estimated useful lives of each part of an item of intangible assets. Memberships and telex/telephone subscription rights are not amortized as their useful lives are deemed indefinite.

The estimated useful lives and amortization methods for the current and comparative years are as follows:

	Useful lives	Depreciation method
System development cost	5 years or less	Straight-line method
Software	5 years	Straight-line method
Lease premium	15 years or less	Straight-line method
Others	5 years	Straight-line method

Amortization methods and useful lives of the intangible assets with definite useful lives are reassessed at each reporting period. Intangible assets with indefinite useful lives are annually reviewed at the end of each reporting period for the propriety of the indefinite lives to be used. Any adjustment is accounted for as a change in accounting estimates.

### 2-15 Leases

At inception of a lease contract and at the date of initial application, the Bank will assess whether the contract is, or contains, a lease. However, the Bank did not reassess the contracts prior to the date of initial application by applying practical expedients.

For a contract that is, or contains, a lease, the Bank will account for each lease component within the contract as a lease separately from non-lease components of the contract.

The lessee recognizes lease liabilities over the right-of-use asset which represents a lessee's right to use an underlying asset for the lease term. However, an exception may be applied over the short-term leases and leases of low-value assets. In addition, a lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component as a practical expedient.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 2-16 Impairment of assets

#### 2-16-1 Impairment of financial assets

The Bank assesses the expected credit losses on a debt instrument measured at amortized cost or fair value through other comprehensive income based on the forward-looking information. Impairment approach will depend on the significant increases in credit risk. Depending on the degree of increase in credit risk on a financial asset since initial recognition, the Bank recognizes the amount for loss allowance at an amount equal to either 12-month credit losses or lifetime expected credit losses by 3 stages as shown in the below table.

Stages		Loss Allowance
Stage 1	Credit risk has not increased significantly since initial recognition	12-month expected credit losses: the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
Stage 2	Credit risk has increased significantly since initial recognition	Lifetime expected credit losses: the expected credit losses that result from all possible default events over the expected life of a financial instrument.
Stage 3	Credit-impaired	

The Bank recognizes the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for credit-impaired financial assets.

#### 2-16-2 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than assets arising from employee benefits, deferred tax assets, and non-current assets held for sale, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated and compared with the carrying amount of the asset. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year end regardless of whether there is any indication of impairment.

The recoverable amount of an asset or cash generating unit ("CGU") is the greater of its value-in-use and its fair value less costs to sell. If the recoverable amount of individual asset is not estimable, the recoverable amount is determined by cash inflows from CGU in which the asset belongs to.

If the recoverable amount of an asset or CGU is less than its carrying amount, the carrying amount is reduced to such recoverable amount and the impairment loss is recognized in profit or loss.

For non-financial assets, other than goodwill, impairment losses recognized in prior years are assessed at each reporting date for any indications that the losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent of the asset's carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 2-17 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than continuing use, are classified as held for sale. The asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. Immediately before the classification of the asset (or disposal group) as held for sale, the carrying amount of the asset (or components of a disposal group) is remeasured in accordance with applicable K-IFRS. Thereafter, generally the assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell.

If the non-current asset is classified as asset held for sale or part of a disposable group, the asset is no longer depreciated.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss in accordance with K-IFRS No. 1036 Impairment of Assets.

### 2-18 Securities under resale or repurchase agreements

Securities purchased or sold under agreements to resell or repurchase are recorded as securities under repurchase agreement of financial assets measured at amortized cost and receivables or borrowings, and the related interest from those securities is recorded as interest income or expense, respectively.

### 2-19 Employee benefits

#### 2-19-1 Short-term employee benefits

Short-term employee benefits are employee benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### 2-19-2 Long-term employee benefits

Long-term employee benefits are employee benefits that are not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. Long-term employee benefit obligations are measured on a discounted basis where the future benefits the employees earned in the current and prior periods are discounted into the present value. Any adjustments resulted from the reassessment is recognized as the current profit and loss during the period where such adjustments incur.

#### 2-19-3 Retirement benefits: Defined contribution plans

When an employee has rendered service to the Bank during a period, the Bank recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 2-19-4 Retirement benefits: Defined benefit plans

The Bank's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Bank, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liabilities (assets), which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Bank determines the net interest expense (income) on the net defined benefit liabilities (assets) for the period by applying the discount rate used to measure the net defined benefit obligation at the beginning of the annual period and taking into account any changes in the net defined benefit liabilities (assets) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in retirement benefits in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Bank recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

### 2-19-5 Termination benefits

The Bank recognizes a liability and expense for termination benefits at the earlier of when the Bank can no longer withdraw the offer of those benefits and when the entity recognizes costs for a restructuring that involves the payment of termination benefits. If the Bank has made an offer of voluntary redundancy, termination benefits for voluntary redundancies are recognized as an expense that is calculated based on the number of acceptances. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

### 2-20 Share-based payment

Standard Chartered PLC ("SC PLC"), the ultimate parent company, provides a share-based compensation program which pays the difference in cash between the market price and exercise price of SC PLC's stock to the Bank's employees.

The Bank recognizes the fair value of awards granted to employees as an expense, with a corresponding increase in equity, over the years in which the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of share awards for which the related service and non-market performance vesting conditions are expected to be met such that the amount ultimately recognized as an expense is based on the number of share awards that meet the related service and non-market performance conditions at the vesting date.



# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 2-21 Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, where appropriate, and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Where some or all of the expenditures required to settle the obligation are expected to be reimbursed by another party, the reimbursement is recognized when, and only when, it is virtually certain that reimbursement will be received if the Bank settles the obligation. The reimbursement is treated as a separate asset.

### 2-22 Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognized initially at their fair value. The financial guarantee liability is subsequently carried at the higher of loss allowance determined in accordance with expected credit loss model and the amount initially recognized less the cumulative amount of income recognized.

### 2-23 Income tax expense

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and accounted for under the asset and liability method.

Deferred tax liabilities are recognized for all taxable temporary differences, while deferred tax assets are only recognized for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, and the Bank intends to settle current tax liabilities and assets on a net basis.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 2-24 Guarantees and Commitments

Guarantees of payment for money indebtedness, performance bonds and acceptances of trade bills (except banker's usance) related to import transactions, guarantees issued on letters of credit, amongst others are classified as confirmed acceptances and guarantees or as contingent acceptances and guarantees. Both confirmed acceptances and guarantees and contingent acceptances and guarantees are presented as off-balance sheet items. The notional amount of derivative contracts, bills endorsed and loan commitments, if the commitment is irrevocable by the Bank, are also presented as off-balance sheet items.

### 2-25 Stock and debenture issuance costs

Incremental costs directly attributable to the issuance of stock or a debenture instrument are deducted from the initial measurement of these instruments.

### 2-26 Consignment sales of collective investment securities

The Bank sells beneficiary certificates and mutual funds under a consignment agreement with investment trust companies and records them as off-balance sheet items. The outstanding sales of beneficiary certificates and mutual funds amounted to ₩2,207,211 million and ₩2,046,308 million as of December 31, 2019 and 2018, respectively.

### 2-27 Financial income and expenses

Financial income includes interest income, dividend income, gains from disposal of financial assets measured at fair value through other comprehensive income, changes in fair value of financial assets measured at fair value through profit or loss, gains from the valuation of hedging instruments, etc.

Financial expenses include interest expense on borrowings, amortization of discounts relating to present value of provision, changes in fair value of financial assets measured at fair value through profit or loss, losses from valuation of hedging instruments, etc. Interest expense is recognized in profit or loss using the effective interest rate method.

#### 2-27-1 Interest income and expense

Interest income and expense are recognized in profit or loss using the effective interest rate method. If the realization of the interest income is remote, then interest income is recognized on a cash basis.

#### 2-27-2 Loan origination fees and costs

The Bank defers and amortizes certain fees and costs associated with originating loans. Net deferred loan origination fees and costs are amortized over the life of the related loans using the effective interest rate method.

#### 2-27-3 Other fees and commission

The Bank has different revenue recognition standards based on the type of service provided to the customers. Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Fees and commission earned are recognized by applying the five-step model (① Identifying the contract → ② Identifying performance obligations → ③ Determine the transaction price → ④ Allocating the transaction price to performance obligations → ⑤ Recognize revenue upon satisfaction of performance obligation) in accordance with K-IFRS No. 1115 Revenue from Contracts with Customers.

#### 2-27-4 Dividends

Dividend income is recognized when the right to receive dividends is established.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 2-28 Foreign currency translation

The accompanying consolidated financial statements are presented in Korean won, which is the Bank's functional currency. Transactions in foreign currencies are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate posted by Seoul Money Brokerage Service or an arbitrated exchange rate at that date, and resulting translation gains or losses are recognized in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, and non-monetary assets and liabilities that are measured at fair value are translated using the exchange rate at the date when the fair value was determined.

### 2-29 Earnings per share

The Bank presents basic and diluted Earnings per Share ("EPS") data for its ordinary shares in the consolidated statements of comprehensive income (loss). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholder of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholder and the weighted average number of ordinary shares outstanding for the effects of all potential dilutive ordinary shares.

### 2-30 Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by chief executive officer, who is considered as the chief operating decision maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. The operating segments are strategically divided and separately operated, with a separate marketing strategy and a product portfolio required for each segment.

The segment reporting to the chief executive officer includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and tax assets and liabilities. Pricing among segments is determined on an arm's length basis.

### 2-31 Accounting for trust accounts

The Bank manages trust accounts and its own accounts separately in accordance with the Financial Investment Services and Capital Markets Act, and thus the trust accounts other than principal (and interest) guaranteed trusts are not included in its consolidated financial statements. The Bank recognizes funds transferred from or to the unconsolidated trust accounts as payables in other liabilities or receivables in other assets in its consolidated statement of financial position. In return for managing trust accounts, the Bank records fee income as operating income from trust accounts.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 2-32 New standards and interpretations adopted

The Bank began to apply K-IFRS No. 1116 Leases, commencing on January 1, 2019. There are other accounting standards effective from January 1, 2019, but these standards do not have a material impact on the Bank's financial statements.

As a result of K-IFRS No. 1116 Leases, the accounting model of a single lease component was adopted, and the Bank recognized the right-of-use assets and lease liabilities which represent the right to control the underlying assets and obligation to pay the lease, respectively, as a lessee. The lessor accounting model is similar to the previous accounting policy.

The Bank has no cumulative effect from the initial application of K-IFRS No. 1116 Leases. The Bank applied K-IFRS No. 1017 Leases to the comparative financial statements as of and for the years ended December 31, 2018, and they have not been restated in accordance with the transitional provisions. Details of changes in accounting standards are disclosed below.

#### (1) Definition of lease

Previously, the Bank adopted Interpretation of K-IFRS No. 2104, 'Determining whether a contract contains a Lease', to determine whether the contract is a lease or includes a lease at the date of the contract arrangement. The Bank now assesses whether the contract is, or contains a lease based on the new lease definition. In accordance with K-IFRS No. 1116 Leases, a contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date or revaluation date of the contract which contains a lease component, the Bank allocates the consideration in the contract based on the relative stand-alone prices of the lease component and non-lease component. However, as a practical expedient, the Bank elected not to separate non-lease component from lease component for the lease of buildings as a lessee, and will treat lease component and non-lease components as a single lease component.

#### (2) Lessee

The Bank holds substantial amount of lease assets including buildings and vehicles.

As a lessee, the Bank previously classified each of its leases as either an operating lease or a finance lease based on whether the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset. According to K-IFRS No. 1116 Leases, the Bank recognizes the right-of-use assets and lease liabilities for most of the lease which means most leases are to be presented in the statement of financial position.

However, the Bank elected not to recognize the right-of-use assets and lease liabilities for some leases for which the underlying asset is of low value. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease period.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### ① Significant Accounting Policies

The Bank recognizes Lease as the right-of-use assets and/or lease liabilities on the commencement date. The Bank initially measures the right-of-use assets at cost, subsequently less any accumulated depreciation and any accumulated impairment losses. Lease liabilities are reported with adjustment for any remeasurement.

The Bank measures the lease liabilities at the present value of the lease payments that are not paid at the inception of contract. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee, the Bank shall use the Bank's incremental borrowing rate. The Bank generally uses the incremental borrowing rate as a discount rate.

Lease liabilities increase by the accrued interest expense on the lease liabilities and decrease by the lease payments. The Bank remeasures the lease liabilities when there is a change in future lease payments resulting from a change in index or rate used to determine the lease payments, a change in the lease payable in consideration of any guarantees on the residual value, a change in the assessment of an option to purchase the leased assets, extend, or terminate the lease period.

The Bank applies judgement when determining the lease period on the lease contracts with extension options. The assessment whether or not the Bank is reasonably certain to exercise the option to extend the lease affects the lease period. This has a significant impact on the assessment of right-of-use assets and lease liabilities.

### ② Transition

The Bank classified the lease of buildings as an operating lease based on K-IFRS No. 1017 Leases. Leases are generally held for a period of ten years, and some include options to extend the lease for five years after the termination of the non-cancellable period. Some leases are required to pay an additional rent based on changes in the local price index.

At the date of transition, leases classified as operating leases in accordance with K-IFRS No. 1017 Leases were measured as the lease liabilities at the present value of the remaining lease payments discounted at the incremental borrowing rate as of January 1, 2019. The right-of-use assets were measured at the same amount as the lease liabilities.

As a practical expedient, when applying the K-IFRS No. 1116 Leases on the leases classified as operating leases based on the K-IFRS No. 1017 Leases, the Bank applies the following:

- An exemption to recognize the right-of-use assets and lease liabilities is applied for the lease contracts with the lease period of less than 12 months.
- The initial direct costs are excluded from the measurement of the right-of-use asset at the date of initial application
- The lease period is determined in consideration of the relevant factors if the contract contains options to extend or terminate the lease.

### (3) Lessor

The accounting policy applied by the Bank as a lessor is not different from the policy of K-IFRS No. 1017 Leases. The Bank does not need to make any adjustments at the time of transition for the leases that corresponds to the lessor. However, the Bank applied K-IFRS No. 1115, 'Revenue from Contracts with Customers', when allocating the consideration to the respective lease and non-lease components.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### (4) Impact on financial statements

#### ① Impact at the time of transition

At the time of transition to K-IFRS No. 1116 Leases, the Bank recognized the additional right-of-use assets and additional lease liabilities. There is no difference between the amount of assets and liabilities and therefore there is no amount to be reflected in retained earnings. The impact at the time of transition is as follows.

(In millions of Korean won)	January 1, 2019
Right-of-use assets	53,105
Lease liabilities	53,105

When measuring lease liabilities which were previously classified as operating leases, the Bank discounted the lease payments using the incremental borrowing rate as of January 1, 2019. The applied discount rates ranged between 2.77% and 3.43%.

(In millions of Korean won)	January 1, 2019
Operating lease commitments applying K-IFRS No. 1017 Leases disclosed in the statement of financial position as of December 31, 2018	56,363
Discounted lease payments using the incremental borrowing rate as of January 1, 2019	53,105
Lease liabilities recognized in the statement of financial position as of January 1, 2019	53,105

#### ② Transition impact

As a result of the first application of K-IFRS No. 1116 Leases, the Bank recognized ₩53,105 million as right-of-use assets and ₩53,105 million as lease liabilities on January 1, 2019 which were previously classified as operating leases as of December 31, 2018.

In addition, in accordance with K-IFRS No. 1116 Leases, the Bank recognized depreciation expense and interest expense instead of recording operating lease expense. The Bank recognized depreciation expense of ₩21,580 million and interest expense of ₩1,747 million for the year ended December 31, 2019.

The effect of K-IFRS No. 1116 Leases on segment information is not significant.

IFRS Interpretations Committee announced on December 16, 2019 that all economic penalty upon the termination of the lease contract should be considered in determining the enforceable period of 'the lease term and useful life of leasehold improvements'. Analysis on the impact to the financial statements due to this accounting interpretation change is currently under review by the Bank and any effect will be reflected into the financial statements accordingly.

#### 2-33 Amendments to the standards and interpretations not yet adopted

The following amendments to existing standards were published but were not effective for the reporting periods beginning January 1, 2019. The Bank has not early adopted these amendments which are not expected to have significant impact on the Bank's financial statements.

- Amendments to 'The Conceptual Framework for Financial Reporting'
- Amendments to K-IFRS No. 1113 (Definition of 'Business')
- Amendments to K-IFRS No. 1001 (Definition of 'Materiality')
- Amendments to K-IFRS No. 1117

#### 2-34 Others

The Bank reclassified the certain accounts of the comparative separate statement of financial position as of December 31, 2018, and such changes had no impact to the previously reported total assets and liabilities.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 3. Risk management policy

#### 3-1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Risk Committee to determine the Bank's risk management framework and to effectively monitor risk management status. The risk management framework is in compliance with the relevant frameworks and guidelines defined by SC Group and are applicable to all activities of the Bank. Key changes and authority delegation in relation to the risk management framework require approval of the Risk Committee and the Risk Committee reports regularly to the Board of Directors on their activities.

The Bank's head of risk management department is responsible for not only monitoring and maintaining the risk management framework but also managing changes in the environments that may potentially cause risks.

#### 3-2 Risk

Risk is defined as the possibility of potential negative impact on the Bank's interest. Risk can reduce the Bank's realizable profit or increase cost which would lead to financial loss and deterioration of the Bank's financial condition, or negatively impact the Bank's profit generating capability.

Risk assessment is conducted considering correlation between the probabilities of negative events that would occur at multiple levels and the level of risk exposure borne by the Bank. The size of the total risk exposure borne by the Bank is correlated with the businesses that the Bank is engaged in. In managing the size of the total risk exposure, the actual residual exposure that would result in negative events can be minimized through multiple effects from the Bank's risk control tools and the mitigation processes.

The Bank's maximum risk taking capacity is limited to the exposure cap permitted by the regulatory authority and is determined based on the Bank's capital and liquidity. Risk appetite represents the level of residual risk that the Bank is willing to take pursuant to achieving its strategic objectives. The Bank has exposure to the following key risks:

- Credit risk is the risk of financial loss from defaults of loans and receivables due to possible failure of meeting contractual obligations by a customer or a counterparty (borrowers, security issuers, etc.) and includes country risk related to loan and trade activities with foreign counterparties involving special political and economic conditions of such foreign countries.
- Market risk is the probability of possible economic value loss resulted from the adverse fluctuations in market variables such as market interest rates and prices.
- Liquidity risk is the risk that the Bank fails to make the debt repayment on time due to the lack of sustainable and diversified funding sources.
- Capital risk is the risk of actual loss or opportunity cost due to the suboptimal capital allocation or increase in capital expenditure.
- Operational risk is the risk of possible loss arising from various causes associated with the Bank's personnel or operational processes or from external events.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 3-3 Risk management

The Bank manages risks in line with its business strategy and within the scope of risk appetite to create value-add for the customers and generate profits for the shareholders. Risk management is a series of processes that control and optimize the Bank's risk-return profile as per the decision-making on the scope of the risk that the Bank is willing to take, and the processes start from sales departments. The Bank has the following risk management framework by each risk type:

#### i) Credit risk

Classification	Management principle	Management methodology
Credit policy	Cash flow lending	<ul style="list-style-type: none"> <li>- Keep cash flow lending principle that is focused on analysis of funding for repayment</li> <li>- Perform analysis on financial data and funding status for repayment as per historical and future pro forma financial statements</li> </ul>
	Adequate credit limit	<ul style="list-style-type: none"> <li>- Manage statutory limits                             <ol style="list-style-type: none"> <li>1. Manage credit line per individual and borrower</li> <li>2. Manage large exposure limits</li> </ol> </li> <li>- Calculate adequate size of credit limit (Credit Reference Level)</li> <li>- Manage total credit exposure per borrower</li> <li>- Portfolio management: Per industry, customer, credit grade, etc.</li> </ul>
	Reinforcement of credit risk management	<ul style="list-style-type: none"> <li>- Establish the same credit logic and culture</li> <li>- Identify changes in credit status of debtors early through regular calls</li> </ul>
Credit review	Credit review focused on future repayment capability	<ul style="list-style-type: none"> <li>- Determine credit grade per borrower</li> <li>- Comply with credit underwriting review standards                             <ol style="list-style-type: none"> <li>1. Borrowers with strong repayment capacity analysis (based on the future free cash flow)</li> <li>2. Borrowers with strong contribution to the national economy and solid growth potential</li> </ol> </li> <li>- Develop credit management strategy per credit grade</li> <li>- Adhere to bottom-up, democratic and transparent credit review process</li> <li>- Make credit decision with Risk/Reward balance for a reasonable banking business</li> </ul>
Post- credit management	Maintenance of credit quality	<ul style="list-style-type: none"> <li>- Perform credit review                             <ol style="list-style-type: none"> <li>1. Categorize credit grade and monitor appropriateness</li> <li>2. Perform on-going monitoring of loans granted by the headquarter and branches</li> </ol> </li> <li>- Operate Early Alert Reporting (EAR): Through EAR committee, early detection and proactive management of accounts that may eradicate repayment capacity or be downgraded to NPL in the event that the risk of borrower's default is not mitigated</li> </ul>



# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### ii) Market risk

- Management of market risk - trading portfolios

Market risk that arises from trading portfolios is managed by a range of effective risk management methodologies of the Bank. Market risk management department manages risks independently by setting market risk limit per trading category and reports regularly to the Market Risk Committee, Executive Risk Committee and Risk Committee. The risk management methodologies of the Bank have been adopted primarily from the SC Group. Risk management details per trading category were as follows:

Category	Details
Foreign exchange	Establish position limit, maximum maturity, fixing limit, interest rate sensitivity, Value at Risk ("VaR") limit and loss limit per currency and manage compliance of such limits
Currency option	Establish option Greek limit, SPOTVOL limit, maximum maturity, fixing limit, VaR limit and loss limit, and manage compliance of such limits
Interest rate derivatives	Establish interest rate sensitivity, interest rate option Greek, VaR limit and loss limit, and manage compliance of such limits

- Management of interest risk - non-trading portfolios

Interest risk on non-trading portfolios is the risk that economic value or net interest income ("NII") of the non-trading portfolios may decline in the event of market interest changes. This is due to the change in interest rate profile (re-pricing) and mismatch between interest rate basis and exposure optionality. The risk of decrease in economic value is managed by setting interest rate sensitivity and VaR limit of the non-trading portfolios and monitoring the compliance of the limit on a daily basis. The risk of decrease in NII is managed by setting limit of Earnings at Risk ("EaR") for NII during subsequent one year and monitoring the compliance of the limit on a monthly basis.

- Management of liquidity risk

The Bank has established the necessary liquidity risk management tools such as limits, management action trigger (MAT) and monitoring metrics (MM). Details on the following index are stipulated in the related policies and procedures.

Category	Index	Monitoring frequency
Internal limit	External wholesale borrowing limit (KRW, FCY)	Daily basis
Internal MAT	Maximum cumulative cash outflow limit (KRW, FCY, all currencies) MAT	Daily basis
	SWAP fund MAT	Daily basis
	Internal wholesale borrowing limit (KRW & FCY)	Daily basis
	Loan-to-deposit ratio MAT (all currencies, KRW)	Monthly basis
Regulatory MAT	Liquidity coverage ratio (all currencies, FCY)	Monthly basis
	Net stable funding ratio (all currencies)	
	Mid-term to long-term borrowing ratio (FCY)	
	Loan-to-deposit ratio (KRW)	
Internal MM	8-day liquidity crisis scenario analysis (all currencies)	Daily basis
	Depositor concentration management	Monthly basis
	Undrawn commitment limit	Monthly basis

The Bank prepares liquidity crisis scenarios considering its liquidity risk and market risk, and assesses if its emergency funding plans and liquid assets are sufficient to bear expected cash outflows for the next 30 days under a liquidity crisis.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 3-4 Risk management approach

The Bank manages risks in six inter-dependent areas that include planning, information gathering, control, execution, optimization and communication.

### 3-5 Risk exposure grading

Risks are more easily recognizable when they are categorized into risk exposure grading. Risk types are different forms in which the Bank may be exposed to a loss. Each risk type is a group of actual losses that may potentially occur in various activities and areas within the Bank. Risk type analysis enables the Bank to secure comprehensive and consistent risk awareness wherever the risk occurs.

### 3-6 Risk governance

Governance means a series of mechanisms that enable the execution of authorities, decision-making, and effective oversight of the organization.

Risk governance means the overall management mechanism of the organizations related to risk management and control. Risk governance is exercised based on the decision-making authority delegated to individuals and committees.

The Risk Committee is responsible for making overall risk management decisions based on the expertise of the managers in charge of the respective business area and other risk experts by taking into consideration of interests of the Bank's stakeholders. Other committees also serve as a mechanism to provide the stakeholders with sufficient information on the risks and provide opportunities to request for and challenge the risk information. Adequately formed and managed, Risk Committee ensures effective, efficient and transparent communication that enables more balanced decisions than decisions made by individuals.

### 3-7 Risk committee at the Board level

The Board of Directors has ultimate responsibility for setting risk appetite and for the effective management of risk. The Board's oversight on risk is performed by two sub-committees that act within an authority delegated by the Board.

The Risk Committee oversees key risks that the Bank is faced with and gets reported on the overall risk appetite. The Audit Committee oversees the operations of internal controls related to risk management of the Bank and monitors a series of processes through which financial risks are identified, assessed and managed.

### 3-8 Risk executive committees

Risk Assessment Committee is responsible for managing and controlling all risks within the authority delegated by the Risk Committee, excluding the risks that other risk executive committees are directly accountable for, and defining the risk management framework.

The Asset Liability Management Committee is responsible for maintaining sound financial statements in line with the Bank's business targets under the authority delegated by the Risk Committee. Its major responsibilities include managing the Bank's liquidity, interest risk and capital adequacy, and establishing relevant internal limits, conducting stress test, and reviewing/approving the capital adequacy.

### 3-9 Capital risk management

The purpose of capital management is to secure continued capital adequacy of the Bank as required by banking supervision regulations, to support growth as a going concern, and to enhance earnings capability for the shareholders and stakeholders. Therefore, the ultimate goal is to maintain a stable and optimized capital structure by monitoring risk-weighted asset fluctuations and improving capital efficiency through establishing mid/long-term capital plans based on Business Plan to achieve these purposes.

STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

4. Cash and due from banks

4-1 Cash and due from banks as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Cash and due from banks		
Cash on hand	256,257	293,657
Due from banks in Korean won		
Reserve deposits	1,454,018	830,350
Monetary stabilization account	1,100,000	500,000
Other deposits	887	352
Sub total	2,554,905	1,330,702
Due from banks in foreign currencies		
Demand deposits	2,515,177	1,431,485
Other deposits	58,477	103,217
Sub total	2,573,654	1,534,702
Allowance for deposits	(213)	(153)
Total	5,384,603	3,158,908

4-2 Expected credit loss for due from banks as of December 31, 2019 and 2018 were summarized as below.

1) Changes in allowance for due from banks for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019		
	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets
Beginning balance	153	-	-
Provision for the period, net	60	-	-
Ending balance	213	-	-

(In millions of Korean won)	2018		
	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets
Beginning balance	575	-	-
Reversal for the period, net	(422)	-	-
Ending balance	153	-	-

STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

- 2) Changes in total carrying amount of due from banks for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019		
	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets
Beginning balance(*)	876,488	-	-
Increase	727,164	-	-
Ending balance(*)	1,603,652	-	-

(In millions of Korean won)	2018		
	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets
Beginning balance(*)	518,185	-	-
Increase	358,303	-	-
Ending balance(*)	876,488	-	-

(\*) Total carrying amounts of due from banks as of December 31, 2019 and 2018 consist of due from banks on demand in Korean won, monetary stabilization accounts, and due from banks on demand in foreign currencies (excluding due from banks in Bank of Korea).

- 4-3 Details of due from banks restricted in use as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)		2019		
	Deposit type	Depository	Amount	Restriction
Due from banks in Korean won(*)	Reserve deposits	Bank of Korea	1,454,018	Bank of Korea Act Article 55 and others
	Monetary stabilization account	Bank of Korea	1,100,000	Bank of Korea Act Article 70 and others
	Other deposits	Korea Exchange and others	2	Market participation deposits and others
	Sub total			2,554,020
Due from banks in foreign currencies(*)	Demand deposits	Bank of Korea	2,012,410	Bank of Korea Act Article 55 and others
	Other deposits	Standard Chartered Bank (Thai) Public Co., Ltd.	58,477	Collaterals related to derivative transactions and others
	Sub total			2,070,887
Total			4,624,907	

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(In millions of Korean won)		2018		
	Deposit type	Depository	Amount	Restriction
Due from banks in Korean won(*)	Reserve deposits	Bank of Korea	830,350	Bank of Korea Act Article 55 and others
	Monetary stabilization account	Bank of Korea	500,000	Bank of Korea Act Article 70 and others
	Other deposits	Korea Exchange and others	2	Market participation deposits and others
	Sub total		1,330,352	
Due from banks in foreign currencies(*)	Demand deposits	Bank of Korea	1,055,347	Bank of Korea Act Article 55 and others
	Other deposits	Bank of America and others	103,217	Collaterals related to derivative transactions and others
	Sub total		1,158,564	
Total			2,488,916	

(\*) Allowance was excluded.

**5. Financial assets and liabilities measured at fair value through profit or loss**

Financial assets and liabilities measured at fair value through profit or loss as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)		
	2019	2018
Financial assets measured at fair value through profit or loss – trading purposes		
Securities	1,406,811	1,434,622
Derivative financial assets	4,251,391	3,100,769
Sub total	5,658,202	4,535,391
Financial assets measured at fair value through profit or loss – others		
Loan receivables	7,548	10,202
Securities	14,464	24,152
Sub total	22,012	34,354
Total	5,680,214	4,569,745
Financial liabilities measured at fair value through profit or loss – trading purposes		
Securities	251,253	37,090
Derivative financial liabilities	4,365,461	3,327,739
Total	4,616,714	3,364,829

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 5-1 Financial assets and liabilities measured at fair value through profit or loss - trading purposes

Financial assets and liabilities measured at fair value through profit or loss - trading purposes (excluding derivatives) as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)		
	<b>2019</b>	<b>2018</b>
Financial assets measured at fair value through profit or loss – trading purposes		
Debt securities(*)		
Government bonds	1,376,680	1,144,822
Financial debentures	30,131	289,800
Total	1,406,811	1,434,622
Financial liabilities measured at fair value through profit or loss – trading purposes		
Borrowed debt securities sold(*)		
Government bonds	251,253	37,090

(\*) The carrying amount was estimated based on the prices provided by Korea Asset Pricing & KR Co. and FN Pricing Inc. as of December 31, 2019, and Korea Asset Pricing & KR Co. and NICE Pricing & Information as of December 31, 2018.

### 5-2 Financial assets measured at fair value through profit or loss – others

Financial assets measured at fair value through profit or loss - others as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)		
	<b>2019</b>	<b>2018</b>
Loan receivables	7,548	10,202
Equity securities	14,464	24,152
Listed equity securities	2,536	4,195
Unlisted equity securities(*)	8,468	16,497
Others	3,460	3,460
Total	22,012	34,354

(\*) As of December 31, 2019 and 2018, the carrying amount is based on the valuation provided by NICE Pricing & Information.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 5-3 Derivative financial instruments

#### 5-3-1 Notional amounts of unsettled derivative financial instruments

The notional amounts of unsettled derivative financial instruments classified as financial instruments measured at fair value through profit or loss - trading purposes as of December 31, 2019 and 2018, respectively, were as follows:

	(In millions of Korean won)	
	<b>2019</b>	<b>2018</b>
Interest rate related		
Interest rate forwards	521,910	435,092
Interest rate swaps	367,592,433	198,480,992
Interest rate options purchased	569,000	669,000
Interest rate options sold	1,016,000	1,451,000
Interest rate futures purchased	1,804,286	223,620
Interest rate futures sold	207,732	1,423,486
Sub total	371,711,361	202,683,190
Foreign exchange related		
Currency forwards	156,023,181	153,565,672
Currency swaps	47,715,389	41,891,448
Currency options purchased	1,427,709	1,735,560
Currency options sold	1,427,709	1,735,560
Sub total	206,593,988	198,928,240
Equity related		
Equity swaps	210,000	210,000
Sub total	210,000	210,000
Credit related		
Credit default swaps	2,328,104	3,114,803
Sub total	2,328,104	3,114,803
Commodity related		
Commodity forwards	316,085	346,560
Commodity swaps	177,678	250,894
Commodity options purchased	159,119	112,739
Commodity options sold	159,119	112,739
Sub total	812,001	822,932
Total	581,655,454	405,759,165

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 5-3-2 Derivative financial instruments assets and liabilities

Derivative financial instruments assets and liabilities classified as financial instruments measured at fair value through profit or loss - trading purpose as of December 31, 2019 and 2018, respectively, were as follows:

(In millions of Korean won)				
(*)	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Interest rate related				
Interest rate forwards	24,246	43,851	15,339	28,560
Interest rate swaps	1,739,841	2,000,743	1,287,492	1,528,864
Interest rate options	20,080	69,923	11,299	61,061
Sub total	1,784,167	2,114,517	1,314,130	1,618,485
Foreign exchange related				
Currency forwards	1,669,557	1,454,948	1,057,548	1,068,661
Currency swaps	754,290	752,530	685,270	596,638
Currency options	5,735	5,820	5,145	5,279
Sub total	2,429,582	2,213,298	1,747,963	1,670,578
Equity related				
Equity swaps	988	988	3,377	3,377
Sub total	988	988	3,377	3,377
Credit related				
Credit default swaps	10,966	10,970	8,793	8,793
Sub total	10,966	10,970	8,793	8,793
Commodity related				
Commodity forwards	18,586	18,586	12,998	12,998
Commodity swaps	5,270	5,270	9,203	9,203
Commodity options	1,832	1,832	4,305	4,305
Sub total	25,688	25,688	26,506	26,506
Total	4,251,391	4,365,461	3,100,769	3,327,739

(\*) As of December 31, 2019 and 2018, non-performance risk adjustments in fair value of derivative assets and liabilities, which were classified as financial instruments measured at fair value through profit or loss - trading purposes, were ₩12,919 million and ₩13,651 million, respectively, and they were recognized as other provisions in the consolidated financial position. Change in the fair value attributable to change in the Bank's credit risk was nil for the years ended December 31, 2019 and 2018, respectively.



STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

5-3-3 Valuation gains and losses of derivative financial instruments

Valuation gains and losses of derivative financial instruments classified as financial assets and liabilities measured at fair value through profit or loss - trading purpose for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)				
	2019		2018	
	Valuation gain	Valuation loss	Valuation gain	Valuation loss
Interest rate related				
Interest rate forwards	8,967	15,290	15,025	25,347
Interest rate swaps	1,051,696	1,061,273	735,645	685,770
Interest rate options	4,111	18,416	5,762	12,517
Sub total	1,064,774	1,094,979	756,432	723,634
Foreign exchange related				
Currency forwards	1,564,151	1,393,152	1,059,100	1,108,363
Currency swaps	652,928	673,619	683,585	602,865
Currency options	5,760	5,846	5,856	6,000
Sub total	2,222,839	2,072,617	1,748,541	1,717,228
Equity related				
Equity swaps	2,389	2,389	1,713	1,713
Sub total	2,389	2,389	1,713	1,713
Credit related				
Credit default swaps	6,378	6,382	12,425	12,425
Sub total	6,378	6,382	12,425	12,425
Commodity related				
Commodity forwards	18,586	18,586	12,998	12,998
Commodity swaps	11,778	11,778	8,394	8,394
Commodity options	1,832	1,832	3,929	3,929
Sub total	32,196	32,196	25,321	25,321
Total	3,328,576	3,208,563	2,544,432	2,480,321

STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

**6. Financial assets and liabilities designated as measured at fair value through profit or loss**

6-1 Financial assets and liabilities designated as measured at fair value through profit or loss as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)		
(*1)	2019	2018
Financial assets designated as measured at fair value through profit or loss (*2)		
Debt securities	321,178	376,150
Total	321,178	376,150
Financial liabilities designated as measured at fair value through profit or loss (*3)		
Deposits	1,205,502	1,249,216
Debt securities issued	1,069,097	1,581,934
Total	2,274,599	2,831,150

(\*1) Financial instruments designated as measured at fair value through profit or loss were designated based on the following reasons:

- The above debt securities were fixed rate bonds which exposed the Bank to interest risk, and the Bank entered into derivatives contracts to hedge the interest risk. The change in the fair value of derivatives and financial assets measured at fair value through other comprehensive income were recognized in profit or loss and accumulated other comprehensive income, respectively. Recognition of financial instruments designated as measured at fair value through profit or loss instead of financial assets measured at fair value through other comprehensive income reduces this accounting mismatch significantly.

- The Bank entered into derivatives contracts in order to hedge interest risk and early redemption risk from deposits and debt securities issue. The Bank designated such financial liabilities as measured at fair value through profit or loss in order to reduce accounting mismatches between profits or losses from derivatives measured at fair value and deposits and debt securities issued at amortized cost. In addition, the Bank designated compound financial instruments as measured at fair value through profit or loss if cash flows from those instruments vary significantly due to the embedded derivatives and there were close relationships in economic characteristics and risks between host contracts and embedded derivatives.

(\*2) Details of fair value measurement of financial assets designated as measured at fair value through profit or loss were as follows:

- The carrying amounts of debt securities were estimated based on the prices provided by Korea Asset Pricing & KR Co. and FN Pricing Inc. as of December 31, 2019, and Korea Asset Pricing & KR Co. and NICE Pricing & Information as of December 31, 2018.

(\*3) Details of fair value measurement of financial liabilities designated as measured at fair value through profit or loss were as follows:

- As of December 31, 2019 and 2018, the Bank's own non-performance risks in debt securities issued were ₩866 million and ₩1,059 million, respectively, which were recognized as other provisions in the statement of financial position.

- The carrying amounts were estimated based on the prices provided by FN Pricing Inc. and Korea Investors Service Pricing Inc. as of December 31, 2019 and 2018.

STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

6-2 Differences between the contractual payments due at maturity and the carrying amounts of financial liabilities designated as measured at fair value through profit or loss as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)			
2019	Contractual amount due at maturity	Carrying amount	Difference
Deposits	1,163,023	1,205,502	(42,479)
Debt securities issued	1,050,000	1,069,097	(19,097)
Total	2,213,023	2,274,599	(61,576)

(In millions of Korean won)			
2018	Contractual amount due at maturity	Carrying amount	Difference
Deposits	1,230,033	1,249,216	(19,183)
Debt securities issued	1,550,000	1,581,934	(31,934)
Total	2,780,033	2,831,150	(51,117)

6-3 Changes in fair values of financial liabilities designated as measured at fair value through profit or loss through changes in credit risk for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)		
(*)	2019	2018
Beginning balance	295	79
Changes in credit risk recognized as other comprehensive income	(43)	216
Ending balance	252	295

(\*) The credit risk of financial liabilities designated as measured at fair value through profit or loss was calculated based on the Probability of default for each period ("PD") and the loss given default ("LGD") applicable for the Bank's credit grade and the amount before tax.

## 7. Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)		
	2019	2018
Debt securities(*)	9,635,967	9,364,126
Total	9,635,967	9,364,126

(\*) Collaterals provided for the borrowings amounting to ₩323 million and ₩124,644 million as of December 31, 2019 and 2018, respectively, were included since they did not meet the condition for financial assets derecognition due to the transfer under repurchase agreements.

STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

7-1 Debt securities

7-1-1 Debt securities classified as financial assets measured at fair value through other comprehensive income as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)						
2019	Face value	Amortized cost	Valuation gain/loss (accumulated)		Deferred tax liabilities	Carrying amount (*1)
			Other comprehensive Income (loss) (after-tax)	Gain (loss) on hedged items for fair value hedges (*2)		
Debt securities in Korean won						
Government bonds	1,046,146	1,092,124	(1,679)	18,005	(536)	1,107,914
Financial debentures	7,060,000	7,055,918	8,424	(1,818)	2,690	7,065,214
Asset backed securities	125,555	125,555	417	-	133	126,105
Corporate debentures	481,000	482,426	1,473	(345)	470	484,024
Sub total	8,712,701	8,756,023	8,635	15,842	2,757	8,783,257
Debt securities in foreign currencies						
Government bonds	299,570	300,034	764	-	244	301,042
Financial debentures	550,420	549,911	1,332	-	425	551,668
Sub total	849,990	849,945	2,096	-	669	852,710
Total	9,562,691	9,605,968	10,731	15,842	3,426	9,635,967

(In millions of Korean won)						
2018	Face value	Amortized cost	Valuation gain/loss (accumulated)		Deferred tax liabilities (assets)	Carrying amount (*1)
			Other comprehensive Income (loss) (after-tax)	Gain (loss) on hedged items for fair value hedges (*2)		
Debt securities in Korean won						
Government bonds	250,000	249,657	412	(461)	132	249,740
Financial debentures	8,076,000	8,057,966	3,260	155	1,041	8,062,422
Asset backed securities	180,397	180,397	470	-	150	181,017
Corporate debentures	330,000	329,932	36	-	11	329,979
Sub total	8,836,397	8,817,952	4,178	(306)	1,334	8,823,158
Debt securities in foreign currencies						
Government bonds	70,481	71,458	(41)	-	(13)	71,404
Financial debentures	468,595	468,079	1,126	-	359	469,564
Sub total	539,076	539,537	1,085	-	346	540,968
Total	9,375,473	9,357,489	5,263	(306)	1,680	9,364,126

(\*1) The carrying amounts were estimated based on the prices provided by Korea Asset Pricing & KR Co. and FN Pricing Inc. as of December 31, 2019, and Korea Asset Pricing & KR Co. and NICE Pricing & Information as of December 31, 2018.

(\*2) The Bank has entered into interest rate swap contracts in order to hedge the risk from changes in fair value of fixed rate bonds such as government bonds. These amounts are accumulated valuation gain or loss recognized by applying fair value hedge accounting.

STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

7-1-2 Loss allowance of debt securities measured at fair value through other comprehensive income

1) Changes in loss allowance of debt securities measured at fair value through other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)			
2019	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets
Beginning balance	2,090	-	-
Provisions for the period	1,236	-	-
Derecognition	(997)	-	-
Ending balance	2,329	-	-

(In millions of Korean won)			
2018	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets
Beginning balance	1,894	-	-
Provisions for the period	1,715	-	-
Derecognition	(1,519)	-	-
Ending balance	2,090	-	-

STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

2) Changes in total carrying amount of debt securities measured at fair value through other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)			
2019	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets
Beginning balance	9,357,489	-	-
-Transfer to lifetime expected credit losses	-	-	-
-Transfer to credit-impaired financial assets	-	-	-
-Transfer to 12-month expected credit losses	-	-	-
Acquisition	14,657,340	-	-
Derecognition	(14,454,352)	-	-
Effect of changes in foreign exchange rates and others	45,491	-	-
Ending balance	9,605,968	-	-

(In millions of Korean won)			
2018	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets
Beginning balance	8,607,874	-	-
-Transfer to lifetime expected credit losses	-	-	-
-Transfer to credit-impaired financial assets	-	-	-
-Transfer to 12-month expected credit losses	-	-	-
Acquisition	13,202,558	-	-
Derecognition	(12,502,167)	-	-
Effect of changes in foreign exchange rates and others	49,224	-	-
Ending balance	9,357,489	-	-

7-2 Gains and losses on valuation of financial assets measured at fair value through other comprehensive income

Changes in gains and losses on valuation of financial assets measured at fair value through other comprehensive income, accounted for as accumulated other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)				
2019	Beginning balance	Increase	Reclassification (*)	Ending balance
Debt securities	6,943	11,686	(4,472)	14,157
Total	6,943	11,686	(4,472)	14,157
Tax effect	(1,680)			(3,426)
Carrying amount	5,263			10,731

(In millions of Korean won)				
2018	Beginning balance	Increase	Reclassification (*)	Ending balance
Debt securities	(8,529)	7,950	7,522	6,943
Total	(8,529)	7,950	7,522	6,943
Tax effect	2,064			(1,680)
Carrying amount	(6,465)			5,263

(\*) These were reclassified to profit or loss for the years ended December 31, 2019 and 2018.

STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

**8. Financial assets measured at amortized cost**

Financial assets measured at amortized cost as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)		
	<b>2019</b>	<b>2018</b>
Loans and receivables	43,084,075	43,762,439
Debt securities measured at amortized cost	327,686	340,947
Total	43,411,761	44,103,386

**8-1 Loans and receivables**

8-1-1 Loans and receivables as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)		
	<b>2019</b>	<b>2018</b>
Due from banks and others in Korean won	20,000	45,000
Loans in Korean won	36,393,326	33,017,051
Interbank loans in foreign currency	92,624	55,905
Loans in foreign currencies	767,621	627,323
Off-shore loans in foreign currencies	553,303	608,028
Domestic import usance bills	151,572	266,129
Call loan	692,525	396,297
Notes bought	23,029	74,474
Bills bought in foreign currencies	421,971	455,883
Advances for customers	765	912
Credit card receivables	448,696	457,305
Bonds purchased under repurchase agreements	150,000	830,000
Factorings	885,588	852,817
Export factorings	206,113	282,949
Accounts receivable	2,328,047	5,882,891
Accrued income	178,609	142,278
Net deferred loan origination costs	44,902	40,737
Allowance for deposits	(8)	(20)
Discount present value on loans	(1,192)	(3,347)
Allowance for loan losses	(273,178)	(270,105)
Discount present value on accounts receivable	(37)	(68)
Allowance for accounts receivable	(201)	-
Total	43,084,075	43,762,439

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 8-1-2 Allowance for loan losses and accounts receivables

1) Changes in allowance for loan losses and accounts receivables for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)										
2019 (*1)	Corporate			Household			Credit card			Total
	12-months	Life-time	Impaired	12-months	Life-time	Impaired	12-months	Life-time	Impaired	
Beginning balance	50,278	29,715	48,312	46,777	4,985	84,345	5,278	2,159	1,623	273,472
-Transfer to lifetime expected credit losses	(2,508)	2,560	(52)	(467)	580	(113)	(124)	124	-	-
-Transfer to credit-impaired financial assets	(775)	(176)	951	(505)	(251)	756	(33)	(68)	101	-
-Transfer to 12-month expected credit losses	1,362	(1,098)	(264)	2,384	(484)	(1,900)	354	(341)	(13)	-
Provisions (reversal) for the year	(4,312)	(7,133)	36,440	17,287	3,643	(22,351)	1,744	619	(1,325)	24,612
Written off	(4,673)	(1,863)	(5,638)	(18,220)	(2,869)	(12,136)	(1,905)	(639)	(1,175)	(49,118)
Recovery of loans previously written off	-	-	1,815	-	-	30,767	-	-	2,428	35,010
Sale of non-performing loans	-	-	(21)	(264)	(1,032)	(3,294)	(38)	(318)	(377)	(5,344)
Other changes(*2)	-	370	(4,418)	-	-	-	-	-	-	(4,048)
Ending balance	39,372	22,375	77,125	46,992	4,572	76,074	5,276	1,536	1,262	274,584

(In millions of Korean won)										
2018 (*1)	Corporate			Household			Credit card			Total
	12-months	Life-time	Impaired	12-months	Life-time	Impaired	12-months	Life-time	Impaired	
Beginning balance	46,248	36,885	66,389	40,788	5,176	102,993	4,580	2,183	2,199	307,441
-Transfer to lifetime expected credit losses	(3,800)	4,745	(945)	(468)	603	(135)	(206)	206	-	-
-Transfer to credit-impaired financial assets	(419)	(64)	483	(370)	(306)	676	(36)	(62)	98	-
-Transfer to 12-month expected credit losses	7,454	(6,741)	(713)	2,933	(536)	(2,397)	356	(325)	(31)	-
Provisions (reversal) for the year	6,696	(3,748)	9,869	20,450	3,309	(51,776)	2,972	1,031	(2,574)	(13,771)
Written off	(5,901)	(1,747)	(10,311)	(16,377)	(2,549)	(13,701)	(2,412)	(704)	(1,360)	(55,062)
Recovery of loans previously written off	-	-	2,187	-	-	49,211	-	-	3,583	54,981
Sale of non-performing loans	-	-	(10,830)	(179)	(712)	(526)	24	(170)	(283)	(12,676)
Other changes(*2)	-	385	(7,817)	-	-	-	-	-	(9)	(7,441)
Ending balance	50,278	29,715	48,312	46,777	4,985	84,345	5,278	2,159	1,623	273,472

(\*1) The Bank recognizes the changes in the Stage at the end of each reporting period when the events or the changes in the circumstances which result in transfer among Stages incur.

(\*2) Other changes account for the effect from changes in foreign exchange rates, debt-equity swap, and amortization of discount present value cost using the effective interest rate method for the years ended December 31, 2019 and 2018.



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2) Changes in carrying amount of loans and receivables for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)										
2019 (*)	Corporate			Household			Credit card			Total
	12-months	Life-time	Impaired	12-months	Life-time	Impaired	12-months	Life-time	Impaired	
Beginning balance	10,216,402	2,463,341	70,366	24,057,158	686,861	139,310	315,524	19,159	1,952	37,970,073
-Transfer to lifetime expected credit losses	(264,370)	264,596	(226)	(44,064)	47,192	(3,128)	(3,804)	3,804	-	-
-Transfer to credit-impaired financial assets	(28,780)	(3,814)	32,594	(33,809)	(8,333)	42,142	(978)	(261)	1,239	-
-Transfer to 12-month expected credit losses	111,100	(109,957)	(1,143)	36,190	(29,002)	(7,188)	5,462	(5,446)	(16)	-
Execution	5,995,957	1,186,222	27,616	9,315,252	7,919	31,807	225,890	3,467	623	16,794,753
Written off	(4,673)	(1,862)	(5,639)	(18,220)	(2,869)	(12,136)	(1,905)	(639)	(1,175)	(49,118)
Sale of non-performing loans	-	-	-	(6,030)	(2,171)	(2,405)	(1,328)	(651)	(517)	(13,102)
Redemption	(6,428,306)	(1,001,692)	(23,083)	(6,085,569)	(133,858)	(51,720)	(169,649)	(6,226)	(644)	(13,900,747)
Other changes	5,616	(342)	-	-	-	-	-	-	-	5,274
Ending balance	9,602,946	2,796,492	100,485	27,220,908	565,739	136,682	369,212	13,207	1,462	40,807,133

(In millions of Korean won)										
2018 (*)	Corporate			Household			Credit card			Total
	12-months	Life-time	Impaired	12-months	Life-time	Impaired	12-months	Life-time	Impaired	
Beginning balance	9,821,350	2,757,789	109,859	24,614,508	115,443	164,097	276,335	20,043	2,581	37,882,005
-Transfer to lifetime expected credit losses	(418,043)	419,287	(1,244)	(676,311)	683,436	(7,125)	(8,961)	8,961	-	-
-Transfer to credit-impaired financial assets	(27,792)	(2,185)	29,977	(30,092)	(5,404)	35,496	(1,077)	(314)	1,391	-
-Transfer to 12-month expected credit losses	656,906	(655,212)	(1,694)	43,379	(34,469)	(8,910)	4,658	(4,619)	(39)	-
Execution	6,094,861	1,254,591	9,411	5,240,219	6,229	24,829	199,725	5,977	884	12,836,726
Written off	(5,901)	(1,747)	(10,180)	(16,377)	(2,549)	(13,701)	(2,412)	(704)	(1,360)	(54,931)
Sale of non-performing loans	-	-	(36,147)	(6,795)	(3,130)	(2,087)	(1,454)	(847)	(469)	(50,929)
Redemption	(5,909,240)	(1,312,634)	(29,622)	(5,111,373)	(72,695)	(53,289)	(151,290)	(9,338)	(1,036)	(12,650,517)
Changes in cash flow of the contract	-	-	6	-	-	-	-	-	-	6
Other changes	4,261	3,452	-	-	-	-	-	-	-	7,713
Ending balance	10,216,402	2,463,341	70,366	24,057,158	686,861	139,310	315,524	19,159	1,952	37,970,073

(\*) Accounts receivable, accrued income, net deferred loan origination costs, discounted present value on loans and allowance for the loan losses were excluded. The Bank recognizes the changes in the Stage at the end of each reporting period when the events or the changes in the circumstances which result in transfer among Stages incur.

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8-1-3 Deferred loan origination costs

Changes in deferred loan origination fees and costs for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)				
2019	Beginning balance	Increase	Decrease	Ending balance
Deferred loan origination costs	51,055	50,749	41,647	60,157
Deferred loan origination fees	(10,318)	(12,903)	(7,966)	(15,255)
Net deferred loan origination costs	40,737	37,846	33,681	44,902

(In millions of Korean won)				
2018	Beginning balance	Increase	Decrease	Ending balance
Deferred loan origination costs	59,632	39,185	47,762	51,055
Deferred loan origination fees	(8,215)	(9,822)	(7,719)	(10,318)
Net deferred loan origination costs	51,417	29,363	40,043	40,737

8-2 Debt securities measured at amortized cost

8-2-1 Details of debt securities measured at amortized cost as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)				
	2019		2018	
	Face value	Carrying amount	Face value	Carrying amount
Debt securities in Korean won				
Asset backed securities	78,175	78,175	97,051	97,051
Financial debentures	250,000	249,590	244,000	243,971
Provision	(79)	(79)	(75)	(75)
Total	328,096	327,686	340,976	340,947

8-2-2 Loss allowance on debt securities measured at amortized cost

1) Changes in loss allowance on debt securities measured at amortized cost for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)			
2019	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets
Beginning balance	75	-	-
Provision for the year, net	4	-	-
Ending balance	79	-	-

(In millions of Korean won)			
2018	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets
Beginning balance	26	-	-
Provision for the year, net	49	-	-
Ending balance	75	-	-

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- 2) Changes in total carrying amounts of debt securities measured at amortized cost for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)			
2019	12-month expected credit losses	Lifetime expected credit losses	Credit- impaired financial assets
Beginning balance	341,022	-	-
Acquisition	282,996	-	-
Derecognition	(296,253)	-	-
Ending balance	327,765	-	-

(In millions of Korean won)			
2018	12-month expected credit losses	Lifetime expected credit losses	Credit- impaired financial assets
Beginning balance	116,215	-	-
Derecognition	(19,164)	-	-
Acquisition	243,971	-	-
Ending balance	341,022	-	-

8-3 The uncollected contractual amounts of financial assets that were written-off but currently being recovered as of December 31, 2019 and 2018 were ₩421,825 million and ₩560,279 million, respectively.

8-4 Effect from modifications of contractual cash flows

- There were modifications of contractual cash flows on some financial assets, in which the allowance for loan losses has been measured at an amount equal to lifetime expected credit losses. The amortized cost of such financial assets prior to the modifications and net loss recognized from modifications of contractual cash flows for the year ended December 31, 2019 were ₩24,780 million and ₩13,779 million, respectively and ₩9,684 million and ₩5,911 million, respectively for the year ended December 31, 2018.
- The allowance for loan losses was measured based on the expected credit losses for the lifetime. As for those financial assets whose contractual cash flows changed since the initial recognition, none of their loan losses measurement scheme was changed to 12-months from the lifetime for the years ended December 31, 2019 and 2018.

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### 9. Derivatives held for risk management

#### 9-1 Risk management strategy

The Bank is exposed to the risk of changes in the fair value of debt securities, loans, deposits and debt securities issues with fixed interest rate. Interest rate swaps are used to hedge risk from these fair value changes. The risk factor designated as a hedged item is the change in the fair value due to changes in interest rates.

In addition, the Bank is exposed to the risk of changes in the cash flows of its deposits and financial liabilities denominated in foreign currencies with floating interest rates. The Bank uses currency swaps to hedge these cash flow variability risks. Risk factors designated as hedged items are cash flow changes due to changes in exchange rates and interest rates.

The hedge effectiveness is reviewed at the time of designation of the hedge relationship and the periodic forward-looking review confirms the existence of an economic relationship between the hedge and the hedged items. The Bank performs the qualitative reviews on its effectiveness by establishing the hedging relationship to ensure that the critical terms of the hedging instrument are consistent with the hedged item. In addition, the relative weight to the nominal amount between the hedging instrument and the hedged item is 1:1, as the critical terms are fully matched with each other.

Fair value hedges and cash flow hedges are exposed to credit risk (counterparty credit risk, own credit risk) of hedging instruments that are not offset against the credit risk of the hedged item. The portion where the credit risk is not offset between the hedged item and the hedging instrument is the main source of hedge ineffectiveness.

#### 9-2 Notional amounts of unsettled derivative instruments held for risk management

Notional amounts of unsettled derivative instruments held for risk management as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)		
	2019	2018
Cash flow hedge		
Currency swaps	578,900	905,661
Sub total	578,900	905,661
Fair value hedge		
Interest rate swaps	3,957,000	2,407,000
Total	4,535,900	3,312,661

#### 9-3 Derivative financial assets and liabilities held for risk management

Derivative financial assets and liabilities held for risk management as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)				
	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedge(*)				
Currency swaps	12,008	2,061	18,455	21,017
Fair value hedge(*)				
Interest rate swaps	22,900	-	-	-
Total	34,908	2,061	18,455	21,017

(\*) As of December 31, 2019 and 2018, the effect of non-performance risk on the fair value measurement of derivative assets and liabilities held for risk management was nil and ₩(4) million, respectively, and they were recognized as other provisions in the consolidated financial position.

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9-4 Gains and losses on valuation of derivative financial instruments held for risk management  
Gains and losses on valuation of derivative financial instruments held for risk management for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)				
	2019		2018	
	Valuation gain	Valuation loss	Valuation gain	Valuation loss
Fair value hedge				
Interest rate swaps	22,432	-	-	-

9-5 Maturity and average price of the nominal amount of the derivative instruments held for risk management  
The maturity and the average price of the nominal amount of the derivative instruments held for risk management for the years ended December 31, 2019 and 2018 were as follows.

(In millions of Korean won)						
2019	Maturity					Total
	Less than 1 month	1~3 months	3 months ~ 1 year	1~5 years	Thereafter	
Cash flow hedge						
Currency swap (interest rate risk and foreign exchange risk)						
Nominal amount(*)	115,780	32,676	79,149	-	-	227,605
Average fixed rate	1.94%	1.90%	1.76%	-	-	
Average exchange rate (won)	1,135.7	1,154.0	1,174.5	-	-	
Fair value hedge						
Interest rate swaps (interest rate risk)						
Nominal amount(*)	411,422	583,564	2,777,109	7,641,772	4,393,386	15,807,253
Average fixed rate	1.75%	1.51%	1.56%	1.57%	1.90%	

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(In millions of Korean won)						
2018	Maturity					
	Less than 1 month	1~3 months	3 months ~ 1 year	1~5 years	Thereafter	Total
Cash flow hedge						
Currency swap (interest rate risk and foreign exchange risk)						
Nominal amount(*)	111,717	34,133	1,152,606	14,287	-	1,312,743
Average fixed rate	2.50%	2.67%	2.64%	2.66%	-	
Average exchange rate (won)	1,085.00	1,128.70	1,167.20	1,165.30	-	
Fair value hedge						
Interest rate swaps (interest rate risk)						
Nominal amount(*)	381,260	218,460	1,360,293	919,540	-	2,879,553
Average fixed rate	1.67%	1.86%	1.90%	1.77%	-	

(\*) Those with multiple cash flows until the maturity such as interest rate swaps and currency swaps, the table above added up nominal amounts for each cash flow. In addition, as for those with the nominal amounts in both Korean won and foreign currencies such as currency swaps, the nominal amounts in foreign currencies were translated using the exchange rates at the end of the reporting period.

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9-6 Carrying amount of hedged items for fair value hedges and accumulated valuation gains and losses  
Carrying amount of hedged items for fair value hedges and accumulated valuation gains and losses as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)					
2019	Face value	Amortized cost	Accumulated valuation gains and losses		Carrying amount
			Accumulated other comprehensive income	Gain on hedged items for fair value hedges	
Hedged assets					
Financial assets measured at fair value through other comprehensive income	2,236,000	2,283,353	5,180	15,842	2,304,375
Financial assets measured at amortized cost	971,000	971,000	-	2,950	973,950
Total	3,207,000	3,254,353	5,180	18,792	3,278,325
Hedged liabilities					
Deposits	110,000	110,000	-	63	110,063
Debt securities issued	640,000	639,949	-	22,256	662,205
Total	750,000	749,949	-	22,319	772,268

(In millions of Korean won)					
2018	Face value	Amortized cost	Accumulated valuation gains and losses		Carrying amount
			Accumulated other comprehensive income	Loss on hedged items for fair value hedges	
Hedged assets					
Financial assets measured at fair value through other comprehensive income	1,720,000	1,716,279	3,118	(305)	1,719,092
Financial assets measured at amortized cost	687,000	687,000	-	(2,322)	684,678
Total	2,407,000	2,403,279	3,118	(2,627)	2,403,770

9-7 Gains and losses on hedged items for fair value hedge accounting  
Gains and losses on hedged items where fair value hedge accounting has been applied for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)				
	2019		2018	
	Valuation gain	Valuation loss	Valuation gain	Valuation loss
Financial assets measured at fair value through other comprehensive income	20,179	4,030	2,990	122
Financial assets measured at amortized cost	5,617	345	7,714	-
Deposits	-	63	-	-
Debt securities issued	-	22,256	917	-
Total	25,796	26,694	11,621	122

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9-8 Gains and losses on ineffective fair value hedge for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)			
2019	Changes in the fair value of hedged items	Changes in the fair value of hedge method	Gains and losses on ineffective hedge accounting
Financial assets measured at fair value through other comprehensive income	16,149	(16,154)	(5)
Financial assets measured at amortized cost	5,272	(5,265)	7
Deposits	(63)	63	-
Debt securities issued	(22,256)	22,456	200
Total	(898)	1,100	202

(In millions of Korean won)			
2018	Changes in the fair value of hedged items	Changes in the fair value of hedge method	Gains and losses on ineffective hedge accounting
Financial assets measured at fair value through other comprehensive income	2,868	(2,842)	26
Financial assets measured at amortized cost	7,714	(7,692)	22
Debt securities issued	917	(1,121)	(204)
Total	11,499	(11,655)	(156)

9-9 Cash flow hedge reserve

Changes in cash flow hedge reserve (gain or loss on valuation of cash flow hedges) for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)				
2019	Beginning balance	Increase	Reclassification (*)	Ending balance
Gain (loss) on valuation of cash flow hedges	(3,373)	24,799	(21,349)	77
Effective portion	(3,373)	24,799	(21,349)	77
Tax effect	816			(19)
Carrying value	(2,557)			58

(In millions of Korean won)				
2018	Beginning balance	Increase	Reclassification (*)	Ending balance
Gain (loss) on valuation of cash flow hedges	(364)	41,743	(44,752)	(3,373)
Effective portion	(364)	41,743	(44,752)	(3,373)
Tax effect	88			816
Carrying value	(276)			(2,557)

(\*) Valuation gains or losses which were realized through profit or loss for the years ended December 31, 2019 and 2018.

9-10 There is no ineffective cash flow hedge as of December 31, 2019 and 2018.



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10. Financial assets

As of December 31, 2019 and 2018, financial assets (excluding derivative financial assets) were as follows. Due from banks, accounts receivable, accrued income, net deferred loan origination costs, discount present value on loans and receivables and allowances for loan losses were excluded from financial assets measured at amortized cost as of December 31, 2019 and 2018, respectively:

10-1 By Country

(In millions of Korean won)						
2019	Financial assets measured at amortized cost	Financial assets measured at fair value through profit or loss - trading purposes	Financial assets measured at fair value through profit or loss – others	Financial assets measured at fair value through other comprehensive income	Financial assets designated as measured at fair value through profit or loss	Total
Korea	40,098,169	1,406,811	22,012	9,409,844	321,178	51,258,014
USA	12,980	-	-	226,123	-	239,103
China	338,532	-	-	-	-	338,532
UK	196,849	-	-	-	-	196,849
Indonesia	104,072	-	-	-	-	104,072
Vietnam	96,637	-	-	-	-	96,637
Taiwan	69,568	-	-	-	-	69,568
Others	198,091	-	-	-	-	198,091
Total	41,114,898	1,406,811	22,012	9,635,967	321,178	52,500,866

(In millions of Korean won)						
2018	Financial assets measured at amortized cost	Financial assets measured at fair value through profit or loss - trading purposes	Financial assets measured at fair value through profit or loss – others	Financial assets measured at fair value through other comprehensive income	Financial assets designated as measured at fair value through profit or loss	Total
Korea	37,391,712	1,434,622	34,354	9,364,126	376,150	48,600,964
China	365,367	-	-	-	-	365,367
Indonesia	116,889	-	-	-	-	116,889
Angola	81,062	-	-	-	-	81,062
Taiwan	67,207	-	-	-	-	67,207
UK	61,526	-	-	-	-	61,526
Others	182,332	-	-	-	-	182,332
Total	38,266,095	1,434,622	34,354	9,364,126	376,150	49,475,347

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10-2 By Customer type

(In millions of Korean won)						
2019	Financial assets measured at amortized cost	Financial assets measured at fair value through profit or loss - trading purposes	Financial assets measured at fair value through profit or loss – others	Financial assets measured at fair value through other comprehensive income	Financial assets designated as measured at fair value through profit or loss	Total
Household	28,286,628	-	7,548	-	-	28,294,176
Enterprises	10,424,725	-	11,004	-	-	10,435,729
Public and others	2,403,545	1,406,811	3,460	9,635,967	321,178	13,770,961
Total	41,114,898	1,406,811	22,012	9,635,967	321,178	52,500,866

(In millions of Korean won)						
2018	Financial assets measured at amortized cost	Financial assets measured at fair value through profit or loss - trading purposes	Financial assets measured at fair value through profit or loss – others	Financial assets measured at fair value through other comprehensive income	Financial assets designated as measured at fair value through profit or loss	Total
Household	25,195,198	-	7,841	-	-	25,203,039
Enterprises	10,804,890	-	23,053	-	-	10,827,943
Public and others	2,266,007	1,434,622	3,460	9,364,126	376,150	13,444,365
Total	38,266,095	1,434,622	34,354	9,364,126	376,150	49,475,347

10-3 By Industry type

(In millions of Korean won)						
2019	Financial assets measured at amortized cost	Financial assets measured at fair value through profit or loss - trading purposes	Financial assets measured at fair value through profit or loss – others	Financial assets measured at fair value through other comprehensive income	Financial assets designated as measured at fair value through profit or loss	Total
Household	28,286,628	-	7,548	-	-	28,294,176
Manufacturing	3,701,275	-	11,004	-	-	3,712,279
Financial service	1,338,425	30,131	-	3,181,238	-	4,549,794
Service	275,400	-	-	-	-	275,400
Construction	515,813	-	-	-	-	515,813
Retail and wholesale	1,753,389	-	-	-	-	1,753,389
Real estate and service	4,034,452	-	-	-	-	4,034,452
Others	1,209,516	1,376,680	3,460	6,454,729	321,178	9,365,563
Total	41,114,898	1,406,811	22,012	9,635,967	321,178	52,500,866

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(In millions of Korean won)						
2018	Financial assets measured at amortized cost	Financial assets measured at fair value through profit or loss - trading purposes	Financial assets measured at fair value through profit or loss – others	Financial assets measured at fair value through other comprehensive income	Financial assets designated as measured at fair value through profit or loss	Total
Household	25,195,198	-	7,841	-	-	25,203,039
Manufacturing	4,263,160	-	23,053	-	-	4,286,213
Financial service	1,928,889	9,027	-	1,986,777	-	3,924,693
Service	289,740	-	-	-	-	289,740
Construction	512,343	-	-	-	-	512,343
Retail and wholesale	1,694,537	-	-	-	-	1,694,537
Real estate and service	3,072,117	-	-	-	-	3,072,117
Others	1,310,111	1,425,595	3,460	7,377,349	376,150	10,492,665
Total	38,266,095	1,434,622	34,354	9,364,126	376,150	49,475,347

10-4 By Securities

(In millions of Korean won)						
2019	Financial assets measured at amortized cost	Financial assets measured at fair value through profit or loss - trading purposes	Financial assets measured at fair value through profit or loss – others	Financial assets measured at fair value through other comprehensive income	Financial assets designated as measured at fair value through profit or loss	Total
Equity securities	-	-	11,004	-	-	11,004
Debt securities						
Fixed rate bonds	249,590	1,406,811	-	9,146,442	321,178	11,124,021
Floating rate bonds	78,175	-	-	489,525	-	567,700
Total	327,765	1,406,811	11,004	9,635,967	321,178	11,702,725

(In millions of Korean won)						
2018	Financial assets measured at amortized cost	Financial assets measured at fair value through profit or loss - trading purposes	Financial assets measured at fair value through profit or loss – others	Financial assets measured at fair value through other comprehensive income	Financial assets designated as measured at fair value through profit or loss	Total
Equity securities	-	-	20,692	-	-	20,692
Debt securities						
Fixed rate bonds	243,971	1,434,622	-	8,916,429	376,150	10,971,172
Floating rate bonds	97,051	-	-	447,697	-	544,748
Total	341,022	1,434,622	20,692	9,364,126	376,150	11,536,612

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11. Property and equipment

11-1 Details of the property and equipment as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)			
	2019	2018	Notes
Property and equipment (excluding right-of-use assets)	471,495	464,389	11-2
Right-of-use assets	54,060	-	14-1
Total	525,555	464,389	

11-2 Changes in property and equipment (excluding right-of-use assets) for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)					
2019	Land	Buildings and structures	Leasehold improvements	Movable property	Total
Acquisition cost:					
Beginning balance(*1)	377,322	98,198	70,511	241,872	787,903
Acquisition	-	265	9,509	16,341	26,115
Disposal	(889)	(342)	(7,283)	(9,181)	(17,695)
Ending balance	376,433	98,121	72,737	249,032	796,323
Accumulated depreciation:					
Beginning balance(*1)	-	42,310	67,084	212,044	321,438
Depreciation(*2)	-	3,522	2,220	11,826	17,568
Disposal	-	(218)	(7,075)	(8,961)	(16,254)
Ending balance	-	45,614	62,229	214,909	322,752
Accumulated impairment losses:					
Beginning balance	661	1,415	-	-	2,076
Ending balance	661	1,415	-	-	2,076
Carrying amount	375,772	51,092	10,508	34,123	471,495

(\*1) Acquisition cost of the government subsidy of ₩300 million and accumulated depreciation of ₩87 million were included.

(\*2) Depreciation expense for the government subsidy is included. For the year ended December 31, 2019, ₩60 million was recognized in general and administrative expenses in the consolidated statement of comprehensive income.

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(In millions of Korean won)					
2018	Land	Buildings and structures	Leasehold improvements	Movable property	Total
Acquisition cost:					
Beginning balance(*1)	378,417	97,433	71,161	237,079	784,090
Acquisition	179	1,101	1,130	8,672	11,082
Disposal	-	(134)	(1,780)	(3,879)	(5,793)
Transfer(*3)	(1,274)	(202)	-	-	(1,476)
Ending balance	377,322	98,198	70,511	241,872	787,903
Accumulated depreciation:					
Beginning balance(*1)	-	38,699	67,083	201,809	307,591
Depreciation(*2)	-	3,709	1,717	13,863	19,289
Disposal	-	(40)	(1,716)	(3,628)	(5,384)
Transfer(*3)	-	(58)	-	-	(58)
Ending balance	-	42,310	67,084	212,044	321,438
Accumulated impairment losses:					
Beginning balance	838	1,441	-	-	2,279
Transfer(*3)	(177)	(26)	-	-	(203)
Ending balance	661	1,415	-	-	2,076
Carrying amount	376,661	54,473	3,427	29,828	464,389

(\*1) Acquisition cost of the government subsidy of ₩300 million and accumulated depreciation of ₩23 million were included.

(\*2) Depreciation expense for the government subsidy is included. For the year ended December 31, 2018, ₩64 million was recognized in general and administrative expenses in the consolidated statement of comprehensive income.

(\*3) This includes the assets transferred to assets held for sale in 2018 which consisted of acquisition cost of land amounting to ₩1,214 million, valuation loss of land amounting to ₩177 million, acquisition cost of building amounting to ₩302 million, accumulated depreciation amounting to ₩142 million and valuation loss of building amounting to ₩26 million.

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12. Investment property

12-1 Changes in investment property for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019			2018		
	Land	Building and structure	Total	Land	Building and structure	Total
Acquisition cost:						
Beginning balance	281,715	67,842	349,557	283,154	67,909	351,063
Acquisition	-	218	218	-	530	530
Disposal	(2,493)	(902)	(3,395)	-	(122)	(122)
Transfer(*)	-	-	-	(1,439)	(475)	(1,914)
Ending balance	279,222	67,158	346,380	281,715	67,842	349,557
Accumulated depreciation:						
Beginning balance	-	31,431	31,431	-	29,125	29,125
Depreciation	-	2,370	2,370	-	2,602	2,602
Disposal	-	(581)	(581)	-	(35)	(35)
Transfer(*)	-	-	-	-	(261)	(261)
Ending balance	-	33,220	33,220	-	31,431	31,431
Accumulated impairment losses:						
Beginning balance	18	5	23	236	37	273
Transfer(*)	-	-	-	(218)	(32)	(250)
Ending balance	18	5	23	18	5	23
Carrying amount	279,204	33,933	313,137	281,697	36,406	318,103
Rental income			11,507			13,014
Operating expenses			11,345			10,719

(\*) This includes the assets transferred to assets held for sale in 2018 which consisted of acquisition cost of land amounting to ₩1,499 million, valuation loss of land amounting to ₩218 million, acquisition cost of building amounting to ₩373 million, accumulated depreciation amounting to ₩176 million and valuation loss of building amounting to ₩32 million.

12-2 The fair value of the Bank's investment property as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)				
2019	Date of valuation	Land	Buildings and structures	Total(*)
Head office and others	2019-12-31	315,587	44,358	359,945

(In millions of Korean won)				
2018	Date of valuation	Land	Buildings and structures	Total(*)
Head office and others	2018-12-31	298,269	43,898	342,167

(\*) The fair value of investment property was estimated based on the prices provided by independent appraisal agencies.

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13. Intangible assets

13-1 Changes in intangible assets (excluding intangible assets with indefinite useful lives) for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)					
2019	System development cost	Software	Lease premium	Other	Total
Beginning balance	36,988	18,596	979	11,003	67,566
Acquisition	1,000	1,613	39	10,406	13,058
Amortization	(14,186)	(9,375)	(220)	(9)	(23,790)
Transfer	17,868	1,780	-	(19,648)	-
Ending balance	41,670	12,614	798	1,752	56,834

(In millions of Korean won)					
2018	System development cost	Software	Lease premium	Other	Total
Beginning balance	28,674	21,894	1,161	7,133	58,862
Acquisition	1,148	3,338	-	25,176	29,662
Amortization	(11,275)	(9,491)	(182)	(10)	(20,958)
Transfer	18,441	2,855	-	(21,296)	-
Ending balance	36,988	18,596	979	11,003	67,566

13-2 Changes in intangible assets with indefinite useful lives for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)			
2019	Membership (*1)	Membership fee (*2)	Total
Beginning balance	10,489	1,600	12,089
Acquisition	821	-	821
Disposal	(658)	-	(658)
Reversal	1,600	-	1,600
Ending balance	12,252	1,600	13,852

(In millions of Korean won)			
2018	Membership (*1)	Membership fee (*2)	Total
Beginning balance	10,544	1,600	12,144
Acquisition	233	-	233
Disposal	(1,074)	-	(1,074)
Reversal	786	-	786
Ending balance	10,489	1,600	12,089

(\*1) Effect of reversal resulted from the rise in the fair market value, which was estimated based on the fair market value as of the end of the reporting period, was recognized as non-operating profit in the consolidated statements of comprehensive income.

(\*2) Membership fee was paid to Korea Exchange.

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14. Leases

14-1 Changes in right-of-use assets for the year ended December 31, 2019 were as follows:

(In millions of Korean won)	Right-of-use assets			Accumulated depreciation			Carrying amount		
	Leasehold improvement	Vehicles and others	Total	Leasehold improvement	Vehicles and others	Total	Leasehold improvement	Vehicles and others	Total
Beginning balance	41,191	11,914	53,105	-	-	-	41,191	11,914	53,105
Acquisition	25,659	882	26,541	-	-	-	25,659	882	26,541
Disposal	(5,542)	(252)	(5,794)	(1,698)	(89)	(1,787)	(3,844)	(163)	(4,007)
Depreciation	-	-	-	18,046	3,535	21,580	(18,045)	(3,534)	(21,580)
Ending balance	61,308	12,544	73,853	16,347	3,446	19,793	44,961	9,099	54,060

14-2 Changes in lease liabilities for the year ended December 31, 2019 were as follows:

(In millions of Korean won)	Beginning balance	Acquisition	Amortization of discount present value	Repayment	Disposal	Ending balance
Lease liabilities	53,105	26,541	1,747	(22,519)	(4,007)	54,867

14-3 Total cash outflows and cash outflows per period in lease liabilities as of December 31, 2019 were as follows:

(In millions of Korean won)	Less than 1 year	1~5 years	More than 5 years	Total cash outflows	Discount present value	Carrying amount
Lease liabilities	21,431	33,068	4,796	59,295	(4,428)	54,867

14-4 Lease expense incurred from short-term leases and leases of low-value assets for the year ended December 31, 2019 was ₩4,906 million.

14-5 Minimum lease receivables per period according to the non-cancellable operating lease contracts as of December 31, 2019 were as follows:

(In millions of Korean won)				
(In millions of Korean won)	Less than 1 year	1~5 years	More than 5 years	Total
Minimum lease receivables	6,933	11,766	1,293	19,992

14-6 Minimum lease payables or receivables according to the non-cancellable operating lease contracts as of December 31, 2018 were as follows:

(In millions of Korean won)	Payable	Receivable
Within a year	18,278	8,668
Beyond 1 year ~ 5 years	35,028	14,862
Beyond 5 years	3,057	5,423
Total	56,363	28,953



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15. Other financial assets and other assets

15-1 Other financial assets as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Guarantee deposits	146,148	149,241
Discount present value on guarantee deposits	(10,292)	(10,386)
Domestic exchange settlement receivables	2,168,130	2,225,396
Allowance for other financial assets	(357)	(419)
Others	1,101	2,191
Total	2,304,730	2,366,023

15-2 Other assets as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Net defined benefit assets(*)	17,342	21,060
Prepaid expenses	32,362	26,509
Others	919	779
Allowance for other financial assets	(1)	-
Total	50,622	48,348

(\*) Changes in net defined benefit assets are included in note 20-4.

15-3 Changes in allowance for other financial assets and other assets for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019		2018	
	Other financial assets	Other assets	Other financial assets	Other assets
Beginning balance	419	-	805	428
Provision (reversal)	(62)	(237)	(386)	237
Recovery (written-off)	-	238	-	(665)
Ending balance	357	1	419	-

15-4 Loss allowance for other financial assets

1) Changes in loss allowance for other financial assets for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won) (*)	2019	2018
Beginning balance	419	805
-Transfer to lifetime expected credit losses	-	-
-Transfer to credit-impaired financial assets	-	-
-Transfer to 12-month expected credit losses	-	-
Reversal	(62)	(386)
Ending balance	357	419

(\*)The Bank recognizes the changes in the Stage at the end of each reporting period when the events or changes in the circumstances which result in transfer among Stages incur.

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- 2) Changes in carrying amount of other financial assets for recognition of allowances for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won) (*1)	2019	2018
Beginning balance	1,255	2,424
-Transfer to lifetime expected credit losses	-	-
-Transfer to credit-impaired financial assets	-	400
-Transfer to 12-month expected credit losses	-	(1,520)
Derecognition	(51)	(49)
Ending balance(*2)	1,204	1,255

(\*1) The Bank recognizes the changes in the Stage at the end of each reporting period when the events or changes in the circumstances which result in transfer among Stages incur.

(\*2) Ending balances as of December 31, 2019 and 2018 are security deposit.

**16. Assets held for sale**

16-1 Assets held for sale as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)			
2019	Financial assets	Non-financial assets	Total
Acquisition cost	-	2,617	2,617
Total	-	2,617	2,617

(In millions of Korean won)			
2018	Financial assets	Non-financial assets	Total
Acquisition cost	11,885	5,899	17,784
Accumulated impairment losses	(1,592)	-	(1,592)
Total	10,293	5,899	16,192

(\* ) The carrying amounts of the Bank's branch properties which ceased the operation as per the Bank's management decision were reclassified as non-financial assets held for sale. Gain on disposal of a real estate amounting to ₩396 million was recorded as non-operating profit. Equity securities of an associate were recorded as financial assets held for sale as per the Bank's management decision as of December 31, 2018. These assets held for sale were sold during 2019 and a gain on disposal amounting to ₩1,590 million was recorded as non-operating profit for the year ended December 31, 2019.

16-2 Changes in accumulated impairment losses on assets held for sale for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	Beginning balance	Reversal	Disposal	Ending balance
2019	1,592	-	(1,592)	-
2018	3,534	(1,195)	(747)	1,592

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17. Deposits

Deposits as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Deposits in Korean won		
Demand deposits	2,335,827	2,278,281
Time & savings deposits	37,267,928	33,610,141
Mutual installment deposits	7,120	7,759
Money in trusts	99,442	106,824
Sub total	39,710,317	36,003,005
Deposits in foreign currencies		
Passbook deposits	3,840,722	2,241,411
Time deposits	1,591,773	1,921,181
Custody deposits	57,787	60,475
Others	2,890	2,143
Sub total	5,493,172	4,225,210
Certificates of deposit	1,140,240	1,654,819
Total	46,343,729	41,883,034

18. Borrowings

Borrowings as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)			
2019	Lender	Annual interest rate (%)	Amount
Borrowings in Korean won			
Borrowings from Bank of Korea	Bank of Korea	0.50	832
Others	Small Enterprise and Market Service and others	0.00 ~ 2.38	27,197
Sub total			28,029
Borrowings in foreign currencies			
Due to foreign banks	Standard Chartered Bank (Hong Kong) Limited	2.05 ~ 2.23	636,790
Others	Standard Chartered Bank New York	LIBOR + 0.30	5,490
Sub total			642,280
Off-shore borrowings in foreign currencies			
Off-shore borrowings from banks	Standard Chartered Bank (Hong Kong) Limited	2.14 ~ 3.00	557,449
Call money			
Call money in Korean won	Schroder Investment Management Ltd.	1.23	800
Bonds sold under repurchase agreements(*)			
Bonds sold under repurchase agreements in Korean won	Customers	-	249
Cover bills sold		0.90 ~ 1.00	1,333
Total			1,230,140

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(In millions of Korean won)			
2018	Lender	Annual interest rate (%)	Amount
Borrowings in Korean won			
Borrowings from Bank of Korea	Bank of Korea	0.50 ~ 0.75	1,094
Others	Small Enterprise and Market Service and others	0.00 ~ 2.44	29,253
Sub total			30,347
Borrowings in foreign currencies			
Due to foreign banks	Standard Chartered Bank (Hong Kong) Limited and others	2.63 ~ 3.25	939,204
Others	Oesterreichische Kontroll Bank AG and others	4.55/ LIBOR + 0.30	11,347
Sub total			950,551
Off-shore borrowings in foreign currencies			
Off-shore borrowings from banks	Standard Chartered Bank (Hong Kong) Limited and others	2.45 ~ 4.35	605,437
Call money			
Call money in Korean won	Sumitomo Mitsui Banking Corporation and others	1.25 ~ 1.73	99,500
Bonds sold under repurchase agreements(*)			
Bonds sold under repurchase agreements in Korean won	Korea Exchange and others	1.23 ~ 1.30	117,483
Cover bills sold		1.00 ~ 1.30	1,942
Total			1,805,260

(\*) These were related to the collateralized borrowings which did not meet the condition for financial assets derecognition due to the transfer under repurchase agreements.

#### 19. Debt securities issued

Debt securities issued as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019		2018	
	Annual interest rate (%)	Amount	Annual interest rate (%)	Amount
General debentures(*)	1.32~5.50	3,090,000	1.80 ~ 5.50	1,660,000
Subordinated debentures	2.65	600,010	-	20
Accumulated gain on hedged items for fair value hedges		22,256		-
Sub total		3,712,266		1,660,020
Discount on debentures		(8,504)		(10,039)
Total		3,703,762		1,649,981

(\*) Covered bond of ₩800,000 million issued for the year ended December 31, 2019 on back of mortgage was included.

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20. Provisions

20-1 Provisions as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Provisions for off-balance sheet items	25,262	38,855
Other provisions		
Provision for restoration liabilities	18,300	17,098
Valuation adjustment reserves for derivatives	20,374	24,591
Litigations and others	3,785	18,487
Sub total	42,459	60,176
Net defined benefit liabilities(*)	8,670	8,162
Total	76,391	107,193

(\*) The Bank recognized ₩17,342 million and ₩21,060 million of defined benefit asset classified as other assets in the consolidated statements of financial position as of December 31, 2019 and 2018, respectively.

20-2 Loss allowances of off-balance sheet items

20-2-1 Changes in loss allowances of off-balance sheet items for the years ended December 31, 2019 and 2018, were as follows:

(In millions of Korean won)										
2019 (*)	Financial acceptances & guarantees			Other acceptances & guarantees			Undrawn commitments			Total
	12-month	Lifetime	Impaired	12-month	Lifetime	Impaired	12-month	Lifetime	Impaired	
Beginning balance	9	-	-	5,589	5,580	3,521	9,760	3,182	11,214	38,855
-Transition to life time expected credit losses	-	-	-	(322)	322	-	(213)	213	-	-
-Transition to credit-impaired financial assets	-	-	-	-	-	-	(20)	(89)	109	-
-Transition to 12-month expected credit losses	-	-	-	3,170	(3,170)	-	409	(406)	(3)	-
Provisions (reversal) for the period	29	-	-	(2,965)	(142)	(1,432)	(1,115)	1,949	(9,987)	(13,663)
Other changes	-	-	-	70	-	-	-	-	-	70
Ending balance	38	-	-	5,542	2,590	2,089	8,821	4,849	1,333	25,262

(In millions of Korean won)										
2018 (*)	Financial acceptances & guarantees			Other acceptances & guarantees			Undrawn commitments			Total
	12-month	Lifetime	Impaired	12-month	Lifetime	Impaired	12-month	Lifetime	Impaired	
Beginning balance	2	972	-	3,016	2,278	2,304	9,058	3,139	9,749	30,518
-Transition to life time expected credit losses	-	-	-	(7)	7	-	(344)	344	-	-
-Transition to credit-impaired financial assets	-	-	-	-	-	-	(2)	(7)	9	-
-Transition to 12-month expected credit losses	262	(262)	-	345	(345)	-	372	(372)	-	-
Provisions (reversal) for the period	(255)	(710)	-	2,154	3,640	1,217	676	78	1,456	8,256
Other changes	-	-	-	81	-	-	-	-	-	81
Ending balance	9	-	-	5,589	5,580	3,521	9,760	3,182	11,214	38,855

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(\*The Bank recognizes the changes in the Stage at the end of each reporting period when the events or changes in the circumstances which result in transfer among Stages incur.

20-2-2 Changes in remaining balance of off-balance sheet items for the years ended December 31, 2019 and 2018, were as follows:

(In millions of Korean won)										
2019 (*)	Financial acceptances & guarantees			Other acceptances & guarantees			Undrawn commitments			Total
	12-month	Lifetime	Impaired	12-month	Lifetime	Impaired	12-month	Lifetime	Impaired	
Beginning balance	61,229	34,661	-	909,109	224,565	4,506	12,292,567	1,359,812	14,190	14,900,639
-Transition to life time expected credit losses	-	-	-	(52,138)	52,138	-	(173,290)	173,300	(10)	-
-Transition to credit-impaired financial assets	-	-	-	-	-	-	(6,570)	(642)	7,212	-
-Transition to 12-month expected credit losses	34,661	(34,661)	-	66,502	(66,502)	-	289,503	(289,238)	(265)	-
Increase (decrease)	10,673	-	-	31,663	(82,040)	(112)	1,372,832	237,307	(16,979)	1,553,344
Ending balance	106,563	-	-	955,136	128,161	4,394	13,775,042	1,480,539	4,148	16,453,983

(In millions of Korean won)										
2018 (*)	Financial acceptances & guarantees			Other acceptances & guarantees			Undrawn commitments			Total
	12-month	Lifetime	Impaired	12-month	Lifetime	Impaired	12-month	Lifetime	Impaired	
Beginning balance	1,877	144,863	-	735,183	217,870	4,818	12,069,585	1,574,527	15,541	14,764,264
-Transition to life time expected credit losses	-	-	-	(2,487)	2,487	-	(158,605)	158,610	(5)	-
-Transition to credit-impaired financial assets	-	-	-	-	-	-	(2,355)	(195)	2,550	-
-Transition to 12-month expected credit losses	56,954	(56,954)	-	36,124	(36,124)	-	291,013	(290,422)	(591)	-
Increase (decrease)	2,398	(53,248)	-	140,289	40,332	(312)	92,929	(82,708)	(3,305)	136,375
Ending balance	61,229	34,661	-	909,109	224,565	4,506	12,292,567	1,359,812	14,190	14,900,639

(\*The Bank recognizes the changes in the Stage at the end of each reporting period when the events or changes in the circumstances which result in transfer among Stages incur.

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20-3 Other Provision

20-3-1 Changes in provision for restoration liabilities for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Beginning balance	17,098	13,433
Increase	1,939	278
Provision for the year	1,478	3,638
Use	(2,215)	(251)
Ending balance(*)	18,300	17,098

(\*) Estimated amount of restoration cost for leased properties

20-3-2 Changes in other provisions (excluding provision for restoration liabilities) for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)			
2019	Valuation adjustment reserves for financial derivatives (*)	Litigations and others	Total
Beginning balance	24,591	18,487	43,078
Reversal for the year	(4,260)	(8,543)	(12,803)
Use and others	43	(6,159)	(6,116)
Ending balance	20,374	3,785	24,159

(In millions of Korean won)			
2018	Valuation adjustment reserves for financial derivatives (*)	Litigations and others	Total
Beginning balance	13,998	24,321	38,319
Provision (reversal) for the year	10,810	(146)	10,664
Use and others	(217)	(5,688)	(5,905)
Ending balance	24,591	18,487	43,078

(\*) The amount represents fair value adjustments to reflect differences between bid and ask prices of derivatives and non-performance risk on derivatives and financial liabilities designated at fair value through profit or loss.

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### 20-4 Defined benefit obligations

The Bank operates a defined benefit plan (“DB plan”) and defined contribution plan (“DC plan”) in accordance with the Employee Retirement Benefits Laws. The Pensions Executive Committee (held more than twice a year), whose chairman is the Chief Executive Officer of the Bank, determines the contribution amount and asset investment strategy.

Retirement benefits under DB plan which are calculated based on the service period and salary level of an employee are paid on a lump sum basis at the time of retirement. The Bank had entered into a severance benefit insurance contract and made deposits which were recognized as a deduction from present value of defined benefits obligation under an account of plan assets.

Retirement benefits amounts under DC plan were determined at the each year end as one-twelfth of total salary for the year.

When an employee who is eligible for quasi-age limit (‘quasi’) special retirement plan applies to retire with a quasi-retirement benefits, the quasi benefits are paid to the employee, upon the Bank’s approval, in addition to the regular retirement benefits for the employee.

Actuarial valuation of plan assets and defined benefit obligation under the Bank’s retirement plan is measured by an external actuary firm. Actuarial valuation assumptions may differ from the actual factors in the market changes, economic trends and mortality trends which may impact net defined benefit liabilities and future payments. The defined benefit plan exposes the Bank to actuarial risk, such as longevity risk, interest rate and market (investment) risk.

20-4-1 Changes in defined benefit obligations for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)			
2019	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
Beginning balance	201,056	213,954	(12,898)
Current service cost	27,879	-	27,879
Net interest on obligations and assets	5,547	5,919	(372)
Remeasurements of defined benefit plan			
-Actual loss arising from:			
Experience adjustment	3,750	-	3,750
Demographic assumptions	660	-	660
Financial assumptions	7,451	-	7,451
-Return on plan assets excluding interest income	-	1,921	(1,921)
Remeasurements of defined benefit plan sub total	11,861	1,921	9,940
Effect of settlement	(589)	-	(589)
Contributions made to the plan by the Bank	-	32,414	(32,414)
Benefits paid by the plan	(14,027)	(13,809)	(218)
Ending balance	231,727	240,399	(8,672)



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(In millions of Korean won)			
2018	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
Beginning balance	161,753	180,082	(18,329)
Current service cost	25,609	-	25,609
Net interest on obligations and assets	5,246	5,860	(614)
Remeasurements of defined benefit plan			
-Actual loss arising from:			
Experience adjustment	2,832	-	2,832
Demographic assumptions	459	-	459
Financial assumptions	10,279	-	10,279
-Return on plan assets excluding interest income	-	(8,138)	8,138
-Changes from effect of the asset ceiling	-	-	-
Remeasurements of defined benefit plan sub total	13,570	(8,138)	21,708
Effect of settlement	(96)	-	(96)
Contributions made to the plan by the Bank	-	41,947	(41,947)
Benefits paid by the plan	(5,026)	(5,797)	771
Ending balance	201,056	213,954	(12,898)

20-4-2 Details of retirement benefit expenses recognized for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Current service cost	27,879	25,609
Net interest on obligations and assets	(372)	(614)
Effect of settlement	(589)	(96)
Total	26,918	24,899

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20-4-3 The fair values of plan assets as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Cash and cash equivalents(*3)	14,311	15,010
Equity instruments(*1)(*3)	1,013	1,038
Debt instruments(*2)(*3)	120,596	114,338
Investment funds(*3)	52,035	43,395
Loans and receivables(*3)	51,974	38,712
Others(*3)	470	1,461
Total	240,399	213,954

(\*1) The amounts represent listed equity securities with quoted prices in active markets as of December 31, 2019 and 2018.

(\*2) Government bonds with quoted prices in active markets as of December 31, 2019 and 2018 amounted to ₩30,144 million and ₩25,882 million, respectively.

(\*3) Plan assets include financial instruments which are parts of principal and interest guaranteed products. The relevant principal and interest guaranteed products as of December 31, 2019 and 2018 amounted to ₩193,299 million and ₩181,684 million, respectively.

20-4-4 Actuarial assumptions as of December 31, 2019 and 2018 were as follows:

	2019	2018
Discount rate (%)(*1)	2.50	2.25 ~ 2.80
Future salary increases (%)(*2)	3.50	3.50

(\*1) Discount rate was determined based on the interest rate of AA+ corporate bonds.

(\*2) Future salary increases were calculated based on the expected inflation rate and increase rate of salary for long term.

20-4-5 Maturity profiles of defined benefit obligation as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)(*)	2019	2018
Less than 1 year	5,218	5,921
1 year and over ~ less than 2 years	9,217	8,137
2 year and over ~ less than 5 years	45,637	41,958
5 year and over ~ less than 10 years	172,984	143,029
10 years and over	595,205	573,316
Total	828,261	772,361

(\*) The weighted average durations of the defined benefit obligation ranged in 4.95 ~ 10.97 years and 4.56 ~ 10.70 years as of December 31, 2019 and 2018, respectively.

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20-4-6 Sensitivity analyses of the present value of defined benefit obligation as of December 31, 2019 and 2018, respectively, were as follows:

(In millions of Korean won)			
2019	Present value	Present value with an increase of 25 basis points	Present value with a decrease of 25 basis points
Discount rate	231,727	225,661	238,029
Rate of salary increase	231,727	238,231	225,438

(In millions of Korean won)			
2018	Present value	Present value with an increase of 25 basis points	Present value with a decrease of 25 basis points
Discount rate	201,056	195,939	206,368
Rate of salary increase	201,056	206,593	195,701

20-4-7 Retirement benefits expenses recognized under defined contribution plans for the years ended December 31, 2019 and 2018 were ₩3,586 million and ₩3,615 million, respectively.

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21. Share-based payment

21-1 Details of stock options, in case of instalment savings granted by the Standard Chartered PLC as of December 31, 2019 were as follows:

(Unit: No. of shares)					
Issuing year	2015	2016	2017	2018	2019
Grant date	2015-10-07	2016-10-04	2017-10-03	2018-10-02	2019-09-30
Grant condition	Current employees are eligible for this plan. Each employee who chooses this plan is supposed to make monthly payments to installment savings account.				
Vesting period	3 years	3 years	3 years	3 years	3 years
Maximum term of option granted	Within 6 months after vesting period (Exercise is not allowed in January and February)				
Exercise price (won)(*1)	8,471	8,049	9,416	7,791	7,563
Number of shares granted	1,466,620	1,185,826	857,429	724,429	1,145,169
Changes in number of shares granted:					
Outstanding at beginning of period	953,865	1,090,284	798,522	720,921	-
Granted	-	-	-	-	1,145,169
Expired	(24,306)	(31,194)	(60,484)	(35,802)	(17,567)
Exercised(*2)	(929,559)	(463,294)	-	-	-
Outstanding at end of period	-	595,796	738,038	685,119	1,127,602
Stock price (won)	10,819 (GBP: 7.12)				
Fair value (won)(*3)(*4)	2,377	4,064	1,895	1,421	2,299

(\*1) The exercise price in GBP was translated into Korean won using the exchange rate as of December 31, 2019.

(\*2) The weighted-average price at the date of exercise for share options exercised for the year ended December 31, 2019 was ₩ 10,228 (GBP 6.75).

(\*3) Share-based payment arrangements were measured at fair value using binomial option pricing model to reflect the characteristics of American option in share appreciation rights. The major assumptions used in the valuation of the Bank's share based compensation were as follows:

- Stock price: Closing price of Standard Chartered PLC at each grant date
- Annual risk-free rate: Government bond interest rate corresponding to the remaining maturity at each grant date
- Expected volatility: Historical volatility of preceding 180 days at each grant date
- Expected dividend yield: Prior year dividend yields at each grant date

(\*4) Fair value of option in GBP was translated into Korean won using the exchange rate at grant date.

21-2 Details of stock options, in case of performance-based awards granted by the Standard Chartered PLC as of December 31, 2019 were as follows:

	Details
Condition	Stock option based on performance
Vesting period	1 ~ 5 years
Contractual exercise period	Within 3 ~ 10 years from grant date
Performance conditions	Dependent upon the assessment of performance after the vesting period

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Granted options as of December 31, 2019 and the fair value of the options at each grant date were as follows:

(Unit: No. of shares)			
Grant date	Maximum term of option granted	Fair value (won)(*1)	Number of stock(*2)
2011-05-06	2021-05-06	24,368	482
2012-03-13	2022-03-13	24,148/ 24,640	11,947
2013-03-11	2023-03-11	26,042	8,907
2013-09-18	2020-09-18	22,833	1,579
2014-03-13	2024-03-13	18,469/ 18,700	24,703
2015-03-19	2022-03-19	15,442/ 15,595/ 15,514	54,629
2015-06-17	2022-06-17	15,839	355
2016-03-11	2021-09-11	7,426	138,727
2016-03-11	2023-03-11	7,357	8,144
2017-03-13	2024-03-13	9,221	45,477
2017-03-13	2027-03-13	8,898	20,316
2018-03-09	2028-03-09	10,111/ 9,996	165,290
2019-03-11	2029-03-11	7,924/7,835	391,721
Total			872,277

(\*1) Share-based payment arrangements were measured at fair value using binomial option pricing model to reflect the characteristics of American option in share appreciation rights. Fair value of option in GBP was translated into Korean won using the exchange rate at the grant date.

(\*2) Number of outstanding stock as of December 31, 2019.

21-3 The Bank recorded ₩4,347 million and ₩4,794 million as general and administrative expenses in respect of the above share based payment for the years ended December 31, 2019 and 2018, respectively.

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**22. Other financial liabilities and other liabilities**

22-1 Other financial liabilities as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	<b>2019</b>	<b>2018</b>
Accounts payable	2,376,367	5,869,971
Accrued expenses	1,045,420	909,732
Domestic exchange obligation payables	630,058	918,914
Foreign exchange obligation payables	53,101	58,241
Liability incurred by agency relationship	226,435	131,287
Deposits for guarantees	242,743	142,636
Agency business accounts	66,214	58,226
Payable from trust accounts	236,614	205,517
Lease liability	54,867	-
Others	15,156	19,930
Contract liability	29,185	26,038
Discount present value	(210)	(377)
<b>Total</b>	<b>4,975,950</b>	<b>8,340,115</b>

22-2 Other liabilities as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	<b>2019</b>	<b>2018</b>
Unearned revenue	19,806	28,060
Withholding taxes	35,238	30,845
Others	23,218	38,571
<b>Total</b>	<b>78,262</b>	<b>97,476</b>

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23. Carrying amount of financial instruments by category

Financial instruments by category as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)							
2019	Financial instruments measured at fair value through profit or loss			Financial assets measured at fair value through other comprehensive income	Financial instruments measured at amortized cost	Derivatives held for risk management	Total
	Financial instruments measured at fair value through profit or loss - trading purposes	Financial assets measured at fair value through profit or loss - others	Financial instruments designated as measured at fair value through profit or loss				
Financial assets(*)							
Cash and due from banks	-	-	-	-	5,384,603	-	5,384,603
Financial assets measured at fair value through profit or loss - trading purposes	5,658,202	-	-	-	-	-	5,658,202
Financial assets measured at fair value through profit or loss - others	-	22,012	-	-	-	-	22,012
Financial assets designated as measured at fair value through profit or loss	-	-	321,178	-	-	-	321,178
Financial assets measured at fair value through other comprehensive income	-	-	-	9,635,967	-	-	9,635,967
Financial assets measured at amortized cost	-	-	-	-	43,411,761	-	43,411,761
Derivative assets held for risk management	-	-	-	-	-	34,908	34,908
Other financial assets	-	-	-	-	2,304,730	-	2,304,730
<b>Total</b>	<b>5,658,202</b>	<b>22,012</b>	<b>321,178</b>	<b>9,635,967</b>	<b>51,101,094</b>	<b>34,908</b>	<b>66,773,361</b>
Financial liabilities							
Deposits	-	-	-	-	46,343,729	-	46,343,729
Financial liabilities measured at fair value through profit or loss - trading purposes	4,616,714	-	-	-	-	-	4,616,714
Financial liabilities designated as measured at fair value through profit or loss	-	-	2,274,599	-	-	-	2,274,599
Borrowings	-	-	-	-	1,230,140	-	1,230,140
Debt securities issued	-	-	-	-	3,703,762	-	3,703,762
Derivative liabilities held for risk management	-	-	-	-	-	2,061	2,061
Other financial liabilities	-	-	-	-	4,975,950	-	4,975,950
<b>Total</b>	<b>4,616,714</b>	<b>-</b>	<b>2,274,599</b>	<b>-</b>	<b>56,253,581</b>	<b>2,061</b>	<b>63,146,955</b>

STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES  
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(In millions of Korean won)

2018	Financial instruments measured at fair value through profit or loss			Financial assets measured at fair value through other comprehensive income	Financial instruments measured at amortized cost	Derivatives held for risk management	Total
	Financial instruments measured at fair value through profit or loss - trading purposes	Financial assets measured at fair value through profit or loss - others	Financial instruments designated as measured at fair value through profit or loss				
Financial assets(*)							
Cash and due from banks	-	-	-	-	3,158,908	-	3,158,908
Financial assets measured at fair value through profit or loss - trading purposes	4,535,391	-	-	-	-	-	4,535,391
Financial assets measured at fair value through profit or loss - others	-	34,354	-	-	-	-	34,354
Financial assets designated as measured at fair value through profit or loss	-	-	376,150	-	-	-	376,150
Financial assets measured at fair value through other comprehensive income	-	-	-	9,364,126	-	-	9,364,126
Financial assets measured at amortized cost	-	-	-	-	44,103,386	-	44,103,386
Derivative assets held for risk management	-	-	-	-	-	18,455	18,455
Other financial assets	-	-	-	-	2,366,023	-	2,366,023
<b>Total</b>	<b>4,535,391</b>	<b>34,354</b>	<b>376,150</b>	<b>9,364,126</b>	<b>49,628,317</b>	<b>18,455</b>	<b>63,956,793</b>
Financial liabilities							
Deposits	-	-	-	-	41,883,034	-	41,883,034
Financial liabilities measured at fair value through profit or loss - trading purposes	3,364,829	-	-	-	-	-	3,364,829
Financial liabilities designated as measured at fair value through profit or loss	-	-	2,831,150	-	-	-	2,831,150
Borrowings	-	-	-	-	1,805,260	-	1,805,260
Debt securities issued	-	-	-	-	1,649,981	-	1,649,981
Derivative liabilities held for risk management	-	-	-	-	-	21,017	21,017
Other financial liabilities	-	-	-	-	8,340,115	-	8,340,115
<b>Total</b>	<b>3,364,829</b>	<b>-</b>	<b>2,831,150</b>	<b>-</b>	<b>53,678,390</b>	<b>21,017</b>	<b>59,895,386</b>



# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 24. Offsetting between financial assets and financial liabilities

24-1 Details of financial assets that are set off and financial assets subject to enforceable master netting agreements or similar agreements as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)							
2019	Financial assets recognized	Offsetting financial liabilities recognized	Financial assets recognized in the statement of financial position	Amount not offset in the statement of financial position		Total	Notes
				Financial instruments (*1)	Cash collateral received(*1)		
Derivative assets(*2)	4,286,299	-	4,286,299	(5,973,638)	(136,252)	475,190	5, 9
Unsettled spot exchange assets	2,298,781	-	2,298,781				8
Bonds purchased under repurchase agreements, securities lending and borrowing agreements and similar agreements	150,000	-	150,000	(149,892)	-	108	8
Domestic exchange settlement receivables(*3)	8,230,446	(6,062,316)	2,168,130	-	-	2,168,130	15
Others(*4)	4,594	(2,546)	2,048	-	-	2,048	8
Total	14,970,120	(6,064,862)	8,905,258	(6,123,530)	(136,252)	2,645,476	

(In millions of Korean won)							
2018	Financial assets recognized	Offsetting financial liabilities recognized	Financial assets recognized in the statement of financial position	Amount not offset in the statement of financial position		Total	Notes
				Financial instruments (*1)	Cash collateral received(*1)		
Derivative assets(*2)	3,119,224	-	3,119,224	(8,371,566)	(80,723)	467,131	5, 9
Unsettled spot exchange assets	5,800,196	-	5,800,196				8
Bonds purchased under repurchase agreements, securities lending and borrowing agreements and similar agreements	830,000	-	830,000	(829,457)	-	543	8
Domestic exchange settlement receivables(*3)	8,227,573	(6,002,177)	2,225,396	-	-	2,225,396	15
Others(*4)	4,226	(1,126)	3,100	(141)	-	2,959	8
Total	17,981,219	(6,003,303)	11,977,916	(9,201,164)	(80,723)	2,696,029	

(\*1) Some of the Bank's over-the-counter derivative transactions and spot exchange are entered into under a master netting agreement with the counterparties through ISDA (International Swaps and Derivatives Association) or similar agreements. The Bank disclosed financial assets and liabilities that would be subject to offsetting under such agreements if default or bankruptcy of counterparties occurred. The Bank's bonds purchased/sold under repurchase agreements, and securities borrowing and lending transactions are covered by similar netting agreements.

(\*2) Derivative assets held for trading and risk management.

(\*3) The Bank offsets domestic exchange settlement receivables and obligation payables in the consolidated statement of financial position as the Bank has a legally enforceable right to offset and settles on a net basis.

(\*4) Others include receivables related to settlements through Central Counter Party ("CCP").

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

24-2 Details of financial liabilities that are set off and financial liabilities subject to enforceable master netting agreements or similar agreements as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)							
2019	Financial liabilities recognized	Offsetting financial assets recognized	Financial liabilities recognized in the statement of financial position	Amount not offset in the statement of financial position		Total	Notes
				Financial instruments (*1)	Cash collateral provided(*1)		
Derivative liabilities (*2)	4,367,522	-	4,367,522	(6,131,469)	(33,405)	501,321	5, 9
Unsettled spot exchange liabilities	2,298,673	-	2,298,673				22
Bonds sold under repurchase agreements, securities lending and borrowing agreements and similar agreements	251,502	-	251,502	(251,502)	-	-	5, 18
Domestic exchange obligation payables(*3)	6,692,374	(6,062,316)	630,058	-	-	630,058	22
Others(*4)	3,005	(2,546)	459	-	-	459	22
<b>Total</b>	<b>13,613,076</b>	<b>(6,064,862)</b>	<b>7,548,214</b>	<b>(6,382,971)</b>	<b>(33,405)</b>	<b>1,131,838</b>	

(In millions of Korean won)							
2018	Financial liabilities recognized	Offsetting financial assets recognized	Financial liabilities recognized in the statement of financial position	Amount not offset in the statement of financial position		Total	Notes
				Financial instruments (*1)	Cash collateral provided(*1)		
Derivative liabilities (*2)	3,348,756	-	3,348,756	(8,859,859)	(76,325)	211,770	5, 9
Unsettled spot exchange liabilities	5,799,198	-	5,799,198				22
Bonds sold under repurchase agreements, securities lending and borrowing agreements and similar agreements	154,573	-	154,573	(154,573)	-	-	5, 18
Domestic exchange obligation payables(*3)	6,921,091	(6,002,177)	918,914	-	-	918,914	22
Others(*4)	1,191	(1,126)	65	-	-	65	22
<b>Total</b>	<b>16,224,809</b>	<b>(6,003,303)</b>	<b>10,221,506</b>	<b>(9,014,432)</b>	<b>(76,325)</b>	<b>1,130,749</b>	

(\*1) Some of the Bank's over-the-counter derivative transactions and spot exchange are entered into under a master netting agreement with the counterparties through ISDA (International Swaps and Derivatives Association) or similar agreements. The Bank disclosed financial assets and liabilities that would be subject to offsetting under such agreements if default or bankruptcy of counterparties occurred. The Bank's bonds purchased/sold under repurchase agreements, and securities borrowing and lending transactions are covered by similar agreements.

(\*2) Derivative liabilities held for trading and risk management.

(\*3) The Bank offsets domestic exchange settlement receivables and obligation payables in the consolidated statement of financial position as the Bank has a legally enforceable right to offset and settles on a net basis.

(\*4) Others include payables related to settlements through central clearing counterparty (CCP).

STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

25. Fair value

25-1 Fair value of financial assets and liabilities

The carrying amount and fair value of financial assets and liabilities as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)				
	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and due from banks	5,384,603	5,384,603	3,158,908	3,158,908
Financial instruments measured at fair value through profit or loss	5,680,214	5,680,214	4,569,745	4,569,745
Financial instruments designated as measured at fair value through profit or loss	321,178	321,178	376,150	376,150
Financial assets measured at fair value through other comprehensive income	9,635,967	9,635,967	9,364,126	9,364,126
Financial instruments measured at amortized cost	43,411,761	43,478,841	44,103,386	44,135,150
Derivatives held for risk management	34,908	34,908	18,455	18,455
Other financial assets	2,304,730	2,304,730	2,366,023	2,366,023
Total	66,773,361	66,840,441	63,956,793	63,988,557
<b>Financial liabilities</b>				
Deposits	46,343,729	46,372,291	41,883,034	41,891,095
Financial liabilities measured at fair value through profit or loss	4,616,714	4,616,714	3,364,829	3,364,829
Financial liabilities designated as measured at fair value through profit or loss	2,274,599	2,274,599	2,831,150	2,831,150
Borrowings	1,230,140	1,230,140	1,805,260	1,805,260
Debt securities issued	3,703,762	3,702,484	1,649,981	1,658,284
Derivative liabilities held for risk management	2,061	2,061	21,017	21,017
Other financial liabilities	4,975,950	4,975,950	8,340,115	8,340,115
Total	63,146,955	63,174,239	59,895,386	59,911,750

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 25-2 Fair value hierarchy

25-2-1 Fair value hierarchy of assets and liabilities not measured at fair value in the consolidated statements of financial position but for which the fair values are disclosed as of December 31, 2019 and 2018 was as follows:

(In millions of Korean won)				
2019	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and due from banks	4,226,124	-	1,158,479	5,384,603
Financial assets measured at amortized cost(*1)	2,298,781	1,015,674	40,164,386	43,478,841
Other financial assets(*2)	2,168,130	-	136,600	2,304,730
Investment property(*3)	-	-	359,945	359,945
Total	8,693,035	1,015,674	41,819,410	51,528,119
<b>Liabilities</b>				
Deposits(*4)	6,236,416	1,140,293	38,995,582	46,372,291
Borrowings(*4)	832	800	1,228,508	1,230,140
Debt securities issued(*5)	-	3,702,484	-	3,702,484
Other financial liabilities(*6)	2,981,831	-	1,994,119	4,975,950
Total	9,219,079	4,843,577	42,218,209	56,280,865

(In millions of Korean won)				
2018	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and due from banks	2,555,689	-	603,219	3,158,908
Financial assets measured at amortized cost(*1)	5,800,196	734,652	37,600,302	44,135,150
Other financial assets(*2)	2,225,396	-	140,627	2,366,023
Investment property(*3)	-	-	342,167	342,167
Total	10,581,281	734,652	38,686,315	50,002,248
<b>Liabilities</b>				
Deposits(*4)	4,581,738	1,654,793	35,654,564	41,891,095
Borrowings(*4)	1,094	99,500	1,704,666	1,805,260
Debt securities issued(*5)	-	1,658,284	-	1,658,284
Other financial liabilities(*6)	6,776,353	-	1,563,762	8,340,115
Total	11,359,185	3,412,577	38,922,992	53,694,754

(\*1) The fair value is estimated based on the discounted cash flow model using CD interest rate, default rate and loss rate. However, carrying amount of the financial assets measured at amortized cost is deemed to be fair value when the maturity or the cycle for setting floating rate is less than six-month period since the carrying value is regarded reasonably approximate to the fair value.

(\*2) The fair value is estimated based on discounted cash flow model, default rate and loss rate. However, carrying amount is deemed to be fair value when a maturity or a cycle for setting floating rate of other financial assets is less than six-month period since the carrying value is regarded reasonably approximate to the fair value.

(\*3) The fair value is estimated based on market approach using actual transaction prices for similar investment property and prices declared by Ministry of Land, Infrastructure and Transport.

(\*4) The fair value is estimated based on discounted cash flow model. However, carrying amount is deemed to be fair value when a maturity or a cycle for setting floating rate of other financial assets is less than six-month period since the carrying value is regarded reasonably approximate to the fair value.

(\*5) The fair value is estimated based on discounted cash flow model using rate of return on treasury bonds and bank debentures.

(\*6) The fair value is estimated based on discounted cash flow model. However, carrying amount is deemed to be fair value when a maturity or a cycle for setting floating rate of other financial assets is less than six-month period since the carrying value is regarded reasonably approximate to the fair value.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

25-2-2 Fair value hierarchy of financial instruments which are presented at their fair value in the consolidated statements of financial position as of December 31, 2019 and 2018 was as follows:

(In millions of Korean won)				
2019	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial instruments measured at fair value through profit or loss - trading purposes(*1,2)	1,329,659	4,327,555	988	5,658,202
Financial instruments measured at fair value through profit or loss - others(*2)	2,536	-	19,476	22,012
Financial instruments designated as measured at fair value through profit or loss(*2)	-	321,178	-	321,178
Financial assets measured at fair value through other comprehensive income(*2)	5,643,730	3,992,237	-	9,635,967
Derivatives assets held for risk management(*1)	-	34,908	-	34,908
Total	6,975,925	8,675,878	20,464	15,672,267
<b>Financial liabilities</b>				
Financial liabilities measured at fair value through profit or loss - trading purposes(*1)	251,253	4,364,473	988	4,616,714
Financial liabilities designated as measured at fair value through profit or loss(*3)	-	2,274,599	-	2,274,599
Derivatives liabilities held for risk management(*1)	-	2,061	-	2,061
Total	251,253	6,641,133	988	6,893,374

(In millions of Korean won)				
2018	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial instruments measured at fair value through profit or loss - trading purposes(*1,2)	1,384,284	3,150,575	532	4,535,391
Financial instruments measured at fair value through profit or loss - others(*2)	4,195	-	30,159	34,354
Financial instruments designated as measured at fair value through profit or loss(*2)	-	376,150	-	376,150
Financial assets measured at fair value through other comprehensive income(*2)	6,625,411	2,738,715	-	9,364,126
Derivatives assets held for risk management(*1)	-	18,455	-	18,455
Total	8,013,890	6,283,895	30,691	14,328,476
<b>Financial liabilities</b>				
Financial liabilities measured at fair value through profit or loss - trading purposes(*1)	37,090	3,327,207	532	3,364,829
Financial liabilities designated as measured at fair value through profit or loss(*3)	-	2,831,150	-	2,831,150
Derivatives liabilities held for risk management(*1)	-	21,017	-	21,017
Total	37,090	6,179,374	532	6,216,996

(\*1) Financial assets measured at fair value through profit or loss - trading purposes classified as level 2 or level 3 are derivatives. The fair value of derivatives is estimated based on discounted cash flow model or option pricing model using market interest rate, exchange rate, underlying asset price in the market and implied volatilities of underlying asset.

(\*2) The Bank classified loans, equity securities and debt securities as level 2 or level 3. The fair value of equity securities is estimated based on discounted cash flow model or relative value approach using the current stock prices, market interest rate, degree of industrial average risk and financial information. The fair value of debt securities is estimated based on discounted cash flow model using current bid/ask prices of the bonds, government bonds or similar bonds, and spread by credit rating. The fair value of loans is estimated based on discounted cash flow model using CD interest rate, default rate and loss rate.

(\*3) The Bank classified structured deposits and structured notes as level 2. The fair value is estimated based on discounted cash flow model using market interest rates, implied volatilities of interest rate, exchange rate and CDS premium.

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25-3 Sensitivity analysis of fair value of financial instruments classified as level 3 as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)					
2019	Fair value (*3)	Profit(loss) for the year		Other comprehensive income (loss)	
		Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial instruments measured at fair value through profit or loss-trading purposes (*1)	-	40	(40)	-	-
Financial instruments measured at fair value through profit or loss-other (*2)	19,476	1,994	(771)	-	-
Total	19,476	2,034	(811)	-	-

(In millions of Korean won)					
2018	Fair value (*3)	Profit(loss) for the year		Other comprehensive income (loss)	
		Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial instruments measured at fair value through profit or loss-trading purposes (*1)	-	54	(54)	-	-
Financial instruments measured at fair value through profit or loss-other (*2)	30,159	7,817	(5,033)	-	-
Total	30,159	7,871	(5,087)	-	-

(\*1) Financial instruments subject to sensitivity analysis are equity derivatives. Inputs that are not based on observable market data for equity derivatives are correlation coefficient of the two or more underlying assets. The favorable or unfavorable changes are estimated by increasing or decreasing the correlation coefficient and volatility by 10%.

(\*2) Financial instruments subject to sensitivity analysis are equity securities and warrant. Favorable and unfavorable changes are calculated by increasing or decreasing volatility of underlying assets by 10%, growth rate by 1%P and discount rate by 1%P.

(\*3) Inputs which are not observed in the market by product as of December 31, 2019 and 2018 were as follows:

	Level 3 input	2019	2018
Derivatives			
Equity swaps	Correlation coefficient between two or more underlying assets	-65%~74%	-50%~74%
Financial assets measured at fair value through profit or loss-others			
Convertible preferred stock	Volatility of underlying assets	-	24.48%
Preferred stock	Discount rate	-	11.53%
	Growth rate	-	0.00%
Bond with warrant	Volatility of underlying assets	-	24.48%
Unlisted equity securities	Discount rate	8.42%	10.07%
	Growth rate	0.00%	0.00%

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25-4 Changes in carrying amount of financial instruments classified as level 3 for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)			
2019	Financial assets measured at fair value through profit or loss - trading purposes	Financial assets measured at fair value through profit or loss – others	Financial liabilities measured at fair value through profit or loss - trading purposes
Beginning balance	532	30,159	(532)
Total gains or losses			
Profit or loss for the current period (*1)	(59)	35,528	59
Purchases/issuance	-	2,471	-
Settlements/disposals	-	(48,682)	-
Transfer out of level 3(*2)	515	-	(515)
Ending balance	988	19,476	(988)

(In millions of Korean won)			
2018	Financial assets measured at fair value through profit or loss - trading purposes	Financial assets measured at fair value through profit or loss – others	Financial liabilities measured at fair value through profit or loss - trading purposes
Beginning balance	7,630	27,136	(3,711)
Total gains or losses			
Profit or loss for the current period (*1)	(3,917)	7,557	(2)
Purchases/issuance	-	3,567	-
Settlements/disposals	(3,181)	(8,101)	3,181
Ending balance	532	30,159	(532)

(\*1) Profit or loss arising from the financial instruments classified as level 3 for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)			
2019(*)	Financial assets measured at fair value through profit or loss - trading purposes	Financial assets measured at fair value through profit or loss – others	Financial liabilities measured at fair value through profit or loss - trading purposes
Unrealized gain (loss)	(59)	2,818	59
Gain on disposal	-	32,710	-
Total	(59)	35,528	59

(In millions of Korean won)			
2018(*)	Financial assets measured at fair value through profit or loss - trading purposes	Financial assets measured at fair value through profit or loss – others	Financial liabilities measured at fair value through profit or loss - trading purposes
Unrealized gain (loss)	62	7,533	(62)
Gain (loss) on disposal	(3,979)	24	60
Total	(3,917)	7,557	(2)

(\*) Unrealized gain (loss) and gain (loss) on disposal from financial instruments were recognized as 'Net gain (loss) on financial instruments measured at fair value through profit or loss' in the consolidated statements of comprehensive income.

(\*2) The Bank recognized transfers between levels of the fair value hierarchy as of the end of the reporting period for which the event or the change in circumstances that caused the transfer occurred.

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25-5 Deferred gains or losses recognized at initial recognition

Changes in deferred gains or losses recognized at initial recognition of financial instruments measured at fair value for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)				
2019	Beginning balance	Deferred	Amortized	Ending balance
Financial assets measured at fair value through profit or loss – others	2,049	-	(2,049)	-

(In millions of Korean won)				
2018	Beginning balance	Deferred	Amortized	Ending balance
Financial assets measured at fair value through profit or loss – others	-	2,049	-	2,049

26. Transfer of financial assets

The Bank continues to recognize the financial assets related to repurchase agreements and securities lending transactions on the statements of financial position since those transactions are not qualified for derecognition even though the Bank transfers the financial assets. A financial asset is sold under an agreement to repurchase the same asset at a fixed price, or loaned under a securities lending agreement to be returned as the same asset. Thus, the Bank retains substantially all the risks and rewards of the financial asset. The amounts of transferred assets and related liabilities as December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019		2018	
	Securities sold under repurchase agreements	Securities loaned	Securities sold under repurchase agreements	Securities loaned
Transferred assets				
Financial assets measured at fair value through other comprehensive income	323	-	124,644	-
Related liabilities				
Borrowings	249	-	117,483	-

27. Commitments and contingencies

27-1 The Bank filed 295 pending lawsuits related to business activities as a plaintiff with a total claim amount of ₩83,079 million as of December 31, 2019. The Bank is involved in 12 pending litigations as a defendant with a total claim amount of ₩4,461 million, and the Bank recognized provisions considering probable outflow of economic benefits. The Bank does not believe that additional outflow of economic benefits would be likely in respect of such lawsuits.

27-2 Acceptances and guarantees as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Financial acceptances and guarantees		
Confirmed acceptances and guarantees	106,563	95,890
Other acceptances and guarantees		
Confirmed acceptances and guarantees	929,083	949,568
Contingent acceptances and guarantees	158,608	188,612
Sub total	1,087,691	1,138,180
Total	1,194,254	1,234,070



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27-3 Undrawn commitments as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Undrawn loan commitments		
Commitments on loans to corporations	6,130,785	5,561,292
Commitments on loans to households	2,254,311	2,147,453
Commitments on credit card receivables	2,679,309	2,328,946
Commitments on loans in foreign currencies	2,399,113	1,860,979
Confirmed acceptances and guarantees	1,270,400	1,208,642
Contingent acceptances and guarantees	525,811	559,257
Sub total	15,259,729	13,666,569
Commitments on purchase of securities in Korean won	147,242	147,242
Total	15,406,971	13,813,811

## 28. Collateral

28-1 Assets pledged as collateral as of December 31, 2019 and 2018 were as follows:

(In millions of KRW won)		2019	2018	Reason for collateral
Securities	Korea Exchange and others	629	124,930	REPO and others
	Bank of Korea	1,821,575	1,122,337	Borrowings from BOK and others
	Standard Chartered Bank London and others	807,664	1,030,755	Derivatives transaction and others
	Samsung Futures and others	64,205	58,492	Margin for futures
	Korea Securities Finance Corporation	301,860	60,486	Borrowings of securities
Loans	Other	2,274,427	-	Covered bond
Property and Investment property	Seoul Gurantee Insurance Co.,Ltd and others	3,298	3,653	Right to collateral security and others
Total		5,273,658	2,400,653	

28-2 Fair value of collateral that the Bank is permitted to sell or repledge in the absence of default by the owner of the collateral as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019		2018	
	Fair value of collateral	Fair value of collateral resold or pledged	Fair value of collateral	Fair value of collateral resold or pledged
Debt securities	389,219	239,327	1,046,332	216,875

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**29. Capital stock and capital surplus**

29-1 Capital stock

Capital stock as of December 31, 2019 and 2018 were as follows:

(Unit: No. of shares/won)	2019	2018
Number of shares authorized	1,600,000,000	1,600,000,000
Number of issued shares outstanding	262,608,618	262,608,618
Par value per share (won)	5,000	5,000
Capital stock (won)	1,313,043,090,000	1,313,043,090,000

29-2 Capital surplus

Capital surplus as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Paid in capital in excess of par value	633,391	633,391
Others	47,320	79,390
Total	680,711	712,781

**30. Capital adjustments**

The Bank sold its entire ownership in subsidiaries, Standard Chartered Securities Korea Limited and Standard Chartered Fund Services Korea Limited, to Standard Chartered Korea Limited on December 9, 2009. The resulting loss from such sales amounted to ₩5,180 million, net of tax effect of ₩3,691 million, and was recorded as capital adjustments.

**31. Accumulated other comprehensive loss**

Accumulated other comprehensive loss as December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Net unrealized gain on financial assets measured at fair value through other comprehensive income	12,496	6,848
Cash flow hedge reserve	58	(2,557)
Remeasurements of defined benefit plans, net of tax	(53,451)	(45,893)
Change in credit risk of financial liabilities designated at fair value through profit or loss	191	224
Total	(40,706)	(41,378)

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**32. Retained earnings**

32-1 Statements of appropriation of retained earnings for the years ended December 31, 2019 and 2018 which were prepared based on the separate financial statements of the Bank and are as follows:

(In millions of Korean won)	2019		2018	
	Expected date of appropriation: March 30, 2020		Date of appropriation: March 29, 2019	
I. Unappropriated retained earnings		1,613,532		1,939,593
1. Balance at beginning of year	1,802,155		1,727,396	
2. Interim dividends (Dividends per share (rates on par value): 2019: 1,904 won (38.08%), 2018: 0 won (0.00%))	(500,000)		-	
3. Adjustment from the change in accounting principles	-		(12,236)	
4. Profit for the year	311,377		224,433	
II. Transfer from voluntary reserves		180		150
1. Unappropriated retained earnings from reserve for asset revaluation	180		150	
III. Appropriation of retained earnings		290,418		137,588
1. Legal reserve	81,200		22,450	
2. Dividends (Dividends per share (rates on par value): 2019: 590 won (11.80%), 2018: 426 won (8.53%))	155,000		112,000	
3. Regulatory reserve for credit losses	54,218		3,138	
IV. Unappropriated retained earnings to be carried over to subsequent year		1,323,294		1,802,155

32-2 Retained earnings as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Legal reserve		
Earned surplus reserve	378,491	356,041
Voluntary reserve		
Regulatory reserve for credit losses	277,767	274,625
Reserve for asset revaluation	241,647	241,797
Other voluntary reserve	96,000	96,000
Other reserves	3,551	3,737
Sub total	618,965	616,159
Retained earnings before appropriation	1,607,976	1,930,800
Total	2,605,432	2,903,000

32-2-1 Legal reserve

The Bank reserves a minimum 10% of its annual net income as a legal reserve in accordance with The General Banking Act article No. 40. These reserves cannot be used to pay dividends. However, they can be used to reduce accumulated deficit or to be transferred to capital.

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32-2-2 Regulatory reserve for credit losses

1) Regulatory reserve for credit losses

In case the allowance for loan losses estimated in compliance with K-IFRS is less than the provision requirement by the Financial Supervisory Service, the difference is accrued as a regulatory reserve for credit losses at the end of the fiscal year. During the interim period when the year-end reserve amount is not determined, the regulatory reserve for credit losses are projected and disclosed. When there is an undisposed accumulated deficit, the regulatory reserve for credit losses is accrued after the accumulated deficit is fully disposed. If the previously appropriated reserve for credit losses exceeds the current year's required reserve amount, the excess amount is reversed.

Regulatory reserves for credit losses as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Regulatory reserve for credit losses appropriated	277,767	274,625
Provision for regulatory reserve for credit losses	54,214	3,142
Ending balance	331,981	277,767

Provision for regulatory reserve for credit losses and the profit adjusted by estimated regulatory reserve for credit losses for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Provision (reversal) required for regulatory reserve for credit losses(*)	54,214	(402)
Profit adjusted by estimated regulatory reserve for credit losses	260,218	221,794
Earnings per share adjusted by estimated regulatory reserve for credit losses(Unit: won)	991	845

(\*) As of December 31, 2018, reserve for credit losses is calculated by deducting the required reserve credit losses applicable to K-IFRS No. 1109.

2) Reserve for asset revaluation

Reserve for asset revaluation recognized at the date of K-IFRS transition is gain from revaluation of property and equipment and investment property (net of tax effect).

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**33. Income tax expense**

33-1 The components of income tax expense for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Current tax	61,785	74,366
Changes in deferred tax arising from temporary differences and others	4,561	769
Total tax effect	66,346	75,135
Deferred income tax adjustment charged or credited directly to equity	(246)	7,115
Income tax expense	66,100	82,250

33-2 The income tax expense calculated by applying the statutory tax rates to the Bank's profit before income taxes for the period differs from the income tax expense per the consolidated statements of comprehensive income for the years ended December 31, 2019 and 2018 due to the following:

(In millions of Korean won)	2019	2018
Profit before income taxes	380,532	303,642
Expense for income taxes at statutory tax rates(*)	94,284	73,018
Adjustments:		
Tax effect from non-deductible expenses	2,861	1,838
Tax effect from non-taxable income	(3,690)	(3,590)
Foreign tax payments	1,291	1,341
Additional payment of income tax	-	38
Others	(28,646)	9,605
Total	(28,184)	9,232
Income tax expense	66,100	82,250
Effective tax rate	17.37%	27.09%

(\*) Statutory tax rate is the sum of corporate income tax rates and local income tax rates (10% of the corporate income tax rate). Statutory tax rate is 11% on the tax base of ₩200 million and below, 22% for the tax base between ₩200 million and ₩20,000 million, 24.2% for the tax base between ₩20,000 million and ₩300 billion and 27.5% for the tax base above ₩300 billion.

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33-3 Changes in temporary differences to be added or deducted for the years ended December 31, 2019 and 2018 were comprised of the following:

(In millions of Korean won)					
2019	2019-01-01(*1)	Increase	Decrease	2019-12-31	Deferred tax assets (liabilities)(*3)
Investments in subsidiaries	3,428	-	-	3,428	830
Interest receivable	(32,686)	(33,456)	(32,686)	(33,456)	(8,311)
Premium amortization on securities, net	(8,292)	720	(8,292)	720	179
Derivatives	184,223	52,419	184,223	52,419	11,057
Depreciation	56,233	1,588	2,449	55,372	13,425
Valuation loss on financial debentures	-	22,255	-	22,255	5,386
Net defined benefit liabilities	(73,486)	(4,256)	-	(77,742)	(18,805)
Loan losses	10,073	1,297	452	10,918	2,642
Allowance for loan losses	862	433	437	858	200
Other provisions	82,561	50,936	82,561	50,936	13,034
Gain on valuation of property and equipment	(223,814)	-	1,936	(225,750)	(54,631)
Loss carry-forward	166,576	-	(90,699)	257,275	62,349
Others	437,716	194,051	201,832	429,935	106,270
Sub total	603,394	285,987	342,213	547,168	133,625
Net unrealized gain on financial assets measured at fair value through other comprehensive income	(9,034)	(16,486)	(9,034)	(16,486)	(3,990)
Cash flow hedge reserve	3,373	(77)	3,373	(77)	(19)
Remeasurements of defined benefit plans	60,556	9,939	-	70,495	17,043
Change in credit risk of financial liabilities designated as measured at fair value through profit or loss	(296)	(253)	(296)	(253)	(61)
Sub total	54,599	(6,877)	(5,957)	53,679	12,973
Total	657,993	279,110	336,256	600,847	146,598
Temporary differences not qualified for deferred tax assets or liabilities(*2)	(85,831)			(81,783)	(19,791)
Deferred tax assets					126,807

(\*1) Additional tax adjustments after the finalization of the prior consolidated financial statements were reflected as of January 1, 2019 based on the final tax return filed in April 2019.

(\*2) The amounts represent the temporary differences arising from SCK's (former parent before the SCK and the Bank's merger) equity method accounting under the previous accounting standards, and tax losses carry forward before consolidated tax filing was adopted. Deferred tax assets and liabilities relating to these temporary differences were not recognized as they did not meet recognition criteria.

(\*3) At the end of the reporting period, the Bank used different tax rates on the temporary differences based on the anticipated schedule of recovery or settlement of the carrying amount of related assets and liabilities.

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(In millions of Korean won)					
2018	2018-01-01(*1)	Increase	Decrease	2018-12-31	Deferred tax assets (liabilities)(*3)
Investments in subsidiaries	3,428	-	-	3,428	830
Interest receivable	(25,000)	(32,686)	(25,000)	(32,686)	(7,910)
Premium amortization on securities, net	1,314	(8,292)	1,314	(8,292)	(2,007)
Derivatives	268,065	184,223	268,065	184,223	44,582
Depreciation	56,125	2,362	2,254	56,233	13,609
Valuation loss on financial debentures	917	-	917	-	-
Net defined benefit liabilities	(56,707)	(16,835)	-	(73,542)	(17,805)
Loan losses	9,994	-	-	9,994	2,419
Allowance for loan losses	1,095	438	671	862	212
Other provisions	82,125	82,561	82,125	82,561	19,980
Gain on valuation of property and equipment	(214,535)	-	9,279	(223,814)	(54,164)
Loss carry-forward	163,873	14,267	11,458	166,682	40,381
Others	241,830	163,853	(2,365)	408,048	98,827
Sub total	532,524	389,891	348,718	573,697	138,954
Net unrealized loss on financial assets measured at fair value through other comprehensive income	6,635	(9,034)	6,635	(9,034)	(2,186)
Cash flow hedge reserve	364	3,373	364	3,373	816
Remeasurements of defined benefit plans	38,848	21,708	-	60,556	14,662
Change in credit risk of financial liabilities designated as measured at fair value through profit or loss	(79)	(296)	(79)	(296)	(72)
Sub total	45,768	15,751	6,920	54,599	13,220
Total	578,292	405,642	355,638	628,296	152,174
Temporary differences not qualified for deferred tax assets or liabilities(*2)	(116,472)			(85,831)	(20,806)
Deferred tax assets					131,368

(\*1) Additional tax adjustments after the finalization of the prior consolidated financial statements were reflected as of January 1, 2018 based on the final tax return filed in April 2018.

(\*2) The amounts represent temporary differences arising from SCK's (former parent before the SCK and the Bank's merger) equity method accounting under the previous accounting standards, and tax losses carry forward before consolidated tax filing was adopted. Deferred tax assets and liabilities relating to these temporary differences were not recognized as they did not meet recognition criteria.

(\*3) At the end of the reporting period, the Bank used different tax rates on the temporary differences based on the anticipated schedule of recovery or settlement of the carrying amount of related assets and liabilities.

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33-4 The Bank believes that the deferred tax asset is to be realized in view of the expected average profit in excess of the expired deficit carried forward and tax credit in the following years. At the end of reporting date, the expiration dates for the deficit carried forward that was not to be recognized as deferred tax assets were as follows:

(In millions of Korean won)	Within 1 year	1~2 years	2~3 years	More than 3 years
Deficit carried forward	-	-	-	24,225

### 34. Earnings per share

Earnings per share for the years ended December 31, 2019 and 2018 were calculated as follows:

(In millions of Korean won)	2019	2018
Profit for the period	314,432	221,392
Net income available for capital stock	314,432	221,392
Weighted average number of common shares (Unit: No. of shares)	262,608,618	262,608,618
Basic and diluted earnings per share (Unit : won)	1,197	843

### 35. Interest income and expense

Interest income and expense for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Interest income		
Due from banks	15,960	11,119
Financial assets measured at amortized cost	1,374,891	1,314,240
Financial assets measured at fair value through profit or loss - trading purposes	32,333	25,575
Financial assets measured at fair value through profit or loss – others	13,494	2,354
Financial assets designated as measured as measured at fair value through profit or loss	8,280	9,562
Financial assets measured at fair value through other comprehensive income	168,569	166,371
Others	12,138	14,632
Total interest income	1,625,665	1,543,853
Interest expense		
Deposits	540,634	503,214
Borrowings	67,154	58,629
Debt securities issued	54,529	28,472
Others	12,676	13,181
Total interest expense	674,993	603,496
Net interest income	950,672	940,357



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**36. Fees and commission income and expense**

Fees and commission income and expense for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Fees and commissions income		
Commissions received	211,959	201,360
Guarantee fees	9,849	11,169
Commissions related to credit cards	26,980	26,645
Others	3,399	3,496
Total fees and commissions income	252,187	242,670
Fees and commissions expense		
Commissions paid	46,347	35,441
Commissions related to credit cards	31,883	28,499
Others	496	286
Total fees and commissions expense	78,726	64,226
Net fees and commissions income	173,461	178,444

**37. Gain (loss) on financial instruments measured at fair value through profit or loss**

Gains or losses on financial instruments measured at fair value through profit or loss (excluding interest income and expense) for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019				2018			
	Valuation gain (loss)	Trading gain (loss)	Dividends gain	Total	Valuation gain (loss)	Trading gain (loss)	Dividends gain	Total
Financial instruments measured at fair value through profit or loss – trading purposes								
Securities								
Financial assets measured at fair value through profit or loss - trading purposes	6,271	56,463	-	62,734	14,453	21,999	-	36,452
Financial liabilities measured at fair value through profit or loss - trading purposes	(50)	(13,828)	-	(13,878)	(1,300)	(5,514)	-	(6,814)
Sub total	6,221	42,635	-	48,856	13,153	16,485	-	29,638
Derivatives								
Interest rate	(30,205)	(3,841)	-	(34,046)	32,798	18,850	-	51,648
Foreign exchange	150,222	172,680	-	322,902	31,313	23,355	-	54,668
Equity	-	-	-	-	-	(3,894)	-	(3,894)
Credit	(4)	-	-	(4)	-	-	-	-
Commodity	-	1,064	-	1,064	-	1,278	-	1,278
Sub total	120,013	169,903	-	289,916	64,111	39,589	-	103,700
Financial instruments measured at fair value through profit or loss – others								
Loan receivables	-	29,391	-	29,391	7,167	-	-	7,167
Equity securities	(1,629)	3,321	122	1,814	(85)	101	244	260
Sub total	(1,629)	32,712	122	31,205	7,082	101	244	7,427
Total	124,605	245,250	122	369,977	84,346	56,175	244	140,765

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**38. Gain (loss) on of financial instruments designated as measured at fair value through profit or loss**

Gains or losses on financial instruments designated as measured at fair value through profit or loss (excluding interest income and expense) for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019			2018		
	Valuation gain (loss)	Trading gain (loss)	Total	Valuation gain (loss)	Trading gain (loss)	Total
Financial assets designated as measured at fair value through profit or loss						
Debt securities	1,194	(137)	1,057	4,000	406	4,406
Financial liabilities designated as measured at fair value through profit or loss						
Deposits	(23,296)	(18,006)	(41,302)	(55,692)	(15,551)	(71,243)
Debt securities issued	13,059	(65,722)	(52,663)	(36,606)	(5,907)	(42,513)
Sub total	(10,237)	(83,728)	(93,965)	(92,298)	(21,458)	(113,756)
Total	(9,043)	(83,865)	(92,908)	(88,298)	(21,052)	(109,350)

**39. Gain (loss) on derivatives held for risk management**

Gains or losses on the derivatives held for risk management for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Interest rate related	1,100	(11,655)

**40. Gain on derecognition of financial assets measured at amortized cost**

Gains on derecognition of financial assets measured at amortized cost for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Gain on sale of loans	23,146	7,088

**41. Other gain (loss) on financial instruments**

Other gains or losses on financial instruments for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Net gain (loss) on disposal of financial assets measured at fair value through other comprehensive income	2,112	(2,349)
Loss on redemption of financial debentures issued	(345)	(82)
Gain on valuation of unsettled spot exchange	108	998
Total	1,875	(1,433)

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**42. Gain (loss) on foreign exchange**

Gains or losses on foreign exchange for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Gain on foreign exchange	357,585	820,641
Loss on foreign exchange	(435,861)	(724,507)
Total	(78,276)	96,134

**43. General and administrative expenses**

General and administrative expenses for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Staff costs		
Wages and salaries	429,170	414,773
Termination benefits	58,347	11,786
Retirement benefits (defined benefit plan)	26,918	24,899
Retirement benefits (defined contribution plan)	3,586	3,615
Sub total	518,021	455,073
Administrative expenses		
Services	143,303	165,985
Employee welfare	39,387	39,551
Rent	19,998	44,779
Electronic operations	40,262	39,802
Advertising	14,098	16,883
Communication	8,500	8,539
Vehicles maintenance	1,459	3,530
Insurance	1,114	3,011
Other general and administration	31,202	34,226
Sub total	299,323	356,306
Property and equipment depreciation	39,148	19,289
Investment property depreciation	2,370	2,602
Amortization	23,790	20,958
Taxes and dues	24,571	20,628
Others	6,823	7,265
Total	914,046	882,121

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**44. Net other operating expenses**

Net other operating expenses for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Other operating income		
Trust fees and others	30,243	35,023
Sub total	30,243	35,023
Other operating expenses		
Contribution to credit guarantee fund	(21,783)	(22,194)
Deposit insurance expense	(56,352)	(58,094)
Contribution to housing guarantee fund and others	(20,735)	(21,154)
Sub total	(98,870)	(101,442)
Total	(68,627)	(66,419)

**45. Other income and expenses**

45-1 Other income for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Gain on disposal of assets held for sale	1,986	2,239
Gain on disposal of property and equipment	2,268	4
Gain on disposal of investment property	6,363	-
Rental income	11,575	13,059
Reversal of impairment of assets	1,600	1,981
Others	8,259	5,322
Total	32,051	22,605

45-2 Other expenses for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Loss on disposal of property and equipment	266	346
Loss on disposal of investment property	94	87
Donations	11,124	9,738
Others	4,886	2,120
Total	16,370	12,291

**46. Cash flows**

46-1 Cash and cash equivalents as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Cash and due from banks	5,384,603	3,158,908
Deduction of due from banks restricted in use	(4,624,907)	(2,488,916)
Total	759,696	669,992

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46-2 Details of transactions of a non-cash nature and others included in the consolidated statements of comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Comprehensive income adjustments:		
Net gain on financial assets measured at fair value through profit or loss	(124,727)	(84,590)
Net loss on financial instruments designated as measured at fair value through profit or loss	74,765	94,205
Net loss (gain) on derivatives held for risk management	(6,302)	3,964
Net loss (gain) on hedged items for fair value hedges	1,038	(9,767)
Other loss (gain) on financial instruments, net	(1,875)	1,433
Impairment loss on loans and other provisions	625	9,981
Depreciation and amortization	65,308	42,849
Amortization of discount present value on security deposit	7,147	7,652
Net interest income	(950,672)	(940,357)
Net foreign exchange loss	25,207	40,765
Income tax expense	66,100	82,250
Share-based payments	4,346	4,794
Retirement benefits	26,918	24,899
Other adjustments	(11,828)	(4,082)
Total	(823,950)	(726,004)

46-3 Details of the changes in operating assets and liabilities for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Increase in due from banks	(2,136,051)	(350,554)
Decrease in Financial assets measured at fair value through profit or loss	1,686,982	3,101,423
Decrease in financial assets designated at fair value through profit or loss	56,166	48,776
Decrease (increase) in financial assets measured at amortized cost	666,942	(3,931,551)
Decrease in derivative assets held for risk management	5,279	53,674
Decrease (increase) in other financial assets	58,354	(992,575)
Decrease (increase) in other assets	(5,887)	2,950
Increase in deposits	4,460,632	2,038,605
Decrease in financial liabilities measured at fair value through profit or loss	(1,421,107)	(3,302,371)
Increase (decrease) in other financial liabilities designated as measured at fair value through profit or loss	(67,010)	50,000
Decrease in derivative liabilities held for risk management	(18,441)	(54,975)
Increase (decrease) in other financial liabilities	(3,436,689)	2,926,642
Decrease in provisions	(40,937)	(42,469)
Increase (decrease) in other liabilities	(19,051)	21,853
Total	(210,818)	(430,572)

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46-4 Significant non-cash activities for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Transfers between property and equipment and investment property	-	44
Transfers between property and equipment / investment property and assets held for sale	-	2,617
Transfers between estimated restoration assets and provision for restoration liabilities	1,939	278
Transfers between right-of-use assets and liabilities	75,640	-
Written off of financial assets measured at amortized cost	49,118	55,062
Debt-equity swap of financial assets measured at amortized cost	146	153
Transfers between share based compensation and other financial liabilities	16,029	-
Changes in accumulated other comprehensive income resulting from valuation of financial assets measured at fair value through other comprehensive income	5,468	11,728
Tax effects of valuation loss on financial assets measured at fair value through other comprehensive income	1,746	3,744
Changes in accumulated other comprehensive income resulting from valuation of cash flow hedge	2,615	2,281
Tax effects of valuation gain on cash flow hedge	835	728
Changes in accumulated other comprehensive income resulting from remeasurements of defined benefit plans	7,558	16,453
Tax effects of remeasurements of defined benefit plans	2,382	5,255
K-IFRS No. 1109 adoption effect on equity	-	9,219

46-5 Details of the changes in liabilities arising from financing activities for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)							
2019	Beginning balance	Cash flow	Changes in non-financial activities				Ending balance
			Foreign exchange rate	Fair value	Hedge accounting	Others	
Financial liabilities designated as measured at fair value through profit or loss	1,581,934	(565,722)	-	(13,059)	-	65,944	1,069,097
Long-term borrowing	1,579,207	(398,315)	40,544	-	-	-	1,221,436
Other borrowings	226,053	(217,349)	-	-	-	-	8,704
Debt securities issued	1,649,981	2,019,308	-	-	22,255	12,218	3,703,762
Lease liabilities	53,105	(22,519)	-	-	-	24,281	54,867
Total liabilities arising from financing activities	5,090,280	815,403	40,544	(13,059)	22,255	102,443	6,057,866

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(In millions of Korean won)							
2018	Beginning balance	Cash flow	Changes in non-financial activities				Ending balance
			Foreign exchange rate	Fair value	Hedge accounting	Others	
Financial liabilities designated as measured at fair value through profit or loss	1,340,821	198,534	-	36,606	-	5,973	1,581,934
Long-term borrowing	1,674,696	(157,813)	62,324	-	-	-	1,579,207
Other borrowings	39,253	186,800	-	-	-	-	226,053
Debt securities issued	1,117,218	524,469	-	-	(917)	9,211	1,649,981
Total liabilities arising from financing activities	4,171,988	751,990	62,324	36,606	(917)	15,184	5,037,175

#### 47. Segment information

The Bank has four operating segments: retail, corporate and institutional, commercial and other. These segments are classified based on the nature of the products and services provided, and the type or class of customers. Descriptions of the Bank's operating segments were as follows:

Segment	Description
Retail	Providing banking services for individual customers covering loans, deposits, credit cards and wealth management, etc.
Corporate and institutional	Providing banking services for global corporate customers and financial institutions covering loans, securities and borrowings, derivative transactions, foreign exchange, etc. - Corporate and institutional of Standard Chartered Bank Korea and Standard Chartered Securities Korea.
Commercial	Providing banking services for local small and middle entities covering loans, securities and borrowings, foreign exchange, etc.
Other	Treasury, capital management and activities other than above businesses.

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47-1 Details of the segment assets and liabilities as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)							
2019	Retail	Corporate and institutional	Commercial	Other	Sub total	Consolidation adjustment	Total
<b>Assets</b>							
Financial assets measured at amortized cost	29,869,744	9,335,847	3,241,775	1,227,046	43,674,412	(262,651)	43,411,761
Financial assets measured at fair value through profit or loss	91,712	5,577,249	-	11,253	5,680,214	-	5,680,214
Financial assets designated as measured at fair value through profit or loss	-	-	-	321,178	321,178	-	321,178
Financial assets measured at fair value through other comprehensive income	-	-	-	9,635,967	9,635,967	-	9,635,967
Derivative assets held for risk management	-	-	-	34,908	34,908	-	34,908
Others	440,823	10,808	-	8,639,030	9,090,661	(311,904)	8,778,757
Total	30,402,279	14,923,904	3,244,775	19,869,382	68,437,340	(574,555)	67,862,785
<b>Liabilities</b>							
Deposits	24,032,713	19,457,373	1,997,418	1,117,599	46,605,103	(261,374)	46,343,729
Financial liabilities measured at fair value through profit or loss	-	4,616,714	-	-	4,616,714	-	4,616,714
Financial liabilities designated as measured at fair value through profit or loss	-	2,274,599	-	-	2,274,599	-	2,274,599
Borrowings	1,582	5,490	28,029	1,195,039	1,230,140	-	1,230,140
Debt securities issued	799,536	99,924	-	2,804,297	3,703,757	5	3,703,762
Derivative liabilities held for risk management	-	-	-	2,061	2,061	-	2,061
Others	668,041	2,679,803	7,818	1,806,544	5,162,206	(23,726)	5,138,480
Total	25,501,872	29,133,903	2,033,265	6,925,540	63,594,580	(285,095)	63,309,485
(In millions of Korean won)							
2018	Retail	Corporate and institutional	Commercial	Other	Sub total	Consolidation adjustment	Total
<b>Assets</b>							
Financial assets measured at amortized cost	26,567,760	12,197,358	3,997,735	1,572,586	44,335,439	(232,053)	44,103,386
Financial assets measured at fair value through profit or loss	108,156	4,446,328	2,362	12,899	4,569,745	-	4,569,745
Financial assets designated as measured at fair value through profit or loss	-	-	-	376,150	376,150	-	376,150
Financial assets measured at fair value through other comprehensive income	-	-	-	9,364,126	9,364,126	-	9,364,126
Derivative assets held for risk management	-	-	-	18,455	18,455	-	18,455
Others	397,327	8,759	-	6,480,699	6,886,785	(303,799)	6,582,986
Total	27,073,243	16,652,445	4,000,097	17,824,915	65,550,700	(535,852)	65,014,848
<b>Liabilities</b>							
Deposits	24,971,583	13,253,054	2,744,968	1,145,676	42,115,281	(232,247)	41,883,034
Financial liabilities measured at fair value through profit or loss	-	3,364,829	-	-	3,364,829	-	3,364,829
Financial liabilities designated as measured at fair value through profit or loss	-	2,831,150	-	-	2,831,150	-	2,831,150
Borrowings	2,192	123,267	30,288	1,649,513	1,805,260	-	1,805,260
Debt securities issued	20	99,917	-	1,550,044	1,649,981	-	1,649,981
Derivative liabilities held for risk management	-	-	-	21,017	21,017	-	21,017
Others	538,127	6,120,820	22,608	1,909,779	8,591,334	(14,023)	8,577,311
Total	25,511,922	25,793,037	2,797,864	6,276,029	60,378,852	(246,270)	60,132,582



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47-2 Details of the segment results for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)							
2019	Retail	Corporate and institutional	Commercial	Other	Sub total	Consolidation adjustment	Total
Net interest income							
External interest income	648,422	28,320	144,249	129,677	950,668	4	950,672
Inter-segment interest income (expense)	(95,392)	162,955	(33,851)	(33,712)	-	-	-
Sub total	553,030	191,275	110,398	95,965	950,668	4	950,672
Net fees and commission income (expense)							
Net fees and commission income (expense)	81,183	79,009	14,544	(1,270)	173,466	(5)	173,461
Depreciation and amortization	(45,646)	(12,564)	(6,162)	(1,289)	(65,661)	353	(65,308)
Other, net	(588,207)	21,796	(107,455)	(3,896)	(677,762)	(531)	(678,293)
Profit (loss) before income tax	360	279,516	11,325	89,510	380,711	(179)	380,532

(In millions of Korean won)							
2018	Retail	Corporate and institutional	Commercial	Other	Sub total	Consolidation adjustment	Total
Net interest income							
External interest income	606,651	72,960	129,641	131,105	940,357	-	940,357
Inter-segment interest income (expense)	(74,640)	56,059	(31,424)	50,005	-	-	-
Sub total	532,011	129,019	98,217	181,110	940,357	-	940,357
Net fees and commission income (expense)							
Net fees and commission income (expense)	98,883	73,325	12,499	(6,263)	178,444	-	178,444
Depreciation and amortization	(30,103)	(7,377)	(4,191)	(1,178)	(42,849)	-	(42,849)
Other, net	(589,439)	(41,640)	(95,787)	(45,194)	(772,060)	(250)	(772,310)
Profit (loss) before income tax	11,352	153,327	10,738	128,475	303,892	(250)	303,642

48. Related party transactions

48-1 Details of control relationships with related parties as of December 31, 2019 and 2018 were as follows:

	Company	Relationship
Parent company	Standard Chartered PLC	Ultimate parent company
	Standard Chartered NEA Limited	Direct holding company
Associate	Daiyang Metal Co., Ltd.	Associate (*)
Other related parties	Standard Chartered Bank London	Subsidiaries of ultimate parent company
	Standard Chartered Bank Singapore Limited	
	Standard Chartered Bank (Hong Kong) Limited	
	Standard Chartered Bank New York	
	Standard Chartered Bank Japan	
	Standard Chartered Bank (China) Limited	
	Standard Chartered Bank (Thai) Public Co., Ltd.	
Other Standard Chartered Bank affiliates and branches	Standard Chartered Bank United Arab Emirates	
	Others	

(\*) Equity securities of Daiyang Metal Co., Ltd. were sold during 2019 so excluded from the associate as of December 31, 2019.

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48-2 Significant balances with related parties as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	Related parties	Account	2019	2018
Associate	Daiyang Metal Co., Ltd.	Financial assets measured at fair value through profit or loss(*3)	-	2,361
		Deposits	-	2,898
Other related parties	Standard Chartered Bank UK	Cash and due from banks	8,566	5,636
		Derivative assets	1,596,911	1,012,970
		Financial assets measured at amortized cost(*1)	665,428	154,740
		Derivative liabilities	1,745,188	1,264,482
		Borrowings(*2)	-	223,620
		Debt securities issued	622,189	-
		Other financial liabilities	1,104,906	510,270
	Standard Chartered Bank Singapore Limited	Cash and due from banks	532	986
		Derivative assets	87,840	156,984
		Financial assets measured at amortized cost(*1)	6,550	307,544
		Deposits	1,456	1,455
		Derivative liabilities	79,817	125,579
		Other financial liabilities	36,604	302,623
	Standard Chartered Bank (Hong Kong) Limited	Cash and due from banks	2,771	3,342
		Derivative assets	54,412	5,146
		Financial assets measured at amortized cost(*1)	85,413	74,063
		Deposits	1,550,365	1,365
		Derivative liabilities	5,956	5,201
		Borrowings(*2)	1,194,239	1,265,116
		Other financial liabilities	73,253	91,827
	Other Standard Chartered Bank affiliates and branches	Cash and due from banks	189,694	187,735
		Derivative assets	-	58
		Financial assets measured at amortized cost(*1)	156,958	104,911
		Deposits	8,767	6,862
		Derivative liabilities	26,370	8,314
		Borrowings(*2)	5,490	61,939
		Other financial liabilities	4,170	9,736

(\*1) The amount represents the balances of accounts receivable related to unsettled spot exchanges, call loans, dues from banks and others.

(\*2) Interest rates on these borrowings as of December 31, 2019 and 2018 ranged from 2.05% to 3.00% and from 2.45% to 4.35%, respectively.

(\*3) Provision for other commitments and guarantees for Daiyang Metal Co., Ltd. was ₩12,373 million as of December 31, 2018, respectively. Gain on financial instruments measured at fair value through profit or loss and the provision on these commitments and guarantees were ₩7,167 million and ₩1,133 million for the year ended December 31, 2018. As a result of disposal of assets pertaining to Daiyang Metal Co., Ltd., gain on financial instruments measured at fair value through profit or loss and the reversal of provision on these commitments and guarantees amounting to ₩29,391 million and ₩12,373 million were recognized for the year ended December 31, 2019.

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48-2-1 Significant lending transactions with the related parties for the years ended at December 31, 2019 and 2018 were as follows:

(In millions of Korean won)						
2019	Related party	2019-01-01	Origination	Redemption	Disposal	2019-12-31
Associate(*1)	Daiyang Metal Co., Ltd.(*2)	32,507	1,600	(600)	(33,507)	-

(In millions of Korean won)					
2018	Related party	2018-01-01	Origination	Redemption	2018-12-31
Associate(*1)	Daiyang Metal Co., Ltd.(*2)	36,677	32,507	(36,677)	32,507

(\*1) Call loans, bills bought in foreign currencies, domestic import usance bills, unsettled spot exchange, and accounts receivable transactions with the related parties were excluded. The net increase in these transactions for the years ended December 31, 2019 and 2018 were ₩274,531 million and ₩79,793 million, respectively.

(\*2) Loans to Daiyang Metal Co., Ltd. were in gross amount excluding the valuation of fair value adjustment and the domestic import usance bills in normal course of business. The balance of domestic import usance bills as of December 31, 2019 and 2018 and January 1, 2018 were nil, nil and ₩1,015 million, respectively.

48-2-2 Significant borrowing transactions with related parties for the years ended at December 31, 2019 and 2018 were as follows:

(In millions of Korean won)					
2019(*)	Related party	2019-01-01	Origination etc	Redemption	2019-12-31
Other related parties	Standard Chartered Bank UK	223,620	631,810	(233,241)	622,189
	Standard Chartered Bank Singapore Limited	-	291,552	(291,552)	-
	Standard Chartered Bank (Hong Kong) Limited	1,265,116	3,631,899	(3,702,776)	1,194,239
	Other Standard Chartered Bank affiliates and branches	55,905	3,804,238	(3,860,143)	-

(In millions of Korean won)					
2018(*)	Related party	2018-01-01	Origination etc	Redemption	2018-12-31
Other related parties	Standard Chartered Bank UK	182,138	245,048	(203,566)	223,620
	Standard Chartered Bank Singapore Limited	-	220,079	(220,079)	-
	Standard Chartered Bank (Hong Kong) Limited	1,064,470	3,450,325	(3,249,679)	1,265,116
	Other Standard Chartered Bank affiliates and branches	381,961	3,332,019	(3,658,075)	55,905

(\*) Domestic import usance bills in normal course of business with the related parties were excluded. The borrowings related to domestic import usance bills as of December 31, 2019, December 31, 2018, and January 1, 2018 were ₩5,490 million, ₩6,034 million, and ₩2,853 million, respectively. The net increase (decrease) in the borrowings related to domestic import usance bills for the years ended December 31, 2019 and 2018 were (-)₩544 million and ₩3,181 million, respectively.

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48-3 Significant transactions with related parties for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	Related party	Account	2019	2018
Associate	Daiyang Metal Co., Ltd.	Interest income	13,288	2,146
		Loss on derivatives	-	(3,918)
		Interest expense	(5)	(7)
Other related parties	Standard Chartered Bank UK	Interest income	635	924
		Fees and commission income	6,605	4,249
		Loss on derivatives	(272,283)	(354,766)
		Other gain on financial instruments	613	4
		Other non-operating income	-	122
		Interest expense	(16,924)	(4,575)
		Fees and commission expense	(2,707)	(5)
		Other loss on financial instruments	(677)	(76)
		General and administrative expenses(*)	(96,707)	(115,141)
	Standard Chartered Bank Singapore Limited	Interest income	26	8
		Fees and commission income	7,095	3,379
		Gain on derivatives	19,590	185,774
		Other gain on financial instruments	-	291
		Interest expense	(22)	(15)
		Fees and commission expense	(1,241)	(14)
		Other loss on financial instruments	-	(341)
		General and administrative expenses(*)	(11,902)	(4,926)
	Standard Chartered Bank (Hong Kong) Limited	Interest Income	526	304
		Fees and commission income	2,052	2,156
		Gain on derivatives	47,160	3,966
		Other gain on financial instruments	7	51
		Interest expense	(45,480)	(30,657)
		Fees and commission expense	(101)	(1)
		Other loss on financial instruments	(5)	(16)
		General and administrative expenses	(8)	(177)
	Other Standard Chartered Bank affiliates and branches	Interest income	2,346	3,240
		Fees and commission income	13,577	12,155
		Gain on derivatives	(23,162)	1,548
		Other gain on financial instruments	125	212
		Interest expense	(1,657)	(6,413)
		Fees and commission expense	(3,423)	-
		Other loss on financial instruments	-	(1)
General and administrative expenses		(88)	(79)	

(\*) The amount mainly represents management service fees paid to the related party.

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48-4 Significant acceptances, guarantees and commitments with related parties as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	Related party	Transactions	2019	2018	
Associate	Daiyang Metal Co., Ltd.	Contingent acceptances and guarantees	-	1,405	
		Commitments	-	11,088	
Other related parties	Standard Chartered Bank UK	Confirmed acceptances and guarantees	749	1,033	
		Interest rate swaps	232,076,322	104,257,083	
		Interest rate options purchased	314,000	164,000	
		Interest rate options sold	866,000	876,000	
		Currency forwards	22,646,038	27,206,882	
		Currency options purchased	645,209	790,871	
		Currency options sold	658,616	813,872	
		Currency swaps	11,039,202	10,203,918	
		Credit default swaps	11,578	5,591	
		Commodity forwards	158,043	173,280	
		Commodity swaps	48,839	85,447	
		Commodity options purchased	159,119	-	
		Commodity options sold	-	112,739	
		Standard Chartered Bank Singapore Limited	Confirmed acceptances and guarantees	21,111	15,286
	Interest rate forwards		-	2,925	
	Interest rate swaps		75,257	72,677	
	Currency forwards		4,141,975	9,642,690	
	Equity swaps		90,000	90,000	
	Standard Chartered Bank (Hong Kong) Limited	Credit default swaps	1,155,369	1,540,630	
		Confirmed acceptances and guarantees	28,214	-	
		Currency forwards	1,142,305	2,015,742	
	Other Standard Chartered Bank affiliates and branches	Currency swaps	1,687,755	9,952	
		Confirmed acceptances and guarantees	5,646	9,752	
		Contingent acceptances and guarantees	-	373	
		Currency forwards	219,113	165,009	
			Currency swaps	188,322	181,865

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48-5 Details of collaterals provided to/by the related parties as of December 31, 2019 and 2018 were as follows:

### <Collaterals provided to the related parties>

(In millions of Korean won)	Company	Assets provided to as collateral	2019		2018		Reason for collateral
			Carrying amount	Amounts collateralized	Carrying amount	Amounts collateralized	
Other related parties	Standard Chartered Bank UK	Securities	404,216	397,047	463,682	477,887	Derivatives transactions
	Standard Chartered Bank (Thai) Public Co., Ltd	Cash and due from banks	23,758	23,758	7,860	7,860	

### <Collaterals provided by the related parties>

(In millions of Korean won)	Company	Assets provided by as collateral	2019		2018		Reason for collateral
			Carrying amount	Amounts collateralized	Carrying amount	Amounts collateralized	
Associate	Daiyang Metal Co., Ltd.	Property and equipment, current assets and securities	-	-	81,283	245,339	Financial assets measured at fair value through profit or loss
Other related party	Standard Chartered Bank (Hong Kong) Limited	Cash and due from banks	41,854	41,854	-	-	Derivatives transactions
	Standard Chartered Bank Singapore Limited	Cash and due from banks	16,024	16,024	-	-	Derivatives transactions

### 48-6 Commitments and loans and receivables to the key management

48-6-1 As of December 31, 2019 and 2018, commitments and loans and receivables to the key management were as follows. There were no payables to the key management as of December 31, 2019 and 2018.

(In millions of Korean won)	2019	2018
Financial assets measured at amortized cost	403	590
Commitments	1,167	1,108
Total	1,570	1,698

48-6-2 Total remuneration and employee benefits paid to the key management for the years ended December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Employee benefits	9,873	7,414
Retirement benefits	379	221
Share-based payments	580	501
Total	10,832	8,136

Key management includes all directors who are participants in the decision-making process with the rights and responsibilities in planning, executing, and controlling management activities of the Bank.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 49. Credit risk

#### 49-1 Expected credit losses

##### 49-1-1 Recognition and measurement of expected credit losses

As for financial assets measured at amortized cost or debt securities measured at fair value through other comprehensive income, the Bank regards the following indication as a significant increase in credit risk relative to the initial recognition:

##### i) Corporate loans

###### - Borrowers subject to early alert

The Bank's early alert program adopts a differentiated recovery strategy based on whether the borrower's repayment ability deteriorates for the identified borrowers. The Bank recognizes the lifetime expected credit losses, assuming that the credit risk is significantly increased for the items that are identified as having a high likelihood of default.

###### - Internal credit rating

The Bank recognizes the lifetime expected credit losses for the accounts that have been granted an internal rating corresponding to the precautionary level of the asset prudence class in the Bank's internal rating system.

###### - Change in default rate

The Bank recognizes the lifetime expected credit losses for the accounts whose increase level of default risk measured at the date of initial recognition as of the reporting date exceeds an absolute or relative basis.

###### - Borrower's material financial difficulties

If the borrower falls under any of the following, the credit risk of the borrower is deemed to have increased materially compared to the date of first recognition:

- ① Full impairment of capital
- ② Net loss for three consecutive years
- ③ Negative interest compensation ratios for three consecutive years
- ④ Negative cash flows for three consecutive years
- ⑤ Borrower whose audit opinion on financial statement has expressed as adverse or disclaimer
- ⑥ Borrower who cannot identify the credit risk of the first recognition date

The Bank recognizes the lifetime expected credit losses for the life time in cases where the credit risk of the first recognition date cannot be identified and it is difficult to determine the increase in the credit risk.

###### - Days of overdue

The Bank recognizes the expected total credit loss for the accounts with principal or interest overdue by 30 days or more.

##### ii) Household loans

###### - Deterioration of behavioural rating

If the behavioural rating of the borrower deteriorates exceeding the absolute or relative thresholds as of the reporting date, the credit risk of the borrower is considered to be materially deteriorated.

###### - Days of overdue

The Bank recognizes the expected total credit loss for the accounts with principal or interest overdue by 30 days or more.

###### - Asset quality classification of 'precautionary' or below

Those accounts that are classified as 'precautionary' or below as of the reporting date are considered to have materially deteriorated credit risk.

##### iii) Debt securities

###### - Borrower subject to early alert

The Bank's early alert system adopts a differentiated recovery strategy based on whether the borrower's repayment ability deteriorates for the identified borrowers. Assets that are highly probable to be demoted to insolvent debt securities are considered to have significantly increased their credit risk and recognize expected credit losses over the life time.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### - Internal credit rating

The Bank recognizes the expected credit losses for the life time for our debt securities that are granted an internal rating that meets the asset quality classification criteria classified as 'precautionary' in our internal rating system.

### 49-1-2 Definition of non-performing loans

The Bank defines non-performing loans as the same as defaults in regulatory capital management policies. When collectively measuring expected credit losses, the criteria that constitute a set of financial assets are also applied similarly to the financial asset group classification criteria for the purpose of calculating the regulatory capital of the Bank. The Bank believes that the best estimates will be possible by applying the definition of default and the group standard of financial assets to the measurement of impairment of financial assets in accordance with regulatory capital management policy consistent with credit risk management practices.

### 49-1-3 Write off of financial assets

The Bank writes off a part or all of its loans or debt securities whose principal and the interests are not considered to be recoverable. In general, when the Borrower is deemed not to have enough resources or income to cover the repayment of the principal and interest, the respective financial assets are written off in accordance with the Bank's internal regulations, but if necessary, it is done per the approval by an external agency. The Bank may continue to exercise its right to pursue loan collection in accordance with its own collection policy even after the write off of the financial assets.

### 49-1-4 Assumptions and techniques used in measuring expected credit losses and input variables

The major variables used by the Bank for measuring expected credit losses are as follows.

These credit risk measures are estimated from statistical techniques and historical experience data developed internally by the Bank with adjustment reflecting forward-looking information.

#### i) Probability of default for each period (PD)

PD is estimated based on the statistical model and the characteristics of counterparties and exposures. The Bank used internal information to develop the statistical credit evaluation model used for estimation. As for the certain portfolios (e.g. large corporations, etc.), the Bank also considered the information observed in the market. When counterparties or exposures are concentrated among specific ratings, the method of calculating the default rate by class is adjusted, and the defaulting rate by class is estimated by considering the expiration of the contract.

#### ii) Loss given default (LGD)

LGD indicates the expected loss at the time of default. The Bank calculates the default loss rate based on the historical recovery rate experienced from the past default exposures. The model to calculate LGD is developed based on the quantitative and qualitative factors of collaterals, the guarantee and recovery rate per product. The recovery rate reflected in the LGD calculation is based on the present value of the recovered amount discounted at the effective interest rate.

#### iii) Exposure at default (EAD)

EAD refers to the expected exposure at the time of default. The Bank measures EAD by reflecting the probability of additional exposure to be used within the contractual limit up to the time of default. EAD of financial assets is equal to the total carrying amount of the asset. Exposure at the default of loan, commitments and guarantee is calculated as the sum of the amount already utilized and the expected future utilization.

#### iv) Maturity

The Bank applies the contractual maturity of the financial assets when measuring the expected credit losses.



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## Notes to the Consolidated Financial Statements

### v) Criteria to classify a group of financial assets

The risk factors for PD, LGD and EAD are collectively estimated in consideration of the following criteria:

- Type of products
- Internal credit grade (CG)
- Types of collateral
- Loan to value (LTV)
- Industry that the Borrower belongs to
- Domicile of the Borrower or collateral
- Overdue days

The criteria to determine the group are reviewed periodically to maintain homogeneity of the group and adjusted if necessary. The Bank uses external benchmark information to supplement internal information for the certain portfolios which do not have sufficiently accumulated historical data.

### 49-1-5 Financial assets with contractual cash flows modified

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Bank assesses whether there has been a significant increase in the credit risk on the financial assets by comparing the risk of a default measured at the reporting date and at initial recognition.

The Bank may adjust the contractual cash flows of the loans executed to the customers who are in financial distress in order to manage the risk of default and improve the collectability ("debt restructuring"). Such adjustments are generally made by extending the maturity, changing the interest payment cycle, and changing other contractual terms.

Debt restructuring is generally a qualitative indicator of a significant increase in credit risk and the Bank recognizes life time expected credit losses for the restructured loans. If the borrower timely performs the payment against the modified contractual terms in accordance with the debt restructuring or if the internal credit grade of the borrower has improved to the level prior to the recognition of the life time expected credit losses, the Bank again will recognize 12-month expected credit losses over the corresponding exposure.

### 49-1-6 Reflection of forward-looking information

The Bank reflects the forward-looking information presented by the internal expert group based on various information when measuring expected credit losses. For the purpose of forecasting this forward-looking information, the Bank utilizes the economic prospects disclosed by domestic and overseas research institutes or government and public institutions.

The Bank measures the expected losses by reflecting the anticipated future macroeconomic conditions from a neutral point of view avoiding any bias. The expected loss in this respect reflects the most likely outcome and is based on the same assumptions as the Bank estimates based on its business plan and management strategy.

# STANDARD CHARTERED BANK KOREA LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 49-2 Credit risk exposure

Details of maximum credit risk exposure of financial assets and off-balance sheet items as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)	2019	2018
Due from banks(*1)	5,128,559	2,865,404
Financial assets measured at fair value through profit or loss(*2)	1,414,359	1,444,824
Financial assets designated as measured at fair value through profit or loss(*2)	321,178	376,150
Derivative assets(*3)	6,585,080	8,919,420
Financial assets measured at fair value through other comprehensive income(*2)	9,635,967	9,364,126
Financial assets measured at amortized cost(*4)	41,114,898	38,266,095
Other financial assets(*5)	2,315,379	2,376,828
Guarantees and commitments(*6)	16,453,983	14,900,639
Total	82,969,403	78,513,486

(\*1) Loss allowance is excluded.

(\*2) Debt securities classified as financial assets measured at fair value through profit or loss - trading purposes were included.

(\*3) Derivative assets held for trading and risk management and receivables from unsettled spot exchange were included.

(\*4) Due from banks, accounts receivable, accrued income, net deferred loan origination costs, discount present value on loans and receivables and allowances were excluded.

(\*5) Discount present value on loans and receivables and allowances were excluded.

(\*6) These off-balance sheet items exclude commitments on purchase of securities in Korean won.

### 49-3 Credit enhancement

Credit enhancement for the financial assets and off-balance sheet items as of December 31, 2019 and 2018 was as follows:

#### 49-3-1 Financial assets measured at amortized cost and off-balance sheet items

(In millions of Korean won)	2019		2018	
	Impaired	Not impaired	Impaired	Not impaired
Financial assets measured at amortized cost(*1)	238,629	40,876,269	211,628	38,054,467
Guarantees and commitments(*2)	8,542	16,445,441	18,696	14,881,943
Credit enhancement(*3)	52,798	25,580,909	49,338	23,482,583

(\*1) Due from banks, accounts receivable, accrued income, net deferred loan origination costs, discount present value on loans and receivables and allowances were excluded.

(\*2) These off-balance sheet items exclude commitments on purchase of securities in Korean won.

(\*3) The Bank requires different types (securities, real estate, accounts receivable, etc.) and amounts of collateral according to the credit ratings of counterparties.

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49-3-2 Derivatives

(In millions of Korean won)	2019		2018	
	Credit risk exposure	Collateral(*2)	Credit risk exposure	Collateral(*2)
Derivatives(*1)	6,585,080	6,109,890	8,919,420	8,452,289

(\*1) Derivative assets held for trading and risk management and receivables from unsettled spot exchange were included.

(\*2) Cash and securities held as collateral for the purpose of credit enhancement based on the agreements with counterparties and other credit enhancements such as netting agreements that do not qualify for offset in accordance with K-IFRS No. 1032 were included.

49-4 Credit quality

49-4-1 The credit ratings of debt securities as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)					
2019	Financial assets measured at amortized cost	Financial assets measured at fair value through profit or loss - trading purposes	Financial assets designated as measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
AAA~A (*)	327,765	1,406,811	321,178	9,635,967	11,691,721

(In millions of Korean won)					
2018	Financial assets measured at amortized cost	Financial assets measured at fair value through profit or loss - trading purposes	Financial assets designated as measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
AAA~A (*)	341,022	1,434,622	376,150	9,364,126	11,515,920

(\*) Credit ratings were provided by the independent and professional external credit rating agencies.

49-4-2 Credit ratings were given for debt securities based on the external credit rating agencies' evaluation results as of December 31, 2019 and 2018 as shown below:

2019	Debt securities in Korean won		Debt securities in foreign currencies		
	FnPricing INC.	Korea Asset Pricing & KR Co.	Standard & Poor's	Fitch	Moody's
AAA ~ A	AAA ~ A-	AAA ~ A-	AAA ~ A-	AAA ~ A-	Aaa ~ A3
BBB ~ B	BBB+ ~ B-	BBB+ ~ B-	BBB+ ~ B-	BBB+ ~ B-	Baa1 ~ B3

2018	Debt securities in Korean won		Debt securities in foreign currencies		
	NICE Pricing & Information	Korea Asset Pricing & KR Co.	Standard & Poor's	Fitch	Moody's
AAA ~ A	AAA ~ A-	AAA ~ A-	AAA ~ A-	AAA ~ A-	Aaa ~ A3
BBB ~ B	BBB+ ~ B-	BBB+ ~ B-	BBB+ ~ B-	BBB+ ~ B-	Baa1 ~ B3

Credit ratings of the KRW denominated debt securities are determined based on the lower of two external credit rating agencies' evaluation results above. Credit ratings of the foreign currency denominated debt securities are determined based on the lowest of three external credit rating agencies' evaluation results above.

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49-4-3 Credit ratings for the financial assets measured at amortized cost

- 1) Credit ratings of loans and receivables measured at amortized cost (excluding due from banks, accounts receivable, accrued income, net deferred loan origination costs, discount present value on loans and receivables and allowances) as of December 31, 2019 and 2018 were as follows:

a) Corporate portfolio

Internal rating(*)	(In millions of Korean won)					
	2019			2018		
	12-month expected credit loss	Lifetime expected credit loss	Total	12-month expected credit loss	Lifetime expected credit loss	Total
CRG 1	561,299	-	561,299	1,166,296	29,327	1,195,623
CRG 2	792,725	3,956	796,681	716,422	42,086	758,508
CRG 3	336,962	1	336,963	621,672	-	621,672
CRG 4	828,432	6,298	834,730	331,612	-	331,612
CRG 5	1,685,730	973,906	2,659,636	1,043,327	570,876	1,614,203
CRG 6	762,886	164,716	927,602	540,680	49,684	590,364
CRG 7	934,077	253,384	1,187,461	2,152,502	337,678	2,490,180
CRG 8	1,791,755	447,492	2,239,247	1,240,478	423,858	1,664,336
CRG 9	712,781	372,555	1,085,336	1,171,764	349,261	1,521,025
CRG 10	371,562	98,071	469,633	505,497	46,905	552,402
CRG 11	263,774	374,301	638,075	261,604	424,468	686,072
CRG 12	-	40,313	40,313	-	52,744	52,744
CRG 13	-	622	622	-	1,550	1,550
CRG 14	-	86,132	86,132	-	51,708	51,708
Ungraded	108	127	235	148	95	243
Sub total	9,042,091	2,821,874	11,863,965	9,752,002	2,380,240	12,132,242
Allowances for loan losses	(32,503)	(92,034)	(124,537)	(45,496)	(71,584)	(117,080)
Carrying amount	9,009,588	2,729,840	11,739,428	9,706,506	2,308,656	12,015,162

(\*) Credit ratings of corporate portfolio based on internal and external valuations provided by the external credit rating agencies as of December 31, 2019 and 2018 were as follows:

	Standard & Poor's			
	2019		2018	
	Corporation/ Non-banking financial institutions	Bank	Corporation/ Non-banking financial institutions	Bank
CRG 1	AAA ~ AA	AAA ~ AA	AAA ~ AA+	AAA ~ AA-
CRG 2	AA ~ AA-	AA- ~ A+	AA ~ AA-	A+ ~ A
CRG 3	A+ ~ A	A ~ BBB+	A+ ~ A	A- ~ BBB+
CRG 4	A- ~ BBB+	BBB ~ BBB-	A- ~ BBB+	BBB+ ~ BBB
CRG 5	BBB ~ BB+	BBB- ~ BB+	BBB ~ BBB-	BBB- ~ BB+
CRG 6	BB+ ~ BB	BB+ ~ BB	BB+	BB+ ~ BB
CRG 7	BB ~ BB-	BB ~ BB-	BB	BB ~ BB-
CRG 8	BB- ~ B+	BB- ~ B+	BB-	B+ ~ B
CRG 9	B+ ~ B	B ~ B-	B+	B ~ B-
CRG 10	B ~ B-	B-	B	B- ~ CCC
CRG 11	B- ~ CCC	B- ~ C	B-	CCC
CRG 12 and above	Below CCC	Below C	Below B-	Below CCC

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b) Household portfolio

Internal rating(*)	(In millions of Korean won)					
	2019			2018		
	12-month expected credit loss	Lifetime expected credit loss	Total	12-month expected credit loss	Lifetime expected credit loss	Total
High-grade	23,875,130	484,380	24,359,510	21,587,491	631,042	22,218,533
Normal	4,075,281	90,463	4,165,744	3,094,039	146,068	3,240,107
Overdue	180,564	65,519	246,083	110,552	65,271	175,823
Impaired	-	151,831	151,831	-	158,368	158,368
Sub total	28,130,975	792,193	28,923,168	24,792,082	1,000,749	25,792,831
Allowances for loan losses	(59,129)	(90,704)	(149,833)	(56,817)	(99,555)	(156,372)
Carrying amount	28,071,846	701,489	28,773,335	24,735,265	901,194	25,636,459

(\*) The credit rating structure of the household portfolio was classified based on probability of default for each period (PD) and the number of overdue days.

2) Credit ratings of debt securities measured at amortized cost as of December 31, 2019 and 2018 were as follows:

Internal rating(*)	(In millions of Korean won)					
	2019			2018		
	12-month expected credit loss	Lifetime expected credit loss	Total	12-month expected credit loss	Lifetime expected credit loss	Total
AAA ~ A	327,765	-	327,765	341,022	-	341,022
BBB ~ B	-	-	-	-	-	-
Ungraded	-	-	-	-	-	-
Sub total	327,765	-	327,765	341,022	-	341,022
Allowances for loan losses	(79)	-	(79)	(75)	-	(75)
Carrying amount	327,686	-	327,686	340,947	-	340,947

49-4-4 Credit ratings of debt securities measured at fair value through other comprehensive income as of December 31, 2019 and 2018 were as follows:

Internal rating(*)	(In millions of Korean won)					
	2019			2018		
	12-month expected credit loss	Lifetime expected credit loss	Total	12-month expected credit loss	Lifetime expected credit loss	Total
AAA ~ A	9,635,967	-	9,635,967	9,364,126	-	9,364,126
BBB ~ B	-	-	-	-	-	-
Ungraded	-	-	-	-	-	-

(\*) This amount is after the valuation of fair value and the total carrying amount of debt securities measured at fair value through other comprehensive income as of December 31, 2019 and 2018 were ₩9,605,968 million and ₩9,357,489 million, respectively.

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49-4-5 Credit ratings of off-balance sheet items as of December 31, 2019 and 2018 were as follows.

a) Corporate portfolio

(In millions of Korean won)									
2019	Financial guarantees			Other guarantees			Undrawn commitments		
Internal rating	12-month expected credit loss	Lifetime expected credit loss	Total	12-month expected credit loss	Lifetime expected credit loss	Total	12-month expected credit loss	Lifetime expected credit loss	Total
CRG 1	-	-	-	29,189	-	29,189	478,558	115,780	594,338
CRG 2	-	-	-	17,749	-	17,749	502,687	50,000	552,687
CRG 3	2,805	-	2,805	18,374	-	18,374	1,596,213	-	1,596,213
CRG 4	-	-	-	53,349	-	53,349	1,839,899	18,214	1,858,113
CRG 5	400	-	400	203,473	11,449	214,922	2,275,399	529,256	2,804,655
CRG 6	35,892	-	35,892	18,438	343	18,781	759,944	46,306	806,250
CRG 7	67,466	-	67,466	337,899	3,277	341,176	797,053	121,562	918,615
CRG 8	-	-	-	232,446	107,007	339,453	723,128	349,348	1,072,476
CRG 9	-	-	-	39,305	875	40,180	268,364	116,461	384,825
CRG 10	-	-	-	4,048	-	4,048	28,413	53,907	82,320
CRG 11	-	-	-	866	5,210	6,076	44,328	57,468	101,796
CRG 12	-	-	-	-	-	-	-	50	50
CRG 13	-	-	-	-	-	-	-	9	9
CRG 14	-	-	-	-	4,394	4,394	-	2,283	2,283
Ungraded	-	-	-	-	-	-	-	153	153
Total	106,563	-	106,563	955,136	132,555	1,087,691	9,313,986	1,460,797	10,774,783

(In millions of Korean won)									
2018	Financial guarantees			Other guarantees			Undrawn commitments		
Internal rating	12-month expected credit loss	Lifetime expected credit loss	Total	12-month expected credit loss	Lifetime expected credit loss	Total	12-month expected credit loss	Lifetime expected credit loss	Total
CRG 1	-	-	-	941	-	941	194,730	111,810	306,540
CRG 2	792	-	792	56,843	-	56,843	386,209	47	386,256
CRG 3	-	-	-	373	-	373	2,161,227	-	2,161,227
CRG 4	-	-	-	3,857	-	3,857	873,344	-	873,344
CRG 5	400	-	400	95,754	9,994	105,748	1,712,526	591,558	2,304,084
CRG 6	-	-	-	93,668	2,567	96,235	890,286	24,421	914,707
CRG 7	60,037	34,661	94,698	469,267	12,887	482,154	1,064,854	284,365	1,349,219
CRG 8	-	-	-	150,029	128,622	278,651	683,106	116,287	799,393
CRG 9	-	-	-	30,942	65,118	96,060	198,169	46,630	244,799
CRG 10	-	-	-	5,961	1,000	6,961	86,576	76,723	163,299
CRG 11	-	-	-	1,474	4,378	5,852	51,881	46,319	98,200
CRG 12	-	-	-	-	-	-	-	720	720
CRG 13	-	-	-	-	-	-	-	43	43
CRG 14	-	-	-	-	4,505	4,505	-	11,772	11,772
Ungraded	-	-	-	-	-	-	-	65	65
Total	61,229	34,661	95,890	909,109	229,071	1,138,180	8,302,908	1,310,760	9,613,668

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b) Household portfolio

(In millions of Korean won)						
Undrawn commitments						
Internal rating(*)	2019			2018		
	12-month expected credit loss	Lifetime expected credit loss	Total	12-month expected credit loss	Lifetime expected credit loss	Total
High-grade	4,348,213	20,661	4,368,874	3,825,563	57,314	3,882,877
Normal	108,810	1,318	110,128	160,270	3,412	163,682
Overdue	4,033	59	4,092	3,826	145	3,971
Impaired	-	1,852	1,852	-	2,371	2,371
Total	4,461,056	23,890	4,484,946	3,989,659	63,242	4,052,901

(\*) The credit rating structure of the household portfolio was classified based on probability of default for each period (PD) and the number of overdue days.

**50. Liquidity risk**

The following tables provide an analysis of the financial liabilities of the Bank in relevant maturity groupings using undiscounted cash flows including principal and interests based on the earliest dates for obligation repayments.

50-1 Maturity analysis of non-derivative financial liabilities as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)						
2019	Less than 1 month	1~3 months	3 months~1 year	1~5 years	More than 5 years	Total
Non-derivative financial liabilities						
Deposits	28,167,503	3,672,876	12,627,468	715,642	2,032,587	47,216,076
Financial liabilities measured at fair value through profit or loss - trading purposes	251,253	-	-	-	-	251,253
Financial liabilities designated as measured at fair value through profit or loss	166	2,292	13,511	177,422	3,056,202	3,249,593
Borrowings	16,110	207,008	825,881	199,115	168	1,248,282
Debt securities issued	1,877	4,132	685,491	2,544,989	786,607	4,023,096
Other financial liabilities(*1)	4,897,708	-	-	-	-	4,897,708
Total	33,334,617	3,886,308	14,152,351	3,637,168	5,875,564	60,886,008
Off-balance sheet items(*2)						
Financial guarantees	106,563	-	-	-	-	106,563
Commitments	15,406,971	-	-	-	-	15,406,971
Total	15,513,534	-	-	-	-	15,513,534

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(In millions of Korean won)						
2018	Less than 1 month	1~3 months	3 months~1 year	1~5 years	More than 5 years	Total
Non-derivative financial liabilities						
Deposits	27,858,054	2,311,536	9,369,547	904,529	2,494,796	42,938,462
Financial liabilities measured at fair value through profit or loss - trading purposes	37,090	-	-	-	-	37,090
Financial liabilities designated as measured at fair value through profit or loss	191	2,098	113,267	154,782	4,037,032	4,307,370
Borrowings	301,387	146,453	1,257,060	131,764	4	1,836,668
Debt securities issued	30,075	142,566	1,205,970	209,342	118,455	1,706,408
Other financial liabilities(*1)	8,304,820	-	-	-	-	8,304,820
Total	36,531,617	2,602,653	11,945,844	1,400,417	6,650,287	59,130,818
Off-balance sheet items(*2)						
Financial guarantees	95,890	-	-	-	-	95,890
Commitments	13,813,811	-	-	-	-	13,813,811
Total	13,909,701	-	-	-	-	13,909,701

(\*1) Lease liabilities are not included.

(\*2) These amounts represent the maximum contractual amounts.

50-2 Maturity analysis of derivative financial liabilities as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)						
2019	Less than 1 month	1~3 months	3 months ~1 year	1~5 years	More than 5 years	Total
Currency forwards	423,172	427,326	399,036	170,894	-	1,420,428
Interest rate swaps	54,775	91,906	343,487	1,221,281	483,361	2,194,810
Currency swaps	50,384	59,786	271,110	453,206	133,683	968,169
Options	77,575	-	-	-	-	77,575
Other derivatives	79,665	-	-	-	-	79,665
Total	685,571	579,018	1,013,633	1,845,381	617,044	4,740,647

(In millions of Korean won)						
2018	Less than 1 month	1~3 months	3 months ~1 year	1~5 years	More than 5 years	Total
Currency forwards	303,292	309,518	359,240	139,955	-	1,112,005
Interest rate swaps	36,797	74,398	208,081	995,372	407,903	1,722,551
Currency swaps	30,294	40,441	204,318	368,043	85,629	728,725
Options	70,645	-	-	-	-	70,645
Other derivatives	62,931	-	-	-	-	62,931
Total	503,959	424,357	771,639	1,503,370	493,532	3,696,857



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### 51. Market risk

#### 51-1 Trading portfolio

A summary of the one day VaR position of the Bank's trading portfolios calculated with 99% confidence level as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)				
2019	Average	Minimum(*)	Maximum(*)	Year end
Interest rate risk	12,202	5,078	18,579	13,508
Foreign exchange risk	6,328	1,695	8,266	4,191
Total VaR	14,645	4,943	27,721	13,761

(In millions of Korean won)				
2018	Average	Minimum(*)	Maximum(*)	Year end
Interest rate risk	15,505	6,429	23,074	8,970
Foreign exchange risk	4,665	3,427	3,586	9,640
Total VaR	16,557	6,286	24,906	14,918

(\*) Classified by total VaR

51-2 Interest VaRs of the Bank's non-trading portfolio as of December 31, 2019 and 2018 were ₩6,358 million and ₩2,320 million, respectively.

### 52. Regulatory capital

The Bank is in compliance with the capital adequacy ratio proposed by the financial supervisory authority. The capital adequacy ratio is based on Basel III, an agreement announced by the Basel Committee on Banking Supervision under the Bank for International Settlements ("BIS"), which was adopted in Korea on December 1, 2013. Local banks should calculate and manage capital adequacy ratios ("BIS ratio") on a consolidated basis in accordance with this agreement.

The minimum capital adequacy ratios in the upcoming years(\*) according to Basel III were as follows:

(%)	2017	2018	2019 and thereafter
Minimum total capital plus capital conservation buffer	9.25	9.875	10.5
Minimum total capital	8.0	8.0	8.0
Minimum Tier 1 capital	6.0	6.0	6.0
Minimum Common Equity Tier 1	4.5	4.5	4.5
Capital conservation buffer	1.25	1.875	2.5

(\*) All dates are as of January 1.

In conformity with an enforcement decree of the Detailed Regulations on Supervisions of Banking Business, BIS regulatory capital consists of the following:

- Common Equity Tier 1 capital: Capital that takes the first and proportionately greatest share of any losses as they occur, represents the most subordinated claim in liquidation of the Bank, and which principal is never repaid outside of liquidation, including capital stock that meets the criteria for classification as capital stock for regulatory purposes, capital surplus resulting from the issuance of instruments included Common Equity Tier 1, retained earnings and accumulated other comprehensive income.
- Additional Tier 1 capital: Capital stock and capital surplus related to issuance of capital securities that are perpetual, including hybrid securities and preferred stocks that are conditional and subordinated to subordinated debt of the Bank, with no step-up conditions.

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- Tier 2 capital: Capital securities issued by the Bank that meet the criteria for inclusion in Tier 2 capital (with maturities over 5 years, etc.) and allowances for loan losses in conformity with the Detailed Regulations on Supervisions of Banking Business.

Risk weighted assets are assets weighted by the counterparty's credit risk, operational errors which may occur in internal processes and external events and risks of market volatility. The BIS ratio is calculated by dividing the above regulatory capital by risk weighted assets.

The Bank reserves its capital at a reasonable level for losses that could occur from exposure to risks. The Bank measures its capital level by its internal standards, as well as external regulatory standard, by comparing the size of available capital with requested capital and applying stress test results and etc. In cases where available capital is not sufficient, the Bank takes actions to increase available capital and reinforce its risk management.

Details of the Bank's regulatory capital in accordance with Basel III as of December 31, 2019 and 2018 were as follows:

(In millions of Korean won)		
	2019	2018
BIS regulatory capital		
Tier 1 capital (C = A + B)	4,268,142	4,165,212
Common Equity Tier 1 (A)	4,268,142	4,165,212
Additional Tier 1 capital (B)	-	-
Tier 2 capital (D)	609,099	13,520
Total capital (C + D)	4,877,241	4,178,732
Risk weighted assets:	28,880,167	28,971,773
BIS capital ratio		
Common Equity Tier 1 capital ratio	14.78%	14.38%
Tier 1 capital ratio	14.78%	14.38%
Total capital ratio	16.89%	14.42%

### 53. Approval of financial statements

These financial statements have been authorized for issue by the Bank's board of directors on March 13, 2020, which will be finally authorized in the general meeting of shareholders on March 30, 2020.