Stock code:2807

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Financial Statements

December 31, 2013 and 2012
(With Independent Auditors' Report Thereon)

安侯建業聯合會計師事務所
KPMG
台北市11049信義路5段7號68樓(台北101大樓)
68F, TAIPEI 101 TOWER, No. 7, Sec. 5, Xinyi Road, Taipei, 11049, Taiwan, R.O.C.
Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 www.kpmg.com.tw

Independent Auditors' Report

The Board of Directors
Standard Chartered Bank (Taiwan) Limited:

We have audited the accompanying balance sheets of Standard Chartered Bank (Taiwan) Limited as of December 31, 2013 and 2012 , and January 1, 2012, and the related statements of profit or loss and other comprehensive income, statements of changes in stockholders' equity, and statements of cash flows for the period ended December 31, 2013 and 2012. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants and Republic of China generally accepted auditing standards. Those standards and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Standard Chartered Bank (Taiwan) Limited as of December 31, 2013 and 2012, and January 1, 2012 and the results of its performances and its cash flows for the period ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Statements by Public Banks.

KPMG

March 26, 2014

Note to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China. The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

Standard Chartered Bank (Taiwan) Limited

Balance Sheets

December 31, 2013 and 2012, and January 1, 2012

(Expressed in thousands of New Taiwan Dollars)

	Assets	December 31, 2013 Amount	%	December 31, 2012 Amount	%	January 1, 2012 Amount	%
11000	Cash and cash equivalents (note 6(1))	$ 29,274,099	4	6,697,772	1	11,469,535	2
11500	Due from the Central Bank and call loans to banks (notes 6(2) and 7)	68,534,106	9	68,073,194	10	74,398,541	10
12000	Financial assets at fair value through profit or loss (note 6(3))	20,458,887	4	29,544,710	4	40,867,691	6
12300	Derivative financial assets for hedging—net (notes 6(4) and 7)	172,750	-	428,983	-	728,959	-
12500	Securities purchased under resell agreements (note 6(5))	1,950,000	-	3,402,039	-	8,456,414	1
13000	Receivable—net (notes 6(6), (7) and7)	32,759,448	4	37,741,825	5	34,206,432	5
13200	Current tax assets (note 6(21))	111,724	-	115,818	-	224,890	-
13500	Discounts and loans—net (notes 6(4), (7) and 7)	360,762,604	48	350,387,046	48	346,151,003	47
14000	Available-for-sale financial assets—net (notes 6(4), (8) and 7)	230,156,830	30	226,363,332	31	211,874,021	28
15000	Investments measured by equity method—net (note 6(9))	393,511	-	369,417	-	279,579	-
15500	Other financial assets (note 6 (9))	151,245	-	151,409	-	158,072	-
18500	Property, plant and equipment—net (note 6(10))	5,563,295	1	6,049,665	1	6,811,873	1
19000	Intangible assets—net (note 6(11))	3,157,050	-	3,193,435	-	3,217,941	-
19300	Deferred tax assets (note 6(21))	2,397,891	-	2,639,983	-	2,800,902	-
19500	Other assets—net (notes 6(12) and 8)	3,267,254	-	1,600,102	-	2,897,516	-
	Total assets	$ 759,110,694	100	736,758,730	100	744,543,369	100

	Liabilities and stockholders' equity	December 31, 2013 Amount	%	December 31, 2012 Amount	%	January 1, 2012 Amount	%
	Current liabilities:						
21000	Deposits from the Central Bank and banks (notes 6(13) and 7)	$ 45,985,672	6	9,283,983	1	18,390,389	3
22000	Financial liabilities at fair value through profit or loss (note 6(3))	7,533,988	1	8,357,471	1	14,863,355	2
22300	Derivative financial liabilities for hedging—net (notes 6(4) and 7)	3,227	-	13,523	-	92,441	-
23000	Payables (note 6(14))	4,538,856	1	6,016,092	1	4,871,999	1
23100	Related parties payable (note 7)	7,498,048	1	6,012,064	1	4,284,892	1
23200	Current tax liabilities (note 6(21))	-	-	65,780	-	21,191	-
23500	Deposits and remittances (notes 6(4), (15) and 7)	577,585,845	76	563,071,977	77	596,151,692	80
24000	Bank notes payable—net (notes 6(4), (16) and 7)	55,559,925	7	62,014,537	9	47,512,170	6
25500	Other financial liabilities (note 6(17))	13,120,022	2	34,690,236	5	10,095,732	1
25600	Provisions (notes 6(18) and (20))	1,915,124	-	1,981,028	-	1,822,557	-
29300	Deferred tax liabilities (note 6(21))	592,787	-	665,364	-	586,808	-
29500	Other liabilities (notes 6(19) and 9(3))	2,371,688	-	1,602,632	-	1,473,015	-
	Total liabilities	716,705,182	94	693,774,687	95	700,166,241	94
31101	Common stock (note 6(23))	29,105,720	4	29,105,720	4	29,105,720	4
31500	Capital surplus (note 6(23))	5,786,031	1	5,786,031	1	5,786,031	1
	Retained earnings:						
32001	Legal reserve (note 6(23))	4,289,836	1	3,388,832	-	876,897	-
32003	Special reserve (note 6(23))	347,706	-	136,034	-	136,034	-
32005	Unappropriated earnings (note 6(23))	2,267,777	-	3,582,706	-	7,509,737	1
		6,905,319	1	7,107,572	-	8,522,668	1
32500	Other equity interest (note 6(23))	608,442	-	984,720	-	962,709	-
	Total stockholders' equity	42,405,512	6	42,984,043	5	44,377,128	6
	Total liabilities and stockholders' equity	$ 759,110,694	100	736,758,730	100	744,543,369	100

See accompanying notes to financial statements

Standard Chartered Bank (Taiwan) Limited
Statements of Profit or Loss and Other Comprehensive Income
For the years ended December 31, 2013 and 2012
(expressed in thousands of New Taiwan Dollars)

		2013 Amount	2013 %	2012 Amount	2012 %	Change %
41000	**Interest income (notes 6(26) and 7)**	$ 14,391,931	99	15,074,936	94	(5)
51000	**Less：Interest expense (notes 6(26) and 7)**	5,046,491	35	5,259,856	33	(4)
	Net interest income	9,345,440	64	9,815,080	61	(5)
	Net non-interest income					
49100	Net service fee income (notes 6(27) and 9(3))	2,917,173	20	2,808,275	17	4
49200	Gain on financial assets or liabilities measured at fair value through profit or loss (note 6(28))	1,172,009	8	1,951,909	12	(40)
49300	Realized loss on available-for-sale financial assets (note 6(29))	(1,085)	-	(6,451)	-	83
47000	Share of profit of associates and joint ventures accounted for using equity method (note 6(9))	323,219	2	299,125	2	8
49600	Foreign exchange gain	695,480	5	249,202	2	179
49800	Net other non-interest income (notes 6(9), (30) and 7)	94,923	1	1,030,177	6	(91)
55000	Impairment losses on assets (note 6(9) and (31))	(4,638)	-	(12,832)	-	64
	Net revenue	14,542,521	100	16,134,485	100	(10)
58200	**Bad debt expenses and guarantee liability provision (note 6(32))**	1,632,146	11	2,020,735	13	(19)
	Operating expenses:					
58500	Employee benefits expense (notes 6(20), (24), (33) and 7)	5,461,436	37	5,632,227	35	(3)
59000	Depreciation and amortization expense (notes 6(10), (11), and (34))	335,969	2	429,781	3	(22)
59500	Other general and administrative expense(notes 6(35) and 7)	4,334,045	30	4,410,520	27	(2)
	Total operating expenses	10,131,450	69	10,472,528	65	(3)
	Income from continuing operating before tax	2,778,925	20	3,641,222	22	(24)
61003	**Less: Income tax expense (note 6(21))**	387,866	3	578,427	4	(33)
	Net income	2,391,059	17	3,062,795	18	(22)
65000	**Other comprehensive income－net of tax:**					
65011	Changes in fair value of available-for-sale financial assets recognized	(154,801)	(1)	88,611	1	(275)
65021	Change in fair value of cash flow hedges recognizes	(305,944)	(2)	(68,304)	-	(348)
65031	Defined benefit plan actuarial gains (losses)	116,493	1	(134,979)	(1)	186
65091	Less: tax on other comprehensive income(note 6 (21))	(64,662)	-	(24,650)	-	(162)
65000	**Other comprehensive income－net of tax**	(279,590)	(2)	(90,022)	-	162
	Total comprehensive income for the period	$ 2,111,469	15	2,972,773	18	(29)
67500	**Basic earnings per share (NTD) (note 6(25))**	$ 0.82		1.05		

See accompanying notes to financial statements)

Standard Chartered Bank (Taiwan) Limited

Statements of Changes in Stockholders' Equity

For the years ended December 31, 2013 and 2012

(expressed in thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Unrealized gains (losses)on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	
	Ordinary Share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings			Total equity
Balance as of January 1, 2012	$ 29,105,720	5,786,031	876,897	136,034	7,509,737	772,342	190,367	44,377,128
Appropriation and distribution of retained earnings (Note1):								
Legal reserve appropriated (note 6(23))	-	-	2,511,935	-	(2,511,935)	-	-	-
Cash dividends of ordinary share (note 6(23))	-	-	-	-	(4,365,858)	-	-	(4,365,858)
Net income	-	-	-	-	3,062,795	-	-	3,062,795
Other comprehensive income	-	-	-	-	(112,033)	78,703	(56,692)	(90,022)
Total comprehensive income for the period	-	-	-	-	2,950,762	78,703	(56,692)	2,972,773
Balance as of December 31, 2012	-	5,786,031	3,388,832	136,034	3,582,706	851,045	133,675	42,984,043
Appropriation and distribution of retained earnings (Note2):								
Legal reserve appropriated (note 6(23))	-	-	901,004	-	(901,004)	-	-	-
Special reserve appropriated (note 6(23))	-	-	-	239,413	(239,413)	-	-	-
Reversal of special reserve appropriated	-	-	-	(27,741)	27,741	-	-	-
Cash dividends of ordinary share (note 6(23))	-	-	-	-	(2,690,000)	-	-	(2,690,000)
Net income	-	-	-	-	2,391,059	-	-	2,391,059
Other comprehensive income	-	-	-	-	96,688	(122,344)	(253,934)	(279,590)
Total comprehensive income for the period	-	-	-	-	2,487,747	(122,344)	(253,934)	2,111,469
Balance as of December 31, 2013	$ -	5,786,031	4,289,836	347,706	2,267,777	728,701	(120,259)	42,405,512

Note1 : Directors and supervisors reward 87,706 thousand and bonus to employees 210 thousand were deducted from statement of profit or loss and other comprehensive income.

Note2 : Directors and supervisors reward 58,553 thousand and bonus to employees 167 thousand were deducted from statement of profit or loss and other comprehensive income.

See accompanying notes to financial statements)

Standard Chartered Bank (Taiwan) Limited

Statements of Cash Flows

For the years ended December 31, 2013 and 2012

(expressed in thousands of New Taiwan Dollars)

		2013	2012
Cash flow from operating activities：			
Profit before tax	$	2,778,925	3,641,222
Adjustments：			
Adjustments to reconcile profit (loss)			
Depreciation expense		299,584	404,292
Amortization expense		36,385	25,489
Bad debt expense and guarantee liability provision		1,632,146	2,020,735
Interest expense		5,046,491	5,259,856
Interest income		(14,391,931)	(15,074,936)
Net change in other provisions		11,115	49,858
Gain on sale of non-performing loans		-	(648,300)
Impairment loss on financial assets		4,638	12,832
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method		(323,219)	(299,125)
Gain on disposal of property and equipment		(19,553)	(232,585)
Total adjustments to reconcile profit (loss)		(7,704,344)	(8,481,884)
Change in operating assets and liabilities：			
Change in operating assets：			
Due from the Central Bank and call loans to banks		1,617,778	(679,519)
Financial assets at fair value through profit or loss		9,085,823	11,322,981
Receivables		4,890,482	(3,456,938)
Discounts and loans		(11,968,230)	(6,408,078)
Available-for-sale financial assets		(3,950,652)	(14,376,044)
Other financial assets		-	6,663
Total changes in operating assets		(324,799)	(13,590,935)
Changes in operating liabilities：			
Deposits from the Central Bank and banks		36,701,689	(9,106,406)
Financial liabilities at fair value through profit or loss		(823,483)	(6,505,884)
Payables		426,029	2,605,414
Deposits and remittances		14,542,869	(33,018,107)
Other financial liabilities		(21,570,214)	24,594,504
Other liabilities		769,056	129,617
Total changes in operating liabilities		30,045,946	(21,300,862)
Total changes in operating assets and liabilities		29,721,147	(34,891,797)
Total adjustments		22,016,803	(43,373,681)
Cash inflow (outflow) generated from operations		24,795,728	(39,732,459)
Interest received		14,483,826	14,996,481
Dividend received		299,125	209,287
Interest paid		(5,463,772)	(4,994,005)
Income taxes paid		(215,375)	(160,641)
Net cash flows from (used in) operating activities		33,899,532	(29,681,337)
Cash flows from investing activities：			
Proceeds from disposal of property, plant and equipment		471,733	565,952
Acquisition of property, plant and equipment		(269,868)	(37,475)
Decrease in securities purchased under resell agreements		1,452,039	5,054,375
Sale of non-performing loans		-	773,234
(Increase) decrease in other assets		(1,667,152)	1,297,414
Net cash flows from investing activities		(13,248)	7,653,500
Cash flows (used in) from financing activities：			
Decrease in derivative financial liabilities for hedging		(235,755)	(6,546)
(Decrease) increase in bank notes payable		(6,305,512)	14,623,612
Cash dividends paid		(2,690,000)	(4,365,858)
Net cash flows (used in) from financing activities		(9,231,267)	10,251,208
Net increase (decrease) in cash and cash equivalents		24,655,017	(11,776,629)
Cash and cash equivalents at beginning of period		41,390,526	53,167,155
Cash and cash equivalents at end of period	$	66,045,543	41,390,526
Components of cash and cash equivalents:			
Cash and cash equivalents reported in the statement of financial position	$	29,274,099	6,697,772
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7		36,771,444	34,692,754
Cash and cash equivalents at end of period	$	66,045,543	41,390,526

See accompanying notes to financial statements)

Standard Chartered Bank (Taiwan) Limited
Notes to the Financial Statements
December 31, 2013 and 2012
(expressed in thousands of New Taiwan Dollars, unless otherwise specified)

(1) Organization

Standard Chartered Bank (Taiwan) Limited (the "Bank") was established on September 15, 1948, in the Taoyuan, Hsinchu, and Miaoli areas. The original name of the Bank was Hsinchu District's Mutual Loan Inc., which specialized in the mutual loan business, deposits, loans, and payment collection. In compliance with the Banking Act of the Republic of China ("ROC"), the Bank restructured to become The Small and Medium Business Bank of Hsinchu District on January 1, 1978, and in addition to the original lines of business, the Bank started to conduct checking deposit and regular banking businesses.

Pursuant to an approval granted by the Securities and Futures Commission ("SFC"), which subsequently changed its name to the Securities and Futures Bureau ("SFB") on July 1, 2004, the Bank's shares were authorized to be publicly traded beginning March 22, 1983. Additionally, pursuant to approval granted by the Ministry of Finance ("MOF"), the Bank established a Trust Department in January 1989 and an International Business Department in March 1993. In July 1992, the Bank established the securities trading business and the securities broker business, respectively, and both were approved by the MOF. On January 16, 1995, the Bank established an Offshore Banking Unit ("OBU"), which began operations immediately.

The Bank was approved by the MOF to operate as a commercial bank in September 1998 and changed its name to Hsinchu International Bank Co., Ltd. on April 20, 1999.

During 2006, Standard Chartered Bank provided a tender offer to acquire the outstanding shares of Hsinchu International Bank Co., Ltd. Accordingly, Standard Chartered Bank acquired over 95% of the outstanding. After completion of the acquisition of shares, Hsinchu International Bank Co., Ltd. immediately submitted the delisting application, which was approved by the related authorities on January 18, 2007. On June 30, 2007, the operations of Standard Chartered Bank, Taipei Branch were transferred to Hsinchu International Bank Co., Ltd.; subsequently, Hsinchu International Bank Co., Ltd. was renamed Standard Chartered Bank (Taiwan) Limited on July 2, 2007.

The Bank acquired the outstanding assets, liabilities and operations of American Express Bank, Taipei Branch ("AEB") and Asia Trust Investment Co., Ltd. ("ATIC") on August 1 and December 27, 2008, respectively.

(2) Approval date and Procedures of the Individual Financial Statements

The financial statements were authorized for issue by the Board of Directors on March 26, 2014.

(Continued)

(3) New Standards and Interpretations Not yet Adopted

1) New standards and interpretations endorsed by the Financial Supervisory Commission R.O.C. ("FSC") but not yet in effect

The International Accounting Standards Board ("IASB") issued International Financial Reporting Standard 9 Financial Instruments ("IFRS 9"). and the IASB issued revision to International Financial Reporting Standard 9 Financial Instruments ("IFRS 9") on November. 2009. (IASB deferred the effective date of IFRS 9 to January 1 of 2015 on December 2011. and on November 2013. IASB declared to abolish the above effective date. resulting financial statements compiler would have more time to adopt IFRS 9, and the new effective date has not been announced.) In accordance with FSC rules, early adoption is not permitted. and companies shall follow the guidance in the 2009 version of International Accounting Standard 39 Financial Instruments ("IAS 39") and effective date has not been announced until the report date. Upon the adoption of this new standard, it is expected there will be impacts on the classification and measurement of financial instruments in the individual financial statements.

2) New standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB that may have an impact on the Bank's financial statements. As of the reporting date the standards and amendments were not yet effective nor endorsed by the FSC.

Issue date	New standards and amendments	Description and potential impact	Effective date per IASB
May 12, 2011	• IFRS 13 "*Fair Value Measurement*"	Replaces fair value measurement guidance in other standards, and consolidates as one single guidance. The Bank might process extra analysis to confirm the possibility of effects on assets and liabilities if the Bank adopts this standard. In addition. the standard enhances disclosures about fair value measurement.	January 1, 2013
June 16, 2011	• Revision to IAS 1 "*Presentation of Financial Statements*"	Items presented in other comprehensive income shall be based on whether they are potentially reclassifiable to profit or loss subsequently. The objective of this change was to make clearer the effects these items may have on profit or loss in the future.	July 1. 2012
June 16, 2011	• Revision to IAS 19 "*Employee Benefits*"	Eliminates the corridor method and eliminates the option to recognize changes in the net defined benefit liability (asset) in profit or loss; in addition, requires the immediate recognition of past service cost. The improvement of disclosure requirements that will better show the characteristics of defined benefit plans and the risks arising from those plans.	January 1, 2013

(Continued)

Issue date	New standards and amendments	Description and potential impact	Effective date per IASB
November 19, 2013	• Revision to IFRS 9 *"Financial Instruments"*	Firstly, a new chapter on hedge accounting has been added to IFRS 9. This represents a major overhaul of hedge accounting and puts in place a new model that introduces significant improvements principally by aligning the accounting more closely with risk management. There are also improvements to the disclosures about hedge accounting and risk management. If adopted, transactions qualifying for hedge accounting may increase and would result in changes to the measurement and presentation of the related hedging instrument and hedged item.	Effective date has not been announced. Early application is permitted

(4) Summary of Significant Accounting Policies

Significant accounting policies adopted in the individual financial statements are summarized as below. Unless otherwise stated, they apply consistently to all presentation periods in the individual financial statements and opening IFRS balance sheets as of January 1, 2012, prepared for the purpose of conversion to IFRSs approved by the FSC, International Accounting Standards ("IASs"), International Financial Reporting Interpretations Committee ("IFRICs"), and Standing Interpretations Committee ("SICs").

1) Statement of compliance

Financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms (hereinafter referred to as the Regulations), and other related regulations applicable.

2) Basis of preparation

The financial statements have been prepared on a historical cost basis except for the following material items in the balance sheets:

(a) Financial instruments at fair value through profit or loss are measured at fair value;

(b) Available-for-sale financial assets are measured at fair value;

(c) Liabilities for cash-settled share-based payment arrangements are measured at fair value; and

(d) The defined benefit asset is recognized as plan assets, plus unrecognized past service costs and unrecognized actuarial loss, less the unrecognized actuarial gain and the present value of the defined benefit obligation.

3) Foreign currency transactions

Except for accounts in the OBU of the Bank that are denominated in US dollars, accounts in all entities are denominated in New Taiwan dollars. For those transactions denominated in foreign currencies, assets and liabilities are recorded in their original foreign currencies, while all income and expense accounts are denominated in original foreign currencies and translated into New Taiwan dollars at the daily closing exchange rates. At the balance sheet date, the financial statement amounts in all foreign currencies are translated into New Taiwan dollars at ruling exchange rates assigned on that date. The Bank's individual financial statements are presented in New Taiwan Dollar, the functional currency of the Bank. All financial information presented in New Taiwan Dollars is expressed in thousands of New Taiwan Dollars, unless otherwise specified. Foreign currency differences arising on the translation of a foreign currency transaction are recognized in current profit or loss.

4) Cash and cash equivalents

Cash on hand, checks for clearing, and due from banks are considered as cash and cash equivalents by the Bank.

5) Reserves for deposits

Reserves against deposits placed with the Central Bank of the Republic of China ("CBC") are calculated based on the monthly average balance of the various deposit accounts, using specific reserve ratios promulgated by the CBC. There is no interest offered on the reserve against deposits—checking account and foreign currency account, and the deposits can be withdrawn at any time. Except for the monthly reserve adjustment, deposits and withdrawals from the reserve against deposits—demand account are restricted.

The reserve against deposits—settlement account is placed with the CBC for interbank settlement.

6) Financial instruments

(a) Financial assets

Financial assets held by the Bank are recorded on the trading date. Except for financial instruments classified as held for trading, other financial instruments are initially recognized at acquiring or issuing cost plus transaction costs.

i. Financial assets at fair value through profit or loss

Financial assets are classified as held for trading if they have been acquired principally for the purpose of selling or repurchasing in the near term. The derivative financial instruments held by the Bank, except for those designated and effective hedging instruments, are classified under these accounts. At each balance sheet date, the fair value is remeasured, and the resulting gain or loss from such remeasurement is recognized in current profit or loss.

(Continued)

ii. Available-for-sale financial assets — net

At each balance sheet date, the fair value is remeasured, and the resulting gain or loss from such remeasurement is recognized directly in other comprehensive income. Interest on a debt instrument classified as available-for-sale is accrued; the relevant premium/discount is amortized by using the effective-interest-rate method. If there is objective evidence that an available-for-sale financial asset is impaired, the carrying amount of the asset is reduced, and impairment loss is recognized. If, in a subsequent period, the amount of the impairment loss of the available-for-sale equity securities decreases, the impairment loss recognized in profit or loss shall not be reversed through profit or loss. If, in a subsequent period, the amount of the impairment loss of the available-for-sale debt securities decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. The carrying amount after the reversal shall not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized. A gain or loss on available-for-sale financial assets is recognized directly in other comprehensive income, except for impairment losses and foreign exchange gains or losses arising from monetary financial assets, until the financial assets are derecognized, at which time the cumulative gain or loss previously recognized in other comprehensive income is charged to profit or loss.

iii. Securities under repurchase/resell agreements

Securities sold/purchased with a commitment to repurchase/resell at predetermined price are treated as financing transactions. The difference between the cost and the repurchase/resell price is treated as interest expenses/revenue and recognized over the term of the agreement. On the selling/purchasing date, these agreements are recognized as securities sold under repurchase agreements or securities purchased under resell agreements.

iv. Loans, receivables and allowance for bad debts

Loans are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The term of credit is decided by the length of credit maturity. Credit maturing less than one year is called short term credit; credit maturing more than one year but less than seven years is called medium term credit; and credit maturing more than seven years is called long term credit. Loans with collateral, pledged assets and qualified guarantees to secure credit are secured loans.

Loans are recorded initially at principal and reported at their outstanding balances after netting with any provisions for doubtful accounts. In accordance with the Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans approved by FSC, an allowance for doubtful accounts is determined by evaluating the collectability of loans and days past due of receivables (including non performing loans, overdue receivables, and interest receivable) and of advance accounts. Any non-performing loans or non-accrual loans, after subtracting the estimated recoverable portion, having one of the following characteristics shall be written off:

i) The loan cannot be recovered in full or in part because the debtors have dissolved, gone into hiding, reached a settlement, declared bankruptcy, or for other reasons;

ii) The collateral and property of the primary/subordinate debtors have been appraised at a very low value or become insufficient to repay the loan after the subtraction of senior mortgages; or the execution cost approaches or possibly exceeds the amount that the Bank might collect from the debtors where there is no financial benefit in execution;

iii) The primary/subordinate debtor's collateral has failed to sell at successive auctions where the price of such collateral has been successively lowered, and there is no financial benefit to be derived from the Bank's taking possession of such collateral;

iv) More than two years have elapsed since the maturity date of the non-performing loans or non-accrual loans, and the collection efforts have failed;

v) Other non-performing loans or non-accrual loans for which it has been ascertained that the efforts of collection have failed.

However, when requested by the competent authority or any financial examination agency (organization), loans must be immediately written off, a report must be made to the subsequent board meeting, and the supervisors must be notified for acknowledgement. Collections after write off shall be reversed from the allowance for bad debt expense.

Principal or interest overdue over three months is categorized as overdue accounts. If principal or interest of any outstanding loan is overdue for over six months, both the principal and accrued interest are reclassified as non-performing loan. Accrued interest on a non-performing loan will only be calculated and booked into memo accounts.

The objective evidence should be identified first to reveal impairment existing for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence of impairment exists for an individually assessed financial asset, it should be further included in a set of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment are not required to be collectively assessed because impairment is or continued to be recognized.

If there is an objective evidence that an impairment loss on financial assets has been incurred, the amount of the loss is recognized and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate; the amount of the loss should be recognized as bad debt expenses in profit or loss in the current period. When determining the amount of the loss, the estimation of future cash flows includes the recoverable amount of collateral and related insurance, which cannot be less than the one set by the Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non- accrual Loans approved by FSC.

v. Financial assets carried at cost

Equity instruments with no quoted market price are initially recognized at whose fair value plus transaction costs. At each balance sheet date, fair value can be reliably measured if either of the below conditions are met. The financial assets should be measured at fair value and reclassified as available-for-sale. If there is objective evidence of impairment, the impairment loss should be recognized. Such impairment losses are not allowed to be reversed:

i) The variability in the range of reasonable fair value estimates is not significant for that instrument or;

ii) The probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value. If the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, it is not permissible to measure the instrument at fair value; instead, the instrument shall be carried at cost.

Cash dividends received from the aforementioned financial assets are recorded under "other non-interest income, net" on the ex-dividend date or the date that the board declares a cash dividend. Nevertheless, dividends received will be deducted from the equity investment if they are declared out of profits prior to the acquisition of the investment. Stock dividends are not recognized as income but only treated as increases in the number of shares held.

vi. Financial assets initially classified as measured at fair value through profit or loss (other than derivative financial assets and those designated as assets measured at fair value through profit or loss) may be reclassified into other categories if those financial assets are no longer held for the purpose of selling and meet the criteria listed below; financial assets initially classified as available-for-sale that would have met the definition of loans and receivables may be reclassified out of the available-for-sale category to the loans and receivables. The accounting treatments on the date of reclassification are summarized as follows:

i) When financial assets initially classified as measured at fair value through profit or loss have met the definition of loans and receivables and the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity, they shall be reclassified at their value on the date of reclassification, which will become their new cost or amortized cost, as applicable. Any previous gain or loss already recognized in profit or loss shall not be reversed.

ii) Financial assets initially classified as measured at fair value through profit or loss which do not meet the preceding criterion may be reclassified out of the fair value through profit or loss category only in rare circumstances and shall be reclassified at their fair value on the date of reclassification, which will become their new cost or amortized cost, as applicable. Any previous gain or loss already recognized in profit or loss shall not be reversed.

(Continued)

iii) When financial assets initially classified as available-for-sale have met the definition of loans and receivables and the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity, they shall be reclassified at their value on the date of reclassification, which will become their new cost or amortized cost, as applicable.

iv) For any previous gain or loss on a financial asset that has been recognized directly under owners' equity, if the financial asset has a fixed maturity, the gain or loss shall be amortized to current profit or loss over the remaining life of the financial asset; if not, the gain or loss remains under owners' equity.

vii. Financial asset impairment

If there is an objective evidence that an impairment loss on financial assets has been incurred, the amount of the loss is recognized and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate; the amount of the loss shall be recognized in profit or loss in the current period. The estimation of future cash flows includes the recoverable amount of collateral and related insurance when determining the amount of the loss.

The aforesaid objective evidence includes:

i) Significant financial difficulty of the issuer or obligor;

ii) A breach of contract, such as a default or delinquency in interest or principal payments;

iii) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

iv) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;

v) The disappearance of an active market for that financial asset because of the issuer's financial difficulties;

vi) Adverse changes in the payment status of the borrower; and

vii) Changes in national or local economic conditions that correlate with defaults on the assets.

viii. Derecognition of financial assets

The Bank shall derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire or transfers substantially all the risks and rewards of ownership of the financial assets.

(b) Financial liabilities

The financial liabilities held by the Bank includes a financial liability measured at fair value through profit or loss (including the instruments designated at fair value through profit or loss), financial liability at amortized cost and hedge derivatives.

i. Financial liabilities measured at fair value through profit or loss

A financial liability is held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. A derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument, is classified as instrument held for trading as well. Financial liabilities held for trading include obligations to deliver financial assets borrowed by a short seller.

ii. Financial liabilities at amortized cost

Financial liabilities are classified at amortized cost of a financial liability, except for financial liabilities measured at fair value through profit or loss, hedged derivatives financial liability, financial guarantee contracts, commitments to provide a loan at a below-market interest rate and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

iii. Financial debentures

The issuance of a debt instrument is recorded at its fair value using a valuation technique. If the issuing price of such debt instrument is different from its face value, the difference is amortized as interest income or expense by the interest method over the period from the acquisition date to the maturity date.

The difference between the payment and carrying amount of a debt instrument at the early extinguishment date should be recognized as extraordinary losses or gains in the current period if it is material.

iv. Derecognition of a financial liability

The Bank shall remove a financial liability from its balance sheets when, and only when, it is extinguished.

(c) Derivatives and hedging accounting

Derivatives instruments is initially recognized at fair value on contract date and subsequently measured at fair value. Fair value includes quoted price in an active market, occurring market transaction prices or model valuation technique. All derivatives instruments are recognized as assets with positive fair value and as liability with negative fair value.

The Bank should accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition that the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the entire hybrid contract is not designated as at fair value through profit or loss. In addition, the embedded derivative is recognized as financial asset or liability as measured at fair value through profit or loss.

(Continued)

When a fair value hedge. cash flow hedge, and hedge of a net investment in a foreign operation are in conformity with all the conditions for applying hedge accounting. the affected profit or loss is recognized by offsetting the changes in the fair value of hedging instruments and hedged items. The related accounting treatments are as follows:

i. Fair value hedge: Changes in the fair value of derivatives that are designated and qualified as fair value hedging instruments against the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment are recognized through profit or loss in the current period.

ii. Cash flow hedge: Where a derivative financial instrument is designated as a hedge of the volatility in cash flow of a recognized asset or liability or a highly foreseeable forecast transaction. the effective hedged portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognized directly under other comprehensive income. When the hedged transaction actually affects the profit or loss. the gain or loss previously recognized under other comprehensive income shall be recognized through current profit or loss. Any gain or loss from the change in fair value relating to an ineffective hedged portion of the hedge transaction is recognized immediately through profit or loss in the current period.

7) Investment in affiliated companies

Entities that the Bank has significant influence and control over are accounted for according to the equity method. Investment is initially measured at cost. The carrying amount of the investment in associates includes goodwill initially recognized less any accumulated impairment. When significant influence is lost. the equity method is no longer applicable and the carrying amount is deemed to be the cost of the investment.

When the Bank holds directly or indirectly 20% of the voting rights in the investee. the Bank has significant influence over the investee. When the Bank holds 50% or more of the voting rights in the investee. the Bank has control over the investee. Unless the Bank can demonstrate that it does not have either significant influence or control over the investee.

Share of profit of the associate is recognized as profit or loss in the period. Dividends received from investments in associates. accounted for according to the equity method. are accounted for as a reduction of the carrying amount of the investment. Carrying amount of the investment shall be adjusted with changes in other comprehensive income that may impact the right of the Bank to receive benefits. When the Bank's share of losses exceeds its interest in an equity-accounted investee. the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Bank has an obligation or has made payments on behalf of the investee.

Changes in the interests in subsidiaries that did not result in a loss of control should be treated as an equity transaction. And the Bank should adjust the interest attributable to equity holders and the carrying amount of non-controlling interests to reflect the changes in their relative interests in the subsidiary.

8) Non-financial asset impairment

In terms of International Accounting Standard No. 36. the Bank. at each balance sheet date. the recoverable amount of an asset is estimated and compared with the carrying amount whenever there is an indication that the non-financial asset may be impaired. An impairment loss is recognized when the recoverable amount is less than the carrying amount. For assets other than goodwill. reversal of impairment loss is recognized when the recoverable amount of the asset has increased from its prior-period estimation. The carrying amount after the reversal shall not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

9) Lease classification

Lease contracts in accordance with the International Accounting Standards No. 17 and the FSC interpretation note No. 4 are divided into financial leases and operating leases.

The Bank classifies all its leases as operating leases.

The Bank's lease fees. which categorized under operating leases. are calculated using the straight-line method over the lease period where fees paid or received are recognized under income as "Other operating and administrative expenses" and "Other non-interest income".

10) Property. plant and equipment

Property. plant and equipment are measured at cost on acquisition. Subsequently. property. plant and equipment are measured at cost plus any revaluation increments. Interest expense incurred directly attributable to bringing an asset to the condition necessary for it to be capable of operating should be capitalized. Major additions. improvements. and renewals are treated as capital expenditure and capitalized. while maintenance and repair costs are expensed when incurred.

The Bank evaluates the estimated useful lives. depreciation method. and residual value on a regular basis. Changes in the estimated useful lives. depreciation method. and residual value are accounted for as changes in accounting estimates and recognized in current profit or loss.

Except for land. depreciation of property and equipment is calculated using the straight-line method over its estimated useful life. Gains or losses on the disposal of property and equipment are recognized as other non-interest income or losses.

Except for land. useful lives of property and equipment held by the Bank are as follows:

Buildings	5 to 60 years
Office equipment	3 to 8 years
Leasehold improvement	Not exceed the shorter of 10 years or lease term
Other equipment	3 to 10 years

11) Intangible assets

(a) Computer software

Computer software system expenses. which are recorded on the basis of the actual cost of acquisition. are amortized using a straight-line method. Its amortization method. useful life and residual value are referred to the regulation of properties and equipment. The Bank use cost model to proceed subsequently measurement.

(Continued)

(b) Goodwill

The acquirer shall measure the identifiable assets acquired from business combination and the liabilities or contingent liabilities assumed at their acquisition-date fair values without considering non-controlling interest. The acquirer shall recognize goodwill as of the acquisition date measured as the excess of the consideration transferred over the fair value of net identifiable assets held according to holding proportion. Adversely, the difference may result in directly recognizing a gain on a purchase. Goodwill is carried out cost less accumulated impairment.

Goodwill relating to cash-generating units is tested for impairment periodically each year. An impairment loss is recognized when the recoverable amount is less than the carrying amount. Impairment losses cannot be reversed once an impairment loss has been recognized.

12) Provisions

The Bank recognizes provisions only if all of the following conditions are met:

(a) An entity has a present obligation, legal or constructive, as a result of a past event;

(b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(c) A reliable estimate can be made of the amount of the obligation.

The Bank shall not recognize provisions for future operating losses.

Where there are a number of similar obligations the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognized.

The amount of a provision is measured subsequently as the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The deficiency is recognized as profit or loss of the current period.

13) Revenue and expense recognition

Interest income and expense on available-for-sale assets, financial assets or liabilities at amortized cost and financial assets and liabilities at fair value through profit or loss excluding derivatives is recognized in the current profit or loss using the effective interest rate method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized at the original effective interest rate of the financial asset applied to the impaired carrying amount.

Service fees are generally recognized on an accrual basis when the service has been provided or significant act performed.

(Continued)

14) Employee benefit

(a) Short-term employee benefit (including employee bonus, remuneration of directors and supervisors): The Bank charges the short-term and non-discounted benefit to be paid in the near future to current expenses in the periods during which services are rendered by employees.

(b) Post-employment benefit: The Bank pension plan comprises defined contribution plan and defined benefit plan.

i. A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

ii. A defined benefit plan is a post-employment benefit plan under which benefit is paid to an employee on the basis of their ages, service periods and compensated salaries at the date of retirement. The Bank recognizes actuarial gains and losses which are incurred by the change of actual experience and actuarial assumption in other comprehensive income, and recognize pension asset or liability in balance sheets in which asset or liability is the amount of actuarial present value of defined benefit obligation deducting fair value of plan assets. The calculation of defined benefit obligation is performed annually by an actuary using the projected unit credit method. The actuarial present value of defined benefit obligation is calculated by discounting future cash flow at the yield rate on AA credit rated bonds that have maturity dates approximating the terms of the obligation and that are denominated in the same currency in which the benefits are expected to be paid.

15) Share-based payment transactions

Equity-settled share-based payments are measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, and the corresponding increase in owners' equity is recognized. The recognized compensation cost is expected to meet with the service conditions and the non-market vesting conditions of the reward adjustments. The final amounts recognized after meeting the service conditions and non-market vesting conditions are based on the reward measured. Regarding the non-vesting conditions of share-based payments, the difference between the expected and actual results without adjustments are measured by the fair value determined at the grant date of the payment.

Employees are paid stock appreciation rights, which are based on the fair value measurement taken after cash settlement. For employee payments within the period, the increase in relative cost will be recognized under liabilities. The associated liability is recognized at its current fair value determined at each balance sheets date and at the date of settlement, with any changes in the fair value recognized in profit or loss of the period under employee benefit expense.

(Continued)

16) Income tax

Estimation of income tax expense is based on the financial income recognized in accordance with financial accounting standards. Due to the differences between the income tax amount in the financial statements and the tax basis of asset and liability accounts, deferred income tax is recognized by taking into account the income tax consequences and enacted tax rates for the periods in which deferred tax liabilities or assets are expected to be settled or realized. The deferred income tax consequences attributable to taxable temporary differences are recognized as deferred tax liabilities. The deferred income tax consequences attributable to deductible temporary differences, loss carryforwards, and income tax credits are recognized as deferred tax assets. The probability of realization of a deferred tax asset is evaluated, and a valuation allowance account is recognized accordingly.

The items that are directly debited or credited to stockholders' equity do not affect pretax financial income for the current period but are, according to the tax laws, included in taxable income, affecting current income tax. Items that are directly debited or credited to stockholders' equity are not included in taxable income, but a difference between that tax basis and the book value of the related asset or liability will arise. When the related asset or liability is recovered or settled, a taxable or deductible amount will result. The deferred tax asset or liability is recognized in the current period.

In accordance with the R.O.C. Income Tax Act, an additional income tax at the rate of 10 percent on undistributed earnings is recognized as current income tax expense in the year of the resolution in the shareholders' meeting to distribute earnings.

The Income Basic Tax Act was announced and became effective on January 1, 2006 and amended and became effective on January 1, 2013. The calculation of the Bank's basic income is the sum of the taxable income as defined in accordance with the Income Tax Act and the provisions or tax benefits that are included in the Income Tax Act and other laws. The amount of basic tax of the Bank is the amount of basic income as calculated in accordance with the preceding rules, and then multiplied by the tax rate prescribed by the Executive Yuan. The greater of income basic tax expense or income tax expense is the current tax expense actually paid by the Bank.

17) Earnings per share of common stock

Earnings per share ("EPS") are computed by dividing the amount of net income (or loss) attributable to common stock outstanding for the period by the weighted-average number of issued common shares outstanding during the period. If the number of common shares or potential common shares outstanding increases as a result of capitalization of retained earnings, additional paid-in capital, or employee bonuses, or decreases as a result of a reverse capitalization due to losses, the calculation of basic EPS and diluted EPS for all periods presented is adjusted retrospectively. If these changes occur after the balance sheet date but before the issuance date of the financial statements, such EPS calculations are also adjusted retrospectively. When calculating diluted EPS, the net income (or loss) attributable to common shareholders and the weighted-average number of shares outstanding shall be adjusted for the effects of all dilutive potential common shares.

(Continued)

(5) Primary Sources of Significant Accounting Judgments, Estimates and Assumptions Uncertainty

When preparing the individual financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks. Regulations Governing the Preparation of Financial Reports by Securities Firms and other related regulations. management requires to make judgments, estimates, and assumptions that affect the adoption of accounting policies. reported amounts of assets, liabilities. revenues. and expenses. Actual results could differ from these estimates.

The assumptions and estimates by the Bank are best estimates. which are made following IFRSs as endorsed by the FSC. They are based on past experience and other factors. including expectations for the future. and are continuously evaluated.

Accounting policies and management judgments for certain account items have significant impacts on financial statements of the Bank.

1) Impairment loss on loans

When the Bank decides whether to recognize impairment loss, they mainly decide if there are any observable evidence indicating possible impairment. The evidence may include observable information indicating unfavorable changes in debtor payment status. or sovereign or local economic situation related to debt payment in arrears. When analyzing expected cash flow. the estimates by the management are based on past losses experience on assets of similar credit risk characteristics. The Bank periodically reviews methods and assumptions behind the amount and schedule of expected cash flow. to reduce the difference between expected and actual loss. Please refer to note 6(7) for impairment loss on loans.

2) Valuation of financial instruments

Fair value of financial instruments is determined using valuation techniques when there is no active market or quoted price. Under this circumstance. fair value is assessed through relevant observable information or model. If there is no observable market parameters. fair value of financial instruments can be evaluated based on appropriate assumptions. When valuation technique is used to determine fair value. all models shall be calibrated to ensure that all outputs reflect the actual data and the market price. Valuation techniques that rely to a greater extent on unobservable inputs require a higher level of management judgment to calculate a fair value than those based wholly on observable inputs.

The valuation techniques are adopted as much as possible from observable data. However. for credit risk (risk between itself and counterparty). management shall estimate volatility and correlation.

(6) Disclosures of Significant Account

1) Cash and cash equivalents

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$ 4.373.127	5.096.769	5.728.508
Deposits with other banks	19.796.089	447.927	767.217
Deposits with other banks-affiliates	5.104.883	1.153.076	4.973.810
Total	$ **29,274,099**	**6,697,772**	**11,469,535**

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

2) Due from the Central Bank and call loans to banks

	December 31, 2013	December 31, 2012	January 1, 2012
Required reserve—checking account	$ 9,253,599	8,609,988	11,090,163
Required reserve—demand account	15,961,327	17,709,933	18,439,964
Required reserve—foreign currency	179,121	174,212	160,429
Required reserve—settlement account	822,571	1,038,443	704,826
Call loans to banks	-	5,451,764	10,502,914
Call loans to banks—affiliates	42,317,488	35,088,854	33,500,245
Total	$ 68,534,106	68,073,194	74,398,541

Pursuant to the Banking Law, the "required reserve" and "interbank settlement accounts" are deposited with the Central Bank.

"Required reserve" is calculated at prescribed rates on a monthly basis on the average balances of various deposit accounts and no interest is accrued on the checking account and the foreign currency account. Balances can be withdrawn on demand. Demand account accrues interests, other than the monthly adjustments to the account, no withdrawal is allowed.

3) Financial instruments at fair value through profit or loss

The financial assets measured at fair value through profit or loss of the Bank were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Debt instruments	$ 12,655,284	21,512,425	25,458,794
Derivative financial assets	7,803,603	8,032,285	15,408,897
Total	$ 20,458,887	29,544,710	40,867,691

The financial liabilities measured at fair value through profit or loss of the Bank was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Derivative financial liabilities	$ 7,533,988	8,357,471	14,863,355

4) Derivative financial instruments for hedging

Derivative financial assets for hedging were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Fair value hedge:			
Interest rate swap	$ 164,262	356,508	541,368
Cross currency swap	-	-	27,675
Cash flow hedge:			
Interest rate swap	8,488	72,475	159,916
Total	$ 172,750	428,983	728,959

(Continued)

Derivative financial liabilities for hedging were as follows:

		December 31, 2013	December 31, 2012	January 1, 2012
Fair value hedge:				
Interest rate swap	$	1,527	9,699	16,384
Cross currency swap		-	-	73,420
Cash flow hedge:				
Interest rate swap		1,700	3,824	2,637
Total	$	3,227	13,523	92,441

(a) Fair value hedge

A fair value hedge is the hedging of the hedged items exposure to change in fair value of recognized fixed-rate assets or liabilities that are attributable to particular hedged risks that could affect profit or loss. As of December 31, 2013 and 2012 and January 1, 2012, marked-to-market adjustments of hedged items and the corresponding hedging instruments (recorded under other financial assets or liabilities, net) accounts as fair value hedge were as follows:

Hedged item			Hedging instruments		
Underlying instruments		December 31, 2013	Contract type		December 31, 2013
Available-for-sale financial assets:					
Government bonds	$	735	Interest rate swaps	$	(261)
Financial debentures		(149,953)	Interest rate swaps		162,996
	$	(149,218)		$	162,735

Hedged item			Hedging instruments		
Underlying instruments		December 31, 2012	Contract type		December 31, 2012
Available-for-sale financial assets:					
Government bonds	$	3,088	Interest rate swaps	$	(7,532)
Time deposits		(29,001)	Interest rate swaps		34,575
Financial debentures		(299,053)	Interest rate swaps		319,766
	$	(324,966)		$	346,809

Hedged item			Hedging instruments		
Underlying instruments		January 1, 2012	Contract type		January 1, 2012
Available-for-sale financial assets:					
Government bonds	$	16,185	Interest rate swaps	$	(16,384)
Government bonds		10,456	Cross-currency swaps		(45,745)
Time deposits		(90,609)	Interest rate swaps		97,490
Financial debentures		(420,298)	Interest rate swaps		443,878
	$	(484,266)		$	479,239

(Continued)

For the years ended December 31, 2013 and 2012, net losses on the hedging derivative financial instruments listed above amounted to $179,202 thousand and $179,261 thousand, respectively, and net gains from the hedged risk of the hedged items amounted to $157,182 thousand and $152,491 thousand, respectively.

(b) Cash flow hedge

The Bank currently holds long-term floating rate loans with interest rate risks and hedging interest rate swap contracts. The future cash flows arising from the hedging of these financial derivative instruments are caused by the changes in the interest rate from cash flow risk.

Hedged items	Financial instruments designed as hedging instruments	Fair value December 31, 2013	December 31, 2012	January 1, 2012
Discounts and loans-floating interest rate	Interest rate swap	$ 6,788	68,651	157,279

5) Securities purchased under resell agreements

	December 31, 2013	December 31, 2012	January 1, 2012
Securities purchased under resell agreement	$ 1,950,000	3,402,039	8,456,414
Face value of securities	$ 1,950,000	3,400,000	8,530,700

6) Receivables－net

	December 31, 2013	December 31, 2012	January 1, 2012
Accounts receivable factoring without recourse	$ 23,878,092	26,424,694	25,387,750
Credit cards accounts receivable	5,798,567	5,762,258	5,772,545
Accounts receivable	494,256	2,378,579	432,549
Interest receivable	1,620,692	1,712,587	1,634,132
Acceptances receivable	473,983	986,121	613,647
Accounts receivable－related parties	613,488	583,071	357,035
Other	206,599	117,900	477,849
Subtotal	33,085,677	37,965,210	34,675,507
Less: allowance for bad debts－accounts receivable	326,229	223,385	469,075
Total	$ 32,759,448	37,741,825	34,206,432

Please refer to note 6(7) for changes in allowance for bad debts included non-accrual loans of receivables listed above.

7) Discounts and loans－net

	December 31, 2013	December 31, 2012	January 1, 2012
Bills negotiations and bills and notes discounted	$ 785.434	1.255.554	4,094,073
Short-term loans and overdrafts	78.474.855	56.985.085	32.721.346
Short-term secured loans	7.165.283	5,334,209	6.722.615
Medium-term loans	56.867.127	66.481.682	62.843.278
Medium-term secured loans	6.427.053	5.197.138	3.623.958
Long-term loans	7.974.787	5.510.350	6.687.553
Long-term secured loans	207.132.660	213.644.721	233.075.672
Non-accrual loans	1.121.421	1.204.944	530.267
Subtotal	365.948.620	355.613.683	350.298.762
Premium adjustments on discount and loans	88.600	221.704	85.739
Less: allowance for bad debts	5.274.616	5.448.341	4.233.498
Total	$ 360,762,604	350,387,046	346,151,003

As of December 31. 2013 and 2012, and January 1, 2012, the Bank's long term loan with floating rate mentioned above has adopted cash flow hedge in order to reduce the impact of cash flow that was affected by interest rate fluctuation.

Allowance for bad debt is provided by evaluating the risk of non recovery of specific outstanding loans. and the risk of non recovery is assessed by the probability of default.

The movements of allowance for bad debts were as follows:

	2013		
	Individual assessment of impairment	Portfolio assessment of impairment	Total
Beginning balance of January 1. 2013	$ 3.201.818	2,469.908	5.671.726
Add: provision for bad debts (reversal)	1.630.227	(37.555)	1.592.672
recovery from written-off loans	779.522	-	779.522
Less: charge-off and temporary payments	2.180.164	-	2.180.164
exchange rate movements and other	262.893	18	262.911
Ending balance of December 31, 2013	$ 3,168,510	2,432,335	5,600,845

	2012		
	Individual assessment of impairment	Portfolio assessment of impairment	Total
Beginning balance of January 1. 2012	$ 2.338.688	2.363.885	4.702.573
Add: provision for bad debts	1.957.413	89.688	2.047.101
recovery from written-off loans	957.854	-	957.854
Less: charge-off and temporary payments	1.785.614	-	1.785.614
exchange rate movements and others	266.523	(16.335)	250.188
Ending balance of December 31. 2012	$ 3,201,818	2,469,908	5,671,726

(Continued)

Discounts and loans included in the total amounts of impairment assessment to determine the allowance for bad debts were as follows:

			December 31, 2013	
Item			Discounts and loans and accounts receivable	Allowance for bad debts
With the objective evidence of impairment	Individual assessment of impairment	$	5,457,382	3,168,510
	Portfolio assessment of impairment		10,758,798	262,676
Without the objective evidence of impairment	Portfolio assessment of impairment		382,818,117	2,169,659
Total		$	399,034,297	5,600,845

			December 31, 2012	
Item			Discounts and loans and accounts receivable	Allowance for bad debts
With the objective evidence of impairment	Individual assessment of impairment	$	5,255,110	3,201,818
	Portfolio assessment of impairment		12,751,831	299,088
Without the objective evidence of impairment	Portfolio assessment of impairment		375,571,952	2,170,820
Total		$	393,578,893	5,671,726

			January 1, 2012	
Item			Discounts and loans and accounts receivable	Allowance for bad debts
With the objective evidence of impairment	Individual assessment of impairment	$	5,295,353	2,338,688
	Portfolio assessment of impairment		12,328,890	592,760
Without the objective evidence of impairment	Portfolio assessment of impairment		367,350,026	1,771,125
Total		$	384,974,269	4,702,573

As of December 31, 2013 and 2012, and January 1, 2012, the amounts of outstanding loans with interest charges suspended amounted to $1,121,421 thousand, $1,204,944 thousand and $530,267 thousand, respectively. The amounts of interest not accrued derived from the aforementioned loans were $5,500 thousand, $4,213 thousand and $2,203 thousand, respectively.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

8) Available-for-sale financial assets－net

	December 31, 2013	December 31, 2012	January 1, 2012
Negotiable certificates of deposit	$ 186.508.439	177,852.550	178.865.781
Treasury bills	14.666.665	23.434.770	11.360.269
Government bonds	23.406.290	18.890.877	13.802.188
Financial debentures	5.492.108	5.549,175	5.092.553
Corporate bonds	-	557.107	917.053
Beneficiary certificates	-	-	1,800,791
Equity instruments	97.797	93.322	98,064
Less: accumulated impairments	14.469	14.469	62.678
Total	$ 230,156,830	226,363,332	211,874,021
Marked-to-market adjustments for hedged assets included in the above balance	$ 735	3,088	26,641

In December 2005. the carrying value of $12.005.275 thousand of the mortgage loans was entrusted by the Bank to Deutsche Bank AG, Taipei Branch for issuance of beneficiary certificates via securitization. Deutsche Bank AG. Taipei Branch issued both an "Investor Certificate" and a "Seller Certificate" amounting to $10.204.484 thousand and $1.800,791 thousand. respectively. at face amount. The duration period of the first beneficiary certificates is from December 20. 2005. to July 20, 2027.

In September 2006. the carrying value of $13.234.322 thousand of the mortgage loans was entrusted by the Bank to Deutsche Bank AG. Taipei Branch for issuance of beneficiary certificates via securitization. Deutsche Bank AG. Taipei Branch issued both an "Investor Certificate" and a "Seller Certificate" amounting to $10.322.771 thousand and $2.911.551 thousand. respectively. at face amount. The duration period of the second beneficiary certificates is from September 2006 to the trust distribution date in January 2028.

The Bank redeemed their first and second mortgage loan securitization on October 9. 2012 and December 19. 2011, respectively.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

9) Investment measured by equity method and financial assets carried at cost—net

	December 31, 2013			December 31, 2012		
	Percentage of ownership %	Investment cost	Book value	Percentage of ownership %	Investment cost	Book value
Investment measured by equity method:						
Standard Chartered Life Insurance Agency Co., Ltd.	100.00	$ 21	367,190	100.00	21	345,889
Taiwan Standard Chartered Insurance Agency Co., Ltd.	100.00	368	26,321	100.00	368	23,528
		$ 389	393,511		389	369,417
Financial assets carried at cost (recognized as other financial assets):						
Fuji Enterprise Management Consulting Co., Ltd.	-	$ -	-	0.99	-	-
Taiwan Small and Medium Enterprises Development Corp.	4.84	29,000	29,000	4.84	29,000	29,000
Financial Information Service Co., Ltd.	1.14	45,500	45,500	1.14	45,500	45,500
Taipei Forex Inc.	3.18	6,673	6,673	3.18	6,673	6,673
TSC Bio Venture Management, Inc.	5.00	15,188	15,188	5.00	15,188	15,188
Liyu Venture Investment, Inc.	4.76	8,549	8,549	4.76	8,549	8,549
Windance Co., Ltd.	2.73	188,500	188,500	2.73	188,500	188,500
Taiwan Asset Service Corporation	2.94	50,000	50,000	2.94	50,000	50,000
Yang Guang Asset management Company	1.42	849	849	1.42	849	849
Taiwan Depository and Clearing Corporation	0.17	9,277	9,277	0.17	9,277	9,277
Subtotal		353,536	353,536		353,536	353,536
Less: accumulated impairment		-	202,291		-	202,127
		$ 353,536	151,245		353,536	151,409

	January 1, 2012		
	Percentage of ownership %	Investment cost	Book value
Investment measured by equity method:			
Standard Chartered Life Insurance Agency Co., Ltd.	100.00	$ 21	258,244
Taiwan Standard Chartered Insurance Agency Co., Ltd.	100.00	368	21,335
		$ 389	279,579
Financial assets carried at cost (recognized as other financial assets):			
Fuji Enterprise Management Consulting Co., Ltd.	0.99	$ -	-
Taiwan Small and Medium Enterprises Development Corp.	4.84	29,000	29,000
Financial Information Service Co., Ltd.	1.14	45,500	45,500
Taipei Forex Inc.	3.18	6,673	6,673
TSC Bio Venture Management, Inc.	5.00	20,250	20,250
Liyu Venture Investment, Inc.	4.76	10,080	10,080
Windance Co., Ltd.	2.73	188,500	188,500
Taiwan Asset Service Corporation	2.94	50,000	50,000
Yang Guang Asset management Company	1.42	849	849
Taiwanpay Corporation	3.35	2,468	2,468
Taiwan Depository and Clearing Corporation	0.17	9,277	9,277
Subtotal		362,597	362,597
Less: accumulated impairment		-	204,595
		$ 362,597	158,002

(Continued)

For the years ended December 31, 2013 and 2012, the Bank recognized share of profit of associates and joint ventures accounted for using equity method of $323,219 thousand and $299,125 thousand, respectively. For the years ended December 31, 2013 and 2012, the cash dividends from associates under the equity method were $299,125 thousand and $209,287 thousand, respectively.

For the years ended December 31, 2013 and 2012, the cash dividends from financial assets carried at cost under net other non-interest income were $16,548 thousand and $16,757 thousand, respectively.

Fuji Enterprise Management Consulting Co., Ltd. completed the liquidation process on April 24, 2013. The distribution of remaining assets amount to $1,090 thousand. The cost of the investment is at $0 thousand, the full amount is recognized as gain on investment under net other non-interest income.

Taiwanpay Corporation began the process of liquidation on March 30, 2012 and paid back $987 thousand for the company's investment in its shares. On June 13, 2012, Taiwanpay Corporation wound up and completed the liquidation process. The distribution of remaining assets amounts to $421 thousand and paid back $23 thousand for the Bank's investment in its shares. The cost of the investment is at $0 thousand, the full amount is recognized as gain on investment under net other non-interest income. TSC Bio Venture Management Inc. bought back capital on July 31, 2012 with a capital reduction rate of 25% and paid the company $5,062 thousand for the Company's investment in its shares at $10 per share. Liyu Venture Investment Inc. bought back capital on July 31, 2012 with a capital reduction rate of 15.19% and paid the company $1,509 thousand for the company's investment in its shares, and a loss on investment of $22 thousand was recognized. On 2013, the company recognized impairment losses of $164 thousand from Liyu Venture Investment Inc..

On 2013 and 2012, the Bank recognized impairment loss of $164 thousand and $0 thousand (recognized as assets impairment loss).

10) Property, plant and equipment—net

December 31, 2013	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	$ 3,161,179	-	19,218	3,141,961
Buildings	3,111,411	1,033,122	5,039	2,073,250
Office equipment	651,104	575,050	-	76,054
Leasehold improvements	667,604	525,251	-	142,353
Other equipment	935,071	820,547	-	114,524
Work in progress	15,153	-	-	15,153
Total	$ 8,541,522	2,953,970	24,257	5,563,295

December 31, 2012	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	$ 3,487,245	-	53,745	3,433,500
Buildings	3,346,861	1,052,968	30,247	2,263,646
Office equipment	723,825	648,453	-	75,372
Leasehold improvements	658,602	448,894	-	209,708
Other equipment	980,566	913,127	-	67,439
Total	$ 9,197,099	3,063,442	83,992	6,049,665

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

January 1, 2012	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	$ 3.618.895	-	83.625	3.535.270
Buildings	3.843.340	1.178.279	12.900	2.652.161
Office equipment	755.261	590.628	-	164.633
Leasehold improvements	897.222	566.446	-	330.776
Other equipment	1.020.000	890.967	-	129.033
Total	$ 10,134,718	3,226,320	96,525	6,811,873

Cost movement:

	December 31, 2012	Increase	Decrease	Reclassify	December 31, 2013
Land	$ 3.487.245	-	326.066	-	3.161.179
Buildings	3,346.861	803	300.760	64.507	3.111.411
Office equipment	723.825	11.645	132.836	48.470	651.104
Leasehold improvements	658.602	8.145	18.105	18.962	667.604
Other equipment	980.566	102.183	147.678	-	935.071
Work in progress	-	147.092	-	(131.939)	15.153
Total	$ 9,197,099	269,868	925,445	-	8,541,522

	January 1, 2012	Increase	Decrease	Reclassify	December 31, 2012
Land	$ 3.618.895	-	131.650	-	3.487.245
Buildings	3.843.340	665	497.144	-	3.346.861
Office equipment	755.261	4,908	36.344	-	723.825
Leasehold improvements	897.222	2.043	240.663	-	658.602
Other equipment	1.020.000	28.876	68.310	-	980.566
Total	$ 10,134,718	36,492	974,111	-	9,197,099

Change of accumulated depreciation:

	December 31, 2012	Increase	Decrease	Reclassify	December 31, 2013
Buildings	$ 1.052.968	93.045	112.891	-	1.033.122
Office equipment	648.453	57.500	130.903	-	575.050
Leasehold improvements	448,894	94.135	17.778	-	525.251
Other equipment	913.127	54.904	147.484	-	820.547
Total	$ 3,063,442	299,584	409,056	-	2,953,970

	January 1, 2012	Increase	Decrease	Reclassify	December 31, 2012
Buildings	$ 1,178,279	98.757	224.068	-	1,052.968
Office equipment	590.628	92.671	34.846	-	648.453
Leasehold improvements	566.446	123.061	240.613	-	448.894
Other equipment	890.967	89.803	67.643	-	913.127
Total	$ 3,226,320	404,292	567,170	-	3,063,442

(Continued)

11) Intangible assets — net

	December 31, 2013	December 31, 2012	January 1, 2012
Goodwill	$ 3.156.048	3.156.048	3.156.048
Cost of computer software	1.002	37.387	61,893
Total	$ 3,157,050	3,193,435	3,217,941

Change of intangible assets:

	December 31, 2012	Increase	Decrease	December 31, 2013
Goodwill	$ 3.156.048	-	-	3.156.048
Computer software	37.387	-	36.385	1.002
Total	$ 3,193,435	-	36,385	3,157,050

	January 1, 2012	Increase	Decrease	December 31, 2012
Goodwill	$ 3.156.048	-	-	3.156.048
Computer software	61.893	983	25.489	37.387
Total	$ 3,217,941	983	25,489	3,193,435

12) Other assets — net

	December 31, 2013	December 31, 2012	January 1, 2012
Refundable deposits	$ 483.712	461.413	527.012
Derivatives collateral	1.956.834	288.901	682.022
Prepaid fee	163,696	159.100	157.233
Restricted assets — debt instruments	641,400	675.200	1.394.200
Other	21.612	15.488	137.049
	$ 3,267,254	1,600,102	2,897,516

13) Deposit from the Central Bank and banks

	December 31, 2013	December 31, 2012	January 1, 2012
Deposits from banks	$ 1.144.345	1.354.184	1.926.204
Deposits from banks — affiliates	828.609	489	58.737
Overdrafts on banks	36,712	170.606	7.815
Overdrafts on banks — affiliates	-	123.774	790.183
Call loans from banks	20.054.226	7.096.068	6.526.579
Call loans from banks — affiliates	23.921.780	538.862	9.080.871
Total	$ 45,985,672	9,283,983	18,390,389

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

14) Payables

	December 31, 2013	December 31, 2012	January 1, 2012
Accounts payable	$ 36.014	49.160	102.037
Accrued interest	789.704	1,206,985	941.134
Accrued expenses	1.518.512	1,514.092	1,421,791
Collection payable	132.546	141.717	88.824
Acceptance payable	473.983	986.121	613.647
After hours trading payable	504.019	156.832	649.830
Temporary receipts from previous checking account holders	228.130	37.564	88.613
Temporary receipts in advance	216,404	190.531	569.273
Other	639.544	1.733.090	396.850
Total	$ **4,538,856**	**6,016,092**	**4,871,999**

15) Deposits and remittances

	December 31, 2013	December 31, 2012	January 1, 2012
Checking accounts deposits	$ 5.135.873	4.538.083	5.182.659
Demand deposits:			
Demand deposits	168.989.714	162.443.255	171,321.632
Saving account deposits	129.327.292	127.267.949	126.998.272
Subtotal of demand deposits	298.317.006	289.711.204	298.319.904
Time deposits:			
Time deposits	204.022.794	178,958.735	198.619,187
Time savings deposits	69.989.693	89.789.541	93.898.964
Subtotal of time deposits	274.012.487	268.748.276	292.518.151
Trust accounts with company, designated purpose	-	-	59.822
Remittances	120.479	74.414	71.156
Total	$ **577,585,845**	**563,071,977**	**596,151,692**
Marked-to-market adjustments on hedged items	$ **-**	**29,001**	**90,609**

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

16) Bank notes payable – net

As of December 31, 2013 and 2012 and January 1, 2012, details of financial debentures issued by the Bank were as follows:

Bond	Conditions for issuance	December 31, 2013	December 31, 2012
91-1A	5 year term, interest payable semi annually, annual interest rate for the first 3 years is 4.25%, and 4.5% for the last 2 years; maturity date: July 19, 2007	$ 1,000	1,000
94-1	No maturity date, interest payable semi annually, based on the average one year regular floating rate of the nine largest banks plus 1.493%	2,400	2,400
94-2	No maturity date, interest payable semi annually, based on the average one year regular floating rate of the nine largest banks plus 1.493%	500	1,500
98-1	10 year term, interest payable quarterly, annual interest rate for the first 5 years is 2.9% and 3.4% for the last 5 years; maturity date: October 28, 2019	10,000,000	10,000,000
98-2	No maturity date, interest payable quarterly, annual interest rate from issuance date to June 11, 2015, is USD 3M LIBOR plus 3.33%, and USD 3M LIBOR plus 4.33% from June 11, 2015	4,478,036	4,355,292
98-3	No maturity date, interest payable quarterly, annual interest rate from issuance date to June 11, 2015, is USD 3M LIBOR plus 3.33%, and USD 3M LIBOR plus 4.33% from June 11, 2015	4,478,036	4,355,292
100-1A	2 year term, interest payable quarterly, annual interest rate is 1.03%; maturity date: May 19, 2013	-	800,000
100-1B	3 year term, interest payable quarterly, annual interest rate is 1.17%; maturity date: May 19, 2014	100,000	100,000
100-1C	4 year term, interest payable quarterly, annual interest rate is 1.32%; maturity date: May 19, 2015	650,000	650,000
100-1D	5 year term, interest payable quarterly, annual interest rate is 1.45%; maturity date: May 19, 2016	6,150,000	6,150,000
100-1E	6 year term, interest payable quarterly, annual interest rate is 1.51%; maturity date: May 19, 2017	1,000,000	1,000,000
100-1F	7 year term, interest payable quarterly, annual interest rate is 1.60%; maturity date: May 19, 2018	2,550,000	2,550,000
100-1G	2 year term, interest payable quarterly, TWD 90 day CP interest rate; maturity date: May 19, 2013	-	3,700,000
100-1H	5 year term, interest payable quarterly, TWD 90 day CP interest rate; maturity date: May 19, 2016	400,000	400,000
100-1I	7 year term, interest payable quarterly, TWD 90 day CP interest rate; maturity date: May 19, 2018	4,000,000	4,000,000
100-2	5 year term, interest payable quarterly, annual interest rate is 1.451%; maturity date: June 8, 2016	500,000	500,000
100-3A	2 year term, interest payable quarterly, annual interest rate is 1.04%; maturity date: June 23, 2013	-	950,000
100-3B	2 year term, interest payable quarterly, TWD 90 day CP interest rate; maturity date: June 23, 2013	-	700,000
100-3C	5 year and 3 month term, interest payable quarterly, annual interest rate is 1.40%; maturity date: September 23, 2016	1,100,000	1,100,000

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Bond	Conditions for issuance	December 31, 2013	December 31, 2012
100-4A	3 year term, interest payable quarterly, annual interest rate is 1.32%; maturity date: June 29, 2014	$ 2,000,000	2,000,000
100-4B	2 year term, interest payable quarterly, TWD 90 day CP interest rate plus 0.15% interest rate; maturity date: June 29, 2013	-	400,000
100-4C	3 year term, interest payable quarterly, TWD 90 day CP interest rate plus 0.15% interest rate; maturity date: June 29, 2014	1,000,000	1,000,000
100-4D	10 year term, interest payable quarterly, TWD 90 day CP interest rate plus 0.15% interest rate; maturity date: June 29, 2021	2,000,000	2,000,000
101-1A	2 year term, interest payable quarterly, annual interest rate is 1.05%; maturity date: January 17, 2014	7,000,000	7,000,000
101-1B	2 year term, interest payable quarterly, TWD 90 day CP interest rate plus 0.25% interest rate; maturity date: January 17, 2014	700,000	700,000
101-1C	3 year term interest payable quarterly, annual interest is 1.09%; maturity date: January 17, 2015	600,000	600,000
101-2	2 year term, interest payable annually, annual interest rate is 1.05%; maturity date: May 24, 2014	6,700,000	6,700,000
		55,409,972	61,715,484
Marked-to-market adjustment on hedged items		149,953	299,053
Total		$ 55,559,925	62,014,537

Bond	Conditions for issuance	January 1, 2012
91-1A	5 year term, interest payable semi annually, annual interest rate for the first 3 years is 4.25%, and 4.5% for the last 2 years; maturity date: July 19, 2007	$ 1,000
94-1	No maturity date, interest payable semi annually, based on the average one year regular floating rate of the nine largest banks plus 1.493%	4,100
94-2	No maturity date, interest payable semi annually, based on the average one year regular floating rate of the nine largest banks plus 1.493%	5,900
98-1	10 year term, interest payable quarterly, annual interest rate for the first 5 years is 2.9% and 3.4% for the last 5 years; maturity date: October 28, 2019	10,000,000
98-2	No maturity date, interest payable quarterly, annual interest rate from issuance date to June 11, 2015, is USD 3M LIBOR plus 3.33%, and USD 3M LIBOR plus 4.33% from June 11, 2015	4,540,436
98-3	No maturity date, interest payable quarterly, annual interest rate from issuance date to June 11, 2015, is USD 3M LIBOR plus 3.33%, and USD 3M LIBOR plus 4.33% from June 11, 2015	4,540,436
100-1A	2 year term, interest payable quarterly, annual interest rate is 1.03%; maturity date: May 19, 2013	800,000
100-1B	3 year term, interest payable quarterly, annual interest rate is 1.17%; maturity date: May 19, 2014	100,000
100-1C	4 year term, interest payable quarterly, annual interest rate is 1.32%; maturity date: May 19, 2015	650,000
100-1D	5 year term, interest payable quarterly, annual interest rate is 1.45%; maturity date: May 19, 2016	6,150,000
100-1E	6 year term, interest payable quarterly, annual interest rate is 1.51%; maturity date: May 19, 2017	1,000,000
100-1F	7 year term, interest payable quarterly, annual interest rate is 1.60%; maturity date: May 19, 2018	2,550,000
100-1G	2 year term, interest payable quarterly, TWD 90 day CP interest rate; maturity date: May 19, 2013	3,700,000

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Bond	Conditions for issuance		January 1, 2012
100-1H	5 year term, interest payable quarterly, TWD 90 day CP interest rate: maturity date: May 19, 2016	$	400,000
100-1I	7 year term, interest payable quarterly, TWD 90 day CP interest rate: maturity date: May 19, 2018		4,000,000
100-2	5 year term, interest payable quarterly, annual interest rate is 1.451%; maturity date: June 8, 2016		500,000
100-3A	2 year term, interest payable quarterly, annual interest rate is 1.04%; maturity date: June 23, 2013		950,000
100-3B	2 year term, interest payable quarterly, TWD 90 day CP interest rate; maturity date: June 23, 2013		700,000
100-3C	5 year and 3 month term, interest payable quarterly, annual interest rate is 1.40%; maturity date: September 23, 2016		1,100,000
100-4A	3 year term, interest payable quarterly, annual interest rate is 1.32%; maturity date: June 29, 2014		2,000,000
100-4B	2 year term, interest payable quarterly, TWD 90 day CP interest rate plus 0.15% interest rate; maturity date: June 29, 2013		400,000
100-4C	3 year term, interest payable quarterly, TWD 90 day CP interest rate plus 0.15% interest rate; maturity date: June 29, 2014		1,000,000
100-4D	10 year term, interest payable quarterly, TWD 90 day CP interest rate plus 0.15% interest rate; maturity date: June 29, 2021		2,000,000
			47,091,872
Marked-to-market adjustment on hedged items			420,298
Total		$	47,512,170

17) Other financial liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Structured deposits	$ 13,120,022	34,690,236	10,095,732

18) Provisions

	December 31, 2013	December 31, 2012	January 1, 2012
Provision for guarantee liabilities	$ 108,411	68,937	95,302
Provision for employee benefits	1,724,645	1,836,169	1,651,333
Other miscellaneous provisions	82,068	75,922	75,922
Total	$ 1,915,124	1,981,028	1,822,557

19) Other liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Advance received from customers	$ 281,196	355,950	474,943
Deferred income	70,028	77,645	107,400
Guarantee deposits received	49,254	124,037	156,360
Tax payable	435,538	393,582	302,720
Derivatives collateral	1,518,323	487,613	362,871
Other	17,349	163,805	68,721
	$ 2,371,688	1,602,632	1,473,015

(Continued)

20) Employee benefits

(a) Defined contribution plan

The Bank's defined contribution plan follows the Labor Pension Act of the R.O.C. and makes monthly cash contributions to the employees' individual pension accounts at the Bureau of Labor Insurance at the rate of 6% of the employees' monthly salary. Under this plan, the Bank has no legal or constructive obligation to make other payments after the Bank makes the fixed amount of contribution to the Bureau of Labor Insurance.

For the years ended December 31, 2013 and 2012, the pension expense under defined contribution plan of the Bank amounted to $166,538 thousand and $161,125 thousand, respectively.

(b) Employee benefits provision

	December 31, 2013	December 31, 2012	January 1, 2012
Defined benefits plan	$ 1,724,645	1,836,169	1,651,333

The reconciliation between present value of the Bank's defined benefits obligation and fair value of defined benefits plan assets were as follows:

	December 31, 2013	December 31, 2012
Present value of defined benefits obligation	$ 3,221,111	3,404,040
Less: fair value of defined benefits plan assets	1,496,466	1,567,871
Liability recognized in balance sheets	$ 1,724,645	1,836,169

The Bank adopted the defined benefit plan, which contributes 2.2% of eligible employees' monthly salary to the retirement reserve trust account at Bank of Taiwan. Employees' pension is calculated based on the employees' years of service under the Labor Standard Act and the employees' final average monthly salary at the time of retirement. Final average monthly salary refers to the average 6-month monthly salary preceding retirement, including basic monthly salary, meal allowance, car allowance, shift allowance, transportation allowance, sales incentives, and overtime payment.

i) The percentage of pension assets were as follows:

Unit: %

	December 31, 2013	December 31, 2012
Cash	23.39	21.77
Stocks	39.03	38.92
Short-term notes	10.45	12.42
Bonds	27.06	26.82
Government bonds	0.07	0.07
Total	100.00	100.00

(Continued)

ii) Change in defined benefit obligation

The change in defined benefit obligation for the years 2013 and 2012 were as follows:

		2013	2012
DBO at January 1	$	3.404.040	3.227.856
Benefit paid from plan assets		(115.617)	(29.891)
Current service cost and interest cost		193.464	192,285
Actuarial (gain) loss		(120.294)	104,519
Benefits paid directly		(140.482)	(90.729)
DBO at December 31	$	3,221,111	3,404,040

iii) Change in plan assets

The change in plan assets for the years 2013 and 2012 were as follows:

		2013	2012
Fair value of plan assets at January 1	$	1,567,871	1.554,651
Contributions		24,623	28,079
The experience adjustment for fair value of plan assets		(3,801)	(8.588)
Expected return on plan assets		23.390	23,620
Plan of benefit payments		(115,617)	(29,891)
Fair value of plan assets at December 31	$	1,496,466	1,567,871

iv) Recognized as profit and loss cost

The recognized as profit and loss cost for the years 2013 and 2012 were as follows:

		2013	2012
Current service cost	$	153.865	148.527
Interest cost		39.599	43,758
Actual return on plan assets		(23.390)	(23.620)
	$	170,074	168,665

v) Recognized as other comprehensive income of actuarial gain and loss

The recognized as other comprehensive income of actuarial gain and loss for the years 2013 and 2012 were as follows:

		2013	2012
Cumulated surplus at January 1	$	134.979	-
The experience adjustment for fair value of defined benefits plan		42.929	(2.708)
The experience adjustment for fair value of plan assets		3,801	30.460
The change of actuarial assume for plan obligations		(163.223)	107.227
Cumulated surplus at December 31	$	18,486	134,979

(Continued)

vi) Primary actuarial respectively assumptions

	2013	2012
Defined benefits plan discount rate	1.20 %	1.40 %
Expected rate of return on plan assets	2.00 %	1.50 %
Incremental rate of future compensation levels	3.50 %	3.50 %

vii) The experience adjustment of historical information

	December 31, 2013	December 31, 2012	January 1, 2012
Defined benefit obligation	$ (3,221,111)	(3,404,040)	(3,227,856)
Fair value of plan assets	1,496,466	1,567,871	1,576,523
Fair value of plan obligation, net	$ (1,724,645)	(1,836,169)	(1,651,333)
The experience adjustment for fair value of defined benefits plan	$ 42,929	(2,708)	95,728
The experience adjustment for fair value of plan assets	$ 3,801	8,588	21,872
The change of actuarial assume for plan obligations	$ (163,223)	107,227	(29,971)

21) Income tax

The Bank adopts a 17% statutory tax rate and calculates the basic income tax based on the Income Basic Tax Act.

For the years ended December 31, 2013 and 2012, the income tax expense and related accounts were as follows:

	2013	2012
Current income tax benefit	$ (540)	(7,084)
Deferred income tax expense	249,373	264,125
10% surtax on undistributed earnings	-	149,532
Basic income tax	139,033	171,854
Income tax expense	$ 387,866	578,427

As of December 31, 2013 and 2012, and January 1, 2012, the current tax assets of the Bank amounted to $111,724 thousand, $115,818 thousand and $224,890 thousand, respectively.

The differences between the expected income tax at statutory rates and the income tax expense were as follows:

	2013	2012
Income tax from profit before tax at statutory rate	$ 472,417	619,008
Permanent difference	(257,614)	(395,265)
10% surtax on undistributed earnings	-	149,532
Prior-year income tax adjustments	(8,704)	(7,084)
Basic income tax	139,033	171,854
Other adjustments per tax regulation	42,734	40,382
Income tax expense	$ 387,866	578,427

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

The components of deferred income tax (benefits) expenses recognized as other comprehensive income were as follows:

		2013	2012
Unrealized fair value (losses) gains on available-for-sale financial assets	$	(32,457)	9,908
Fair value losses on effective portion of cash flow hedges		(52,010)	(11,612)
Defined benefits plan actuarial gains and losses		19,805	(22,946)
Total	$	**(64,662)**	**(24,650)**

The components of deferred income tax expenses (benefits) were as follows:

		2013	2012
Unrealized interest income from financial assets	$	(26,567)	26,608
Bad debt expense and guarantee liability		28,996	(224,820)
Depreciation expense		(1,733)	(3,604)
Amortization of goodwill		53,653	53,652
Impairment loss on assets		4,503	5,421
Expenses from share-based payments		8,029	(1,836)
Employee benefits		16,564	(8,474)
Provisions		1,257	(13,775)
Deferred income		67,128	61,842
Loss carryforwards		97,543	369,111
	$	**249,373**	**264,125**

The Bank's temporary difference of deferred tax asset components, based on the 17% tax rate for December 31, 2013 and 2012, and January 1, 2012 were as follows:

		December 31, 2013	December 31, 2012	January 1, 2012
Deferred tax assets:				
Bad debt expense and guarantee liability provision	$	404,747	433,743	208,923
Depreciation expense		17,230	15,497	11,893
Impairment loss on assets		37,706	42,209	47,630
Expenses from share-based payments		30,506	38,535	36,699
Employee benefits		293,188	329,557	298,137
Provisions		12,679	13,936	161
Deferred income		290,578	357,706	419,548
Loss carryforwards		1,311,257	1,408,800	1,777,911
Total	$	**2,397,891**	**2,639,983**	**2,800,902**

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Deferred tax liabilities:			
Unrealized interest revenue on financial assets	$ 75,134	101,701	75,093
Amortization of goodwill	268,264	214,611	160,959
Land value increment tax	137,179	152,375	152,375
Unrealized gain on available-for-sale financial assets	136,841	169,298	159,390
Unrealized (loss) gain on cash flow hedge	(24,631)	27,379	38,991
Total	$ 592,787	665,364	586,808

The movements of deferred tax items were as follows:

	2013	2012
Beginning balance	$ 1,974,619	2,214,094
Recognized in current period profit and loss	(249,373)	(264,125)
Land value increment tax	15,196	-
Recognized in other comprehensive income	64,662	24,650
Ending balance	$ 1,805,104	1,974,619

The income tax returns of the prior years have been assessed up to the year 2011.

22) Information of imputation credit account

The balances of the imputation credit account (ICA) were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Imputation credit account	$ 62,050	332,794	110,532

The accumulated earnings were all generated after 1998, which is according to Regulations Governing the Preparation of Financial Reports and the IFRSs as endorsed by the FSC.

	2013 (estimated)	2012 (actual)
Tax creditable ratios of distribution of retained earnings to R.O.C. residents	2.76 %	1.33 %

Preceding information of imputation credit account is according with the Treasury Department in October 17, 2013 Tai Tsai Shui No.10204562810 amount of processing requirements.

23) Stockholders' equity

(a) Capital

As of December 31, 2013, the Bank's authorized capital was $30,000,000 thousand, representing 3,000,000 thousand shares with par value of NTD 10 per share, and issued capital $29,105,720 thousand, representing 2,910,572 thousand common shares.

(b) Capital surplus

The R.O.C. Company Act as amended in January 2012 requires capital surplus to be used to offset an accumulated deficit before capitalization to shareholders' equity as realized capital surplus or distribution of cash dividends. The aforementioned realized capital surplus includes the proceeds received in excess of the par value of common stock issued and any amounts donated to the Bank. In accordance with "Regulations Governing the Offering and Issuance of Securities". the amount of capital surplus capitalized each year may not exceed 10 percent (10%) of the Bank's issued share capital.

(c) Legal reserve

Whenever the Bank generates a profit in accordance with "The Banking Act of The Republic of China". A bank. at the time of distributing its earnings for each fiscal year. shall set aside thirty percent (30%) of its after tax earnings as a legal reserve. However. unless and until the accumulated legal reserve equals the Bank's paid in capital. the maximum cash profits which may be distributed shall not exceed fifteen percent (15%) of the Bank's paid in capital. In addition to the legal reserve, a special reserve can be appropriated and approved by the stockholders' meeting. The board of directors approved the distribution of the 2012 and 2011 earnings on May 31. 2013 and June 29. 2012. and appropriated legal reserve of $901,004 thousand and $2,511,935 thousand. respectively.

(d) Special reserve

In terms of the Financial Supervisory Commission. Executive Yuan. Jin Guan Zheng Fa No. 1010012865 dated April 6. 2012. the first time a public company adopts International Financial Reporting Standards ("IFRS"). it must set aside special reserves equal in amounts to those portions of unrealized revaluation gains and cumulative translation adjustments (both of which are sub accounts under booked shareholder equity) that is shifted to retained earnings as a result of the claiming of an IFRS 1 exemption. However. if the increment of retained earnings resulted from first time adoption of IFRS is not sufficient at the date of transition; the company could recognize that incremental amount only. When a company subsequently uses. disposes of. or reclassifies the assets in question. a proportional amount of its originally set aside special reserve may be shifted back to distributable earnings. In accordance with that regulation. under the situation of not having sufficient increment of retained earnings resulted from first time adoption of IFRS. the Bank can shift that incremental amount $239,413 thousand to special reserves.

As result from the disposal of the related asset. an amount of $27,741 thousands was released from the special reserve recognized on the first time adoption of the International Financial Reporting Standards and transferred to unappropriated retained earnings.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(e) Other item in stockholders' equity

Changes in the Bank's other items in stockholders' equity were as follows:

		Unrealized gains and losses on available-for-sale financial assets	Unrealized gains (loss) on cash flow hedge	Total
January 1, 2013	$	851,045	133,675	984,720
Available-for-sale financial assets — net				
— Valuation adjustment		(142,625)	-	(142,625)
— Realized amount		20,281	-	20,281
Cash flow hedge				
— Unrealized gain (loss)		-	(253,934)	(253,934)
December 31, 2013	$	728,701	(120,259)	608,442

		Unrealized gains and losses on available-for-sale financial assets	Unrealized gains (loss) on cash flow hedge	Total
January 1, 2012	$	772,342	190,367	962,709
Available-for-sale financial assets — net				
— Valuation adjustment		46,849	-	46,849
— Realized amount		31,854	-	31,854
Cash flow hedge				
— Unrealized gain (loss)		-	(56,692)	(56,692)
December 31, 2012	$	851,045	133,675	984,720

(f) Dividend policy and appropriation of earnings

Whenever the Bank generates a profit, 30 percent of its net income is appropriated as legal reserve after the deduction of income tax. Any special reserve would be set aside if necessary for the Bank's ongoing operations. The remaining balance, if any, is distributed as follows:

i. Shareholders' dividends and bonus: 99.99%

ii. Employee bonus: 0.01%

The appropriation of the aforementioned special reserve is required by law, or is proposed by the board of directors, depending on the needs for business operations.

The board of directors can propose to the annual shareholders' meeting a resolution regarding the proportion of employee bonus for distribution if necessary.

On May 31, 2013 and June 29, 2012, the board of directors, representing shareholders, approved the distribution of retained earnings and distributed cash dividends for 2012 and 2011 were as follows:

		2012	2011
Legal reserve appropriated	$	901,004	2,511,935
Cash dividends of ordinary share		2,690,000	4,365,858
Total	$	3,591,004	6,877,793

(Continued)

The estimated amount of staff bonus accrued were based on the possibility of bonus distribution and estimated bonus distribution and resolution approved by the board of directors. Nevertheless. in the event of difference in the amount actually distributed upon resolution of shareholders' meeting and the estimated figures. this difference shall be identified as changes in accounting estimate and recognized as profit or loss for the current period.

The board of directors approved the distribution of 2012 earnings on May 31, 2013 and distributed bonus to employees for $210 thousand; the difference between the actual and estimated distributed bonus shall be treated as changes in accounting estimate and recognized as profit or loss in 2013. Furthermore. the board of directors approved the distribution of 2011 earnings on June 29, 2012. and distributed bonus to employees for $586 thousand; the difference between the actual and estimated distributed bonus shall be treated as changes in accounting estimate and recognized as profit or loss in 2012.

The relevant information about earnings distribution or deficit compensation approved by the board of directors can be accessed through Market Observation Post System or other sites.

24) Share-based payments

Standard Chartered PLC Group (the SC PLC Group) has established five main share-based payment schemes for its directors and employees. On December 31. 2013 and 2012, the share-based payment schemes adopted by the Bank were as follows:

(a) All Employee Sharesave Plan (Original: International Sharesave Schemes "ISS")

Under the Sharesave plans, employees have the choice of opening a savings contract. Within a period of six months after the third or fifth anniversary, as appropriate, employees may purchase ordinary shares in the Group at a discount of up to 20 percent on the share price at the date of invitation. There are no performance conditions attached to options granted under the Sharesave plans.

The option movements of the AESP were as follows:

	2013	2012
Beginning balance	529,534	576,342
Add: granted	-	182,838
Less: exercised	63,334	144,161
lapsed	78,903	85,485
Ending balance	**387,297**	**529,534**

For the years ended December 31. 2013 and 2012. the costs of the AESP charged to profits or losses were $27,361 thousand and $27,936 thousand, respectively, recognized as operating expenses—employees' benefit costs.

Options under the Sharesave plans are valued using a binomial option-pricing model. The same fair value is applied to all employees including directors. The fair value per option granted and the assumptions used in the calculation are as follows:

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

	2013	
Granted date	October 9	
Share price at granted date	£	14.36
Execution price	£	11.78
Period from granted date (year)		3
Expected volatility (%)		26.80
Expected share option period (year)		3.33
Risk free rate (%)		0.80
Expected dividend (earning rate) (%)		4.30
Fair value	£	3.30

	2012			
Granted date	October 11		October 1	
Share price at granted date	£	13.95	£	14.35
Execution price	£	11.40	£	11.40
Period from granted date (year)		3		3
Expected volatility (%)		29.80		30.00
Expected share option period (year)		3.33		3.33
Risk free rate (%)		0.40		0.40
Expected dividend (earning rate) (%)		3.10		3.10
Fair value	£	3.28	£	3.53

The expected volatility is based on historical volatility over the last three to five years, or three to five years prior to grant. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. The expected dividend yield is based on historical dividend for three years prior to grant.

(b) Restricted Share Award (Original: Restricted Share Scheme)

Restricted share awards which are made outside of the annual performance process, as additional incentive or retention mechanisms. These awards vest in equal installments on the second and the third anniversaries of the award date. In line with similar plans operated by our competitors, restricted share awards are not subject to an annual limit and do not have any performance conditions.

(Continued)

The option movements of the RSA were as follows:

	2013	2012
Beginning balance	127.704	254.648
Add: granted	-	1.454
Less: exercised	57.753	95.518
lapsed	14.485	32.880
Ending balance	55.466	127.704

For the years ended December 31. 2013 and 2012. the costs of the RSA charged to profits or losses were $21.486 thousand and $45.304 thousand. respectively. recognized as operating expenses — employee's benefit.

The dividend yield assumption is based on a historical average over a period commensurate with this 'average' period until vesting. or over one year if the average period until vesting is less than one year.

	2013			
Granted date	December 17	September 18	June 19	March 11
Share price at granted date	£ 13.04	£ 15.14	£ 14.62	£ 18.22
Period from granted date (year)	2/3 1/2/3/4	2/3 1/2/3/4	2/3 1/2/3/4	2/3 1/2/3/4
Expected dividends (earning rate) (%)	4.90	4.60	4.60	4.60
Fair value	£ 11.59	£ 13.54	£ 13.05	£ 16.27

	2012			
Granted date	December 21	September 19	June 20	March 13
Share price at granted date	£ 15.84	£ 14.82	£ 14.17	£ 15.65
Period from granted date (year)	2/3 1/2/3/4	2/3	2/3	2/3
Expected dividends (earning rate) (%)	3.70	3.00	3.80	3.80
Fair value	£ 14.46	£ 13.76	£ 12.91	£ 14.26

(c) Executive Share Option Scheme

The Executive Share Option Scheme (ESOS) was designed for executive directors and selected senior managers and there remain outstanding vested awards. Executive share options to purchase ordinary shares in Standard Chartered PLC were exercisable after the third. but before the tenth. anniversary of the date of grant subject to EPS performance criteria being satisfied. The exercise price per share is the share price at the date of grant.

The option movements of the ESOS were as follows:

	2013	2012
Beginning balance	-	6.233
Less: exercised	-	6.233
Ending balance	-	-

There were no costs of the ESOS charged to profit or loss recognized for the years ended December 31. 2013 and 2012.

(Continued)

(d) Performance Share Award (Original: Performance Share Plan)

Performance shares are subject to a combination of three performance measures, Total Shareholder Return (TSR), Earnings Per Share (EPS) and Return on Risk Weighted Assets (RoRWA). The weighting between the three elements is split equally, one third of the award depending on each measure, assessed independently. Performance share awards for executive directors are currently subject to an annual limit of 400 per cent of base salary in face value terms and delivered as nil cost options.

The option movements of the PSA (PSP) were as follows:

	2013	2012
Beginning balance	15,004	77,608
Less: exercised	12,282	44,109
lapsed	-	18,495
Ending balance	2,722	15,004

For the years ended December 31, 2013 and 2012, the costs of the PSA (PSP) charged to profit or loss were $5,126 thousand and $5,372 thousand, respectively, recognized as operating expenses—employees' benefits.

The fair value of the TSR component is derived by discounting a third of the award by the loss of expected dividends over the vesting period together with the probability of meeting the TSR condition, which is calculated by the area under the TSR vesting schedule curve. The EPS fair value is derived by discounting one third of the award respectively by the loss of expected dividends over the vesting period. The same approach is applied to calculate the RoRWA fair value for one third of the award. In respect of the EPS and RoRWA components, the number of shares expected to vest is adjusted for actual performance when calculating the share based payment charge for the year. The same fair value applies to all employees including directors.

	2013		
Granted date	September 18	June 19	March 11
Share price at granted date	£ 15.14	£ 14.62	£ 18.22
Period from granted date (year)	3	3	3
Expected dividends (earning rate) (%)	4.60	4.10	4.10
Fair value (earning per share)	£ 4.43	£ 4.32	£ 5.38
Fair value (return on risk weighted assets)	£ 4.43	£ 4.32	£ 5.38
Fair value (total shareholder return)	£ 1.80	£ 1.76	£ 2.19

	2012			
Granted date	December 21	September 19	June 20	March 13
Share price at granted date	£ 15.84	£ 14.82	£ 14.17	£ 15.65
Period from granted date (year)	3	3	3	3
Expected dividends (earning rate) (%)	3.73	3.15	3.50	3.50
Fair value (earning per share)	£ 4.73	£ 4.50	£ 4.26	£ 4.71
Fair value (return on risk-weighted assets)	£ 4.73	£ 4.50	£ 4.26	£ 4.71
Fair value (total shareholder return)	£ 1.86	£ 1.77	£ 1.68	£ 1.85

The dividend yield assumption is based on a historical average over a period commensurate with this period until vesting, or over 1 year if the period until vesting is less than 1 year.

(Continued)

(e) Supplementary Restricted Share Award (Original: Supplementary Restricted Share Scheme)

The Supplementary Restricted Share Scheme (SRSS) is now replaced by the Restricted Share Award. There remain unvested and vested awards outstanding under this plan. Awards were generally in the form of nil cost options and do not have any performance conditions. For this award half vests two years after the date of grant and the balance after three years.

The option movements of the SRSS were as follows:

	2013	2012
Beginning balance	20,451	32,457
Less: exercised	2,043	11,515
lapsed	1,409	491
Ending balance	**16,999**	**20,451**

For the years ended December 31, 2013 and 2012, the costs of the SRSS charged to profit or loss were $154 thousand and $1,024 thousand, respectively, recognized as operating expenses—employees' benefits.

The dividend yield assumption is based on a historical average over a period commensurate with this 'average' period until vesting, or over one year if the average period until vesting is less than one year.

	2013			
Granted date	December 17	September 18	June 19	March 11
Share price at granted date	£ 13.04	£ 15.14	£ 14.62	£ 18.22
Period from granted date (year)	2/3 1/2/3/4	2/3 1/2/3/4	2/3 1/2/3/4	2/3 1/2/3/4
Expected dividends (earning rate) (%)	4.90	4.60	4.60	4.60
Fair value	£ 11.59	£ 13.54	£ 13.05	£ 16.27

	2012			
Granted date	December 21	September 19	June 20	March 13
Share price at granted date	£ 15.84	£ 14.82	£ 14.17	£ 15.65
Period from granted date (year)	2/3 1/2/3/4	2/3	2/3	2/3
Expected dividends (earning rate) (%)	3.70	3.00	3.80	3.80
Fair value	£ 14.46	£ 13.76	£ 12.91	£ 14.26

25) Earnings per share

	2013	2012
Net income attributable to common stockholders	$ 2,391,059	3,062,795
Common stock (in thousands)	$ 2,910,572	2,910,572
Basic EPS (in dollars)	$ 0.82	1.05

Since the Bank's implementation of share-based payment transactions would proceed by cash settlement, there is no impact on the Bank's weighted-average shares of common stock outstanding during the period.

26) Net interest income

		2013	2012
Interest income			
Interest income, discounts and loans	$	10,545,644	11,178,294
Interest income, accounts receivable factoring without recourse		294,778	485,147
Interest income, due from banks		896,272	406,417
Interest income, available-for-sale financial assets		1,948,396	2,131,823
Interest income, credit card recurrence		451,149	416,958
Interest income, other		255,692	456,297
Total		14,391,931	15,074,936
Interest expense			
Interest expense, deposits		3,667,859	3,836,247
Interest expense, due to banks		329,477	187,701
Interest expense, due to bank notes		1,001,426	1,092,995
Interest expense, other		47,729	142,913
Total		5,046,491	5,259,856
	$	9,345,440	9,815,080

27) Net service fee income

		2013	2012
Service fee			
Service fee, loan	$	282,621	217,061
Service fee, agency		130,362	130,795
Service fee, remittance and interbank		94,411	102,272
Service fee, guarantee, import, export and acceptance payable		98,991	108,423
Service fee, credit card		345,008	310,864
Service fee, trust		2,215,237	2,159,233
Service fee, factoring		67,777	87,987
Service fee, other		118,163	111,485
Subtotal		3,352,570	3,228,120
Service charge			
Service charge, interbank		132,831	132,798
Service charge, agency		114,002	158,419
Service charge, custodian		98,783	107,625
Service charge, other		89,781	21,003
Subtotal		435,397	419,845
Total	$	2,917,173	2,808,275

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

28) Gain (loss) on financial assets or liabilities measured at fair value through profit or loss

		2013	2012
Gain on disposal			
Debt instruments	$	29,663	89,524
Derivative financial instruments		361,514	471,135
Subtotal		391,177	560,659
Gain (loss) on valuation			
Debt instruments		(2,479)	(7,459)
Derivative financial instruments		603,563	1,178,428
Subtotal		601,084	1,170,969
Interest income		179,748	220,281
Total	$	**1,172,009**	**1,951,909**

29) Realized gain (loss) on available-for-sale financial assets

		2013	2012
Government bonds	$	(3,014)	(8,752)
Equity Investments		1,929	2,296
Corporate bonds		-	5
Total	$	**(1,085)**	**(6,451)**

30) Net other non-interest income

		2013	2012
Net gain on sale of non-performing loans	$	-	648,300
Net gain on disposal of property		19,553	232,585
Net gain on securities brokering income		54,867	90,229
Gains on financial assets carried at cost		17,661	18,143
Rental income		16,074	18,551
Net loss on fair value hedge		(22,020)	(26,770)
Other		8,788	49,139
Total	$	**94,923**	**1,030,177**

31) Impairment losses on assets

		2013	2012
Impairment loss—buildings	$	4,474	61,041
Impairment loss—other financial assets		164	-
Gain on reversal of impairment loss—available-for-sale financial assets		-	(48,209)
Total	$	**4,638**	**12,832**

(Continued)

32) Bad debt expense and provision for guarantee liabilities (reversal)

		2013	2012
Bad debt expenses	$	1,592,672	2,047,101
Provision for guarantee liabilities (reversal)		39,474	(26,366)
Total	$	1,632,146	2,020,735

33) Employee benefits expense

		2013	2012
Salary expenses	$	4,498,626	4,579,281
Labor and health insurance		344,349	324,230
Pension			
Deferred contribution plan		166,538	161,125
Deferred benefits plan		170,074	168,665
Other		281,849	398,926
Total	$	5,461,436	5,632,227

34) Depreciation and amortization expense

		2013	2012
Depreciation expenses			
Buildings	$	93,045	98,757
Office equipment		57,500	92,671
Leasehold improvements		94,135	123,061
Other equipment		54,904	89,803
Subtotal of depreciation		299,584	404,292
Computer software amortization		36,385	25,489
Total	$	335,969	429,781

35) Other general and administrative expenses

		2013	2012
Rental expense	$	569,306	565,154
Office supplies		117,511	128,987
Postage		243,065	239,108
Repairs and maintenance		166,643	189,379
Advertising expense		246,807	212,156
Utilities fee		112,647	112,946
Taxes		502,907	540,550
Professional service fee		121,011	109,593
Operational and advisory service fee		903,989	1,052,814
Consulting and technical support service fee		507,753	535,044
Wholesale banking business service fee		263,198	277,831
Building management fee		138,300	130,003
Computer management fee		280,964	273,172
Other		159,944	43,783
Total	$	4,334,045	4,410,520

(Continued)

36) Disclosure of financial instruments

(a) Fair value of financial instruments

Financial assets	December 31, 2013 Book value	December 31, 2013 Fair value	December 31, 2012 Book value	December 31, 2012 Fair value
Non-derivative financial instruments				
Cash and cash equivalents	$ 29,274,099	29,274,099	6,697,772	6,697,772
Due from the Central Bank and call loans to banks	68,534,106	68,534,106	68,073,194	68,073,194
Financial assets at fair value through profit or loss－debt instruments	12,655,284	12,655,284	21,512,425	21,512,425
Securities purchased under resell agreements	1,950,000	1,950,000	3,402,039	3,402,039
Receivables－net	32,759,448	32,759,448	37,741,825	37,741,825
Discounts and loans－net	360,762,604	360,762,604	350,387,046	350,387,046
Available-for-sale financial assets, net	230,156,830	230,156,830	226,363,332	226,363,332
Other financial assets－net	151,245	151,245	151,409	151,409

Financial assets	January 1, 2012 Book value	January 1, 2012 Fair value
Non-derivative financial instruments		
Cash and cash equivalents	$ 11,469,535	11,469,535
Due from the Central Bank and call loans to banks	74,398,541	74,398,541
Financial assets at fair value through profit or loss－debt instruments	25,458,794	25,458,794
Securities purchased under resell agreements	8,456,414	8,456,414
Receivables－net	34,206,432	34,206,432
Discounts and loans－net	346,151,003	346,151,003
Available-for-sale financial assets －net	211,874,021	211,874,021
Other financial assets－net	158,072	158,072

Financial liabilities	December 31, 2013 Book value	December 31, 2013 Fair value	December 31, 2012 Book value	December 31, 2012 Fair value
Non-derivative financial instruments				
Deposits from the Central Bank and banks	$ 45,985,672	45,985,672	9,283,983	9,283,983
Payables	4,538,856	4,538,856	6,016,092	6,016,092
Related parties payable	7,498,048	7,498,048	6,012,064	6,012,064
Deposits and remittances	577,585,845	577,585,845	563,071,977	563,071,977
Bank notes payable－net	55,559,925	55,559,925	62,014,537	62,014,537
Other financial liabilities	13,120,022	13,120,022	34,690,236	34,690,236

Financial liabilities	January 1, 2012 Book value	January 1, 2012 Fair value
Non-derivative financial instruments		
Deposits from the Central Bank and banks	$ 18,390,389	18,390,389
Payables	4,871,999	4,871,999
Related parties payable	4,284,892	4,284,892
Deposits and remittances	596,151,692	596,151,692
Bank notes payable－net	47,512,170	47,512,170
Other financial liabilities	10,095,732	10,095,732

(Continued)

(b) The following methods and assumptions were used by The Bank's management to estimate the fair value of financial instruments:

i. Non-derivative short-term financial assets include cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements and receivables; other short-term financial liabilities include due to the Central Bank and other banks, notes and bonds issued under repurchase agreements and payables. The fair values of these financial instruments are estimated to be the carrying amounts because of the short maturities of these financial instruments.

ii. Financial assets and liabilities at fair value through profit or loss and available for sale financial assets: if there is a quoted price in an active market for the financial asset, then use this market price as the fair value; if there is no quoted price in an active market for the financial asset, the fair value is estimated using the evaluation methods.

iii. The interest on discounts and loans to customers is mainly based on floating rates. Therefore, the book value approximates the fair value.

iv. Other financial assets and liabilities: the stocks held which is not listed on an exchange or OTC, and no derivative is significant influenced or linked with these stocks are called other financial assets. Other financial assets that are prepared in accordance with guidelines shall be measured at cost; other financial liabilities as required by legislation to disclose the principle amounts of the structured deposits, thus liabilities are presented in its book value.

v. Based on the characteristics of the financial industry, most deposits and remittances have maturities of less than one year, so the book value should be reasonable based on estimated fair value.

vi. Bank notes payable is mainly a financial liability with floating rate, so its fair value equals its book value.

vii. If there are no active market prices available pertaining to derivative financial instruments (including structured notes), the options trading contracts will use the Black-Scholes model to assess. The exchange rate for forward foreign exchange contracts are quoted by the FBS program. Meanwhile the forward foreign exchange contracts individual maturity date and exchange rates are individually calculated at fair value. The fair value of interest rate swaps and cross currency swap contracts quotation are based on Reuters program information system with each individual contracts estimated at fair value.

(Continued)

(c) Levels of fair value of financial instruments and statement of movement

i. Fair value hierarchy information of financial instruments

	December 31, 2013			
Financial instruments at fair value	**Total**	**Level 1 (note1)**	**Level 2 (note 2)**	**Level 3 (note 3)**
Non-derivative financial instruments:				
Assets:				
Financial assets at fair value through profit or loss				
Bond investments	$ 12,655,284	4,773,205	7,882,079	-
Available-for-sale financial assets — net				
Bond investments	230,073,502	23,306,290	206,767,212	-
Stock investments	83,328	83,328	-	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	7,803,603	5,401	7,798,202	-
Derivative financial assets for hedging	172,750	-	172,750	-
Liabilities:				
Financial liabilities at fair value through profit or loss	7,533,988	10,838	7,523,150	-
Derivative financial liabilities for hedging	3,227	-	3,227	-

	December 31, 2012			
Financial instruments at fair value	**Total**	**Level 1 (note1)**	**Level 2 (note 2)**	**Level 3 (note 3)**
Non-derivative financial instruments:				
Assets:				
Financial assets at fair value through profit or loss				
Bond investments	$ 21,512,425	4,366,153	17,146,272	-
Available-for-sale financial assets — net				
Bond investments	226,284,479	18,793,576	207,490,903	-
Stock investments	78,853	78,853	-	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	8,032,285	2,631	8,029,654	-
Derivative financial assets for hedging	428,983	-	428,983	-
Liabilities:				
Financial liabilities at fair value through profit or loss	8,357,471	3,935	8,353,536	-
Derivative financial liabilities for hedging	13,523	-	13,523	-

(Continued)

Financial instruments at fair value	Total	Level 1 (note1)	Level 2 (note 2)	Level 3 (note 3)
	January 1, 2012			
Non-derivative financial instruments:				
Assets:				
Financial assets at fair value through profit or loss				
Bond investments	$ 25,458,794	6,386,879	19,071,915	-
Available-for-sale financial assets－net				
Bond investments	210,037,844	25,095,144	184,942,700	-
Beneficiary certificates	1,752,582	-	-	1,752,582
Stock investments	83,595	83,595	-	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	15,408,897	3,403	15,042,539	362,955
Derivative financial assets for hedging	728,959	-	728,959	-
Liabilities:				
Financial liabilities at fair value through profit or loss	14,863,355	1,955	14,585,681	275,719
Derivative financial liabilities for hedging	92,441	-	92,441	-

ii. Statement of movement in financial assets which were classified to Level 3 based on fair value measurement

Items	Beginning balance	Recognized in current years' profit or loss	Recognized in other comprehensive income	Purchase or issuance	Transfer-in to level 3 from other levels	Transfer-in to level 3 financial assets from level 3 financial liabilities	Sale disposal, or settlement	Transfer-out to other levels from level 3	Transfer-out to level 3 financial liabilities from level 3 financial assets	Ending balance
	2012									
				Increase in current period			Decrease in current period			
Non-derivative financial instruments										
Available-for-sale	$ 1,752,582	-	-	-	-	-	(1,752,582)	-	-	-
Derivative financial instruments										
Financial assets at fair value through profit or loss	362,955	-	-	-	-	-	(362,955)	-	-	-
Total	$ 2,115,537	-	-	-	-	-	(2,115,537)	-	-	-

iii. Statement of changes in financial liabilities which were classified to Level 3 based on fair value measurement

Items	Beginning balance	Recognized in current years' profit or loss	Recognized in other comprehensive income	Purchase or issuance	Transfer-in to level 3 from other levels	Transfer-in to level 3 financial liabilities from level 3 financial assets	Sale disposal, or settlement	Transfer-out to other levels from level 3	Transfer-out to level 3 financial assets from level 3 financial liabilities	Ending balance
	2012									
				Increase in current period			Decrease in current period			
Derivative financial instruments										
Financial liabilities at fair value through profit or loss	$ 275,719	-	-	-	-	-	(275,719)	-	-	-

(Continued)

Note 1: Level 1 inputs are quoted prices in active markets for identical assets or liabilities. According to the SFAS No. 34 "Financial Instruments: Recognition and Measurement", paragraph 5, active markets are defined as markets that meet the following criteria: (1) the asset or liability traded in the market have similar attributes: (2) there is a willing buyer and seller for the asset or liability in the market at any given time: (3) price information on the asset or liability can be accessed by the general public.

Note 2: Level 2 inputs are inputs other than quoted prices in active markets that are observable, including those inputs that can be observed directly (quoted prices) or indirectly (derived from quoted prices) from active markets. For example:

i) The quoted price in similar financial instruments' active market was referred to the fair value of financial instruments held by and based on similar financial instruments' recent quoted prices; the judgment of similar financial instruments should follow the characteristics of the financial instruments and trading conditions. The factors that require the fair value of financial instruments to be adjusted with compatible similar financial instruments which have observable trading prices might include recent financial instruments trading price already have time gap (i.e. has been a while since last trading time), the difference between the financial instruments trading conditions, transaction prices involved with a related party, and the correlation between observable transaction price similar financial instruments and the price of financial instruments held.

ii) Quoted prices for identical or similar assets or liabilities in markets those are not active.

iii) Fair value determined based on a valuation model. Inputs for the model (for example, interest rates, yield curves, volatilities, etc.) can be observed from the market (these observable inputs are obtained from market information, and when they are being used in the model, the resulting valuation for the asset or liability shall represent prices anticipated by the market participants).

iv) Inputs are derived principally from or corroborated by observable market data by correlation or other means.

Note 3: Level 3 means to measure the fair value of the input parameters are not based on observable market data (inputs are unobservable for example, using historical volatilities in a model that determines option value represent using unobservable inputs, since historical volatilities do not reflect future volatilities as anticipated by the overall market participants).

(Continued)

(d) Information on financial risk

The Bank's risk management framework encompasses servicing client interests and fulfilling long term operation goals while keeping overall risk tolerance and compliance to local regulations. This framework serves to diversify or transfer risk in an effective manner, benefiting not only our customers and shareholders but ourselves as well. The Bank encounters credit risk, operational risk, market risk, (interest rate swaps, exchange rate swaps, equity, and commodity) and liquidity risk both on and off the balance sheets in our day-to-day operations.

The Bank has formulated both the risk management policy and operation procedures into structured operation manuals, which have been approved by the Board of Directors. These manuals set out a clear guidance on distinguishing, measuring, monitoring, and managing credit risk, operation risk, market risk, and liquidity risk.

i. Market risk

i) Strategy and procedure of market risk management

The Bank recognizes market risk as the risk of loss resulting from changes in market prices and rates. The Bank is exposed to market risk arising principally from customer-driven transactions. The objective of the Bank's market risk policies and processes is to obtain the best balance of risk and return while meeting customers' requirements.

ii) Market risk management organization and structure

Market risk management organization and structure changes in market prices and rates. The Bank is exposed to market risk arising principally from customer-driven transactions. The objective of the companies limits are annually reviewed by GMR Taiwan and are in line with Group Market Risk Committee guidance. The policies and procedures are presented to the Board for approval.

Market risk limits are proposed by the business within the terms of the agreed policy. Limits are presented to the Risk Committee for approval with its authority delegated by the Board. Limits for derivatives require approval from the Board.

GMR Taiwan monitors exposures against these limits on a daily basis. Related market risk management results are reported to the Risk Committee at a minimum on a quarterly basis.

The Bank also receives strong support from SCB regional and group business and market risk management functions based outside of Taiwan.

iii) The scope and characteristics of market risk report and evaluation system

The scope of market risk report covers market exposures in both trading book and banking book. The primary categories of market risk for the Bank are interest rate risk and currency exchange rate risk linked to trading products in financial markets, as the Bank has not held any positions relating to commodities price risk and equity price risk.

The Bank measures the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using a Value at Risk (VaR) methodology. VaR, in general, is a quantitative measure of market risk which applies recent historical market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses.

The table below lists the market risk of financial instruments of the Bank as of December 31, 2013 and 2012. Market risk represents potential losses that the Bank may suffer in one day when unfavorable changes occur on the Bank's position at a 97.5% confidence interval under a certain price probability distribution.

	2013			2012		
	Average	**Maximum**	**Minimum**	**Average**	**Maximum**	**Minimum**
Foreign exchange VaR	$ 4,538	8,024	2,064	6,213	12,847	2,233
Interest rate VaR	18,675	24,441	9,652	14,695	25,317	8,270
Risk rate VaR	19,287	25,184	10,311	16,134	26,827	8,933

Losses beyond the confidence interval are not captured by a VaR calculation, which therefore gives no indication of the size of unexpected losses in these situations. GMR Taiwan complements the VaR measurement by stress testing of market risk exposures to highlight the potential risk that may arise from extreme market events that are rare but plausible. Stress testing is an integral part of the market risk management framework and considers both historical market events and forward looking scenarios. Stress testing is applied to trading and banking books respectively.

iv) Policies for market risk hedge/mitigation, as well as the strategy and procedure for maintaining efficiency in risk hedge/mitigation tools

Market Risk is mitigated by the Bank's standard process as risk is measured, monitored, reported and controlled on a portfolio basis.

Market risk policies, procedures and limits are annually reviewed by GMR Taiwan. The policies and procedures cover both trading and banking books and are presented to Board for approval.

All products used in risk mitigation must be authorized products in their own right with appropriate Product Programs.

Any product a business uses for risk mitigation must be explicitly referenced in the Market Risk limit for the business.

v) Method used for regulatory capital calculation

Standardized Approach / Delta-Plus for Options

(Continued)

vi) Exchange rate risk exposure information

The significant exposure to foreign currency exchange rates are as follows:

	December 31, 2013			December 31, 2012		
	Foreign currency	**Exchange rate**	**NTD**	**Foreign currency**	**Exchange rate**	**NTD**
Long position						
USD	$10,225,833	29.854	305,277,629	9,696,882	29.035	281,548,979
EUR	534,312	41.126	21,974,314	526,253	38.295	20,152,842
JPY	81,964,343	0.284	23,291,441	42,628,374	0.337	14,365,762
AUD	650,040	26.613	17,299,641	301,804	30.139	9,096,071
CNY	6,675,183	4.895	32,673,890	9,179,337	4.707	43,207,141
Short position						
USD	10,218,704	29.854	305,064,795	9,599,616	29.035	281,748,744
EUR	534,990	41.126	22,002,203	526,257	38.295	20,152,997
JPY	82,009,159	0.284	23,304,176	42,658,858	0.337	14,376,035
AUD	648,640	26.613	17,262,388	301,126	30.139	9,075,643
CNY	6,662,804	4.895	32,613,298	9,173,685	4.707	43,180,534

	January 1, 2012		
	Foreign currency	**Exchange rate**	**NTD**
Long position			
USD	$ 9,128,157	30.270	276,309,325
EUR	619,322	39.098	24,214,267
JPY	54,077,213	0.390	21,090,113
AUD	314,428	30.725	9,660,819
CNY	51,004	4.819	245,790
Short position			
USD	9,251,719	30.270	280,049,521
EUR	539,753	39.098	21,103,262
JPY	54,103,774	0.390	21,100,472
AUD	313,689	30.725	9,638,107
CNY	100,760	4.819	485,564

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

i) Interest rate sensitivity information

A. Interest rate sensitivity analysis (for assets and liabilities denominated in NTD)

December 31, 2013

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$ 369,023,064	45,744,023	106,455,433	33,649,750	554,872,270
Interest rate sensitive liabilities	374,933,626	61,552,417	46,178,536	4,075,520	486,740,099
Interest rate sensitive gap	(5,910,562)	(15,808,394)	60,276,897	29,574,230	68,132,171
Net worth					40,463,980
Ratio of interest rate sensitive assets to liabilities (%)					114.00
Ratio of interest rate sensitive gap to net equity (%)					168.38

December 31, 2012

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$ 402,400,674	71,950,273	119,455,103	20,110,449	613,916,499
Interest rate sensitive liabilities	412,576,436	78,419,804	47,247,334	7,444,461	545,688,035
Interest rate sensitive gap	(10,175,762)	(6,469,531)	72,207,769	12,665,988	68,228,464
Net worth					41,261,858
Ratio of interest rate sensitive assets to liabilities (%)					112.50
Ratio of interest rate sensitive gap to net equity (%)					165.35

January 1, 2012

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$ 136,218,810	53,000,506	137,180,524	264,370,952	590,770,792
Interest rate sensitive liabilities	95,550,677	81,358,934	57,808,390	271,510,009	506,228,010
Interest rate sensitive gap	40,668,133	(28,358,428)	79,372,134	(7,139,057)	84,542,782
Net worth					43,632,073
Ratio of interest rate sensitive assets to liabilities (%)					116.70
Ratio of interest rate sensitive gap to net equity (%)					193.76

B. Interest rate sensitivity analysis (for assets and liabilities denominated in thousands of USD)

December 31, 2013

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$ 3,730,366	153,794	115,269	183,968	4,183,397
Interest rate sensitive liabilities	4,201,222	407,914	255,616	57	4,864,809
Interest rate sensitive gap	(470,856)	(254,120)	(140,347)	183,911	(681,412)
Net worth					65,035
Ratio of interest rate sensitive assets to liabilities (%)					85.99
Ratio of interest rate sensitive gap to net equity (%)					(1,047.76)

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

December 31, 2012

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$ 3.152.544	33.294	195.110	181.567	3.562.515
Interest rate sensitive liabilities	4.032.098	141.171	316.698	8.648	4.498.615
Interest rate sensitive gap	(879.554)	(107.877)	(121.588)	172.919	(936.100)
Net worth					89.328
Ratio of interest rate sensitive assets to liabilities (%)					79.19
Ratio of interest rate sensitive gap to net equity (%)					(1.047.94)

January 1, 2012

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$ 2.214.959	408.411	106.828	290.153	3.020.351
Interest rate sensitive liabilities	3.607.752	174.587	195.446	644.190	4.621.975
Interest rate sensitive gap	(1.392.793)	233.824	(88.618)	(354.037)	(1.601.624)
Net worth					57.159
Ratio of interest rate sensitive assets to liabilities (%)					65.35
Ratio of interest rate sensitive gap to net equity (%)					(2.802.05)

ii. Operational risk

i) Strategy and procedure of operational risk management

Operational risk is the risk of direct or indirect loss due to an event or action resulting from inadequate or failed internal processes, people and systems, or from external events.

Operational risk arises as a result of business activities. It is the Bank's objective to minimize exposure to operational risk, subject to cost tradeoffs. Operational risk exposures are managed through a framework of policies and procedures that drive risk identification, assessment, control, and monitoring.

Responsibility for the management of operational risk rests with businesses and functions as an integral component of their first line risk management responsibility.

ii) Operational risk management organization and structure

Governance over operational risk management is achieved through a defined structure of committees.

The Risk Committee is responsible for ensuring processes and procedures are in place for the monitoring and control of overall risk. The Risk Committee meets regularly to review exposure and compliance reports for limit compliance and stress testing.

(Continued)

The Country Operational Risk Committee ("CORC"), headed by the Chief Executive Officer, is responsible for the direct management of operational risks across the Bank, and for ensuring that an appropriate and robust risk management framework is in place to monitor and manage operational risk.

The Bank also receives strong support from SCB regional and group business and operational risk management functions based outside of Taiwan.

iii) The scope and characteristics of operational risk report and evaluation system

The following risk types fall within the scope of operational risk, including tax risk, financial risk, vendor risk, technology risk, operations risk, Corporate Real Estate Services (CRES) risk, employee risk, legal risk, financial crime risk, and compliance risk.

The on-going effectiveness of operational risk controls is ensured through an assurance approach that comprises three distinct lines of responsibility. At its foundation is the responsibility that businesses and functions have to adhere to control requirements and to periodically test adherence through control sample testing performed on controls embedded within critical processes.

iv) Policies for operational risk hedge/mitigation, as well as the strategy and procedure for maintaining efficiency in risk hedge/mitigation tools

The operational risk management procedures and processes are integral components of the broader Risk Management Framework. Operational risks are managed through an end to end process of identification, assessment, control and monitoring. This four step management process is performed at all levels across the Bank and is the foundation of the management approach. Once identified risks are assessed against standard criteria to determine their significance and the degree of risk mitigation effort required to reduce the exposure to acceptable levels. Risk mitigation plans are overseen by the appropriate governance committee.

v) Method used for regulatory capital calculation

Basic Indicator Approach

iii. Legal risk

Legal risk arises from the possibility that an entity may not be able to comply with regulations issued by the government and may not be able to enforce a contract against another party. Legal risk arises from possible risk of loss due to an unenforceable contract or an "ultra vires" act of a counterparty. Legal risk involves the potential illegality of the contract, as well as the possibility that the other party entered into the contract without proper authority. The legal affairs department of the Bank is responsible for providing professional legal consulting and review services for internal regulations and all counterparty's contracts, and making sure that the Bank follows the financial regulations and operational regulations.

(Continued)

iv. Credit risk management

i) Credit risk strategy, goal, policy and procedure

The management of risk lies at the heart of Standard Chartered's business. One of the main risks we incur arises from extending credit to customers through our trading and lending operations.

Effective risk management is fundamental to being able to generate profits consistently and sustainably and is thus a central part of the financial and operational management of the Bank.

A. Strategy and Goal

Through our risk management framework we manage enterprise-wide risks, with the objective of optimizing risk-adjusted returns while remaining within our risk appetite.

As part of this framework, we use a set of principles that describe the risk management culture we wish to sustain:

a. Balancing risk and reward: risk is taken in support of the requirements of our stakeholders, in line with our strategy and within our risk appetite;

b. Responsibility: it is the responsibility of all employees to ensure that risk-taking is disciplined and focused. We take account of our social, environmental and ethical responsibilities in taking risk to produce a return;

c. Accountability: risk is taken only within agreed authorities and where there is appropriate infrastructure and resource. All risk-taking must be transparent, controlled and reported;

d. Anticipation: We seek to anticipate future risks and maximize awareness of all risks: and

e. Competitive advantage: We seek competitive advantage through efficient and effective risk management and control

B. Policies and Procedures

The credit policies and procedures are considered and approved by the BOD, which also oversees the delegation of credit approval and loan impairment provisioning authorities. Policies and procedures that are specific to each business are established. These are consistent with the Group-wide credit policies, but are more detailed and adapted to reflect the different risk environments and portfolio characteristics.

ii) Credit risk management organization and structure

Ultimate responsibility for the effective management of risk rests with the Bank Board. The Risk Committee, through its authority delegated by the Board via the Executive Committee, is directly responsible for the management of credit risk.

The management of credit risk includes approving standards (and policies) for the measurement and management of credit risk, approval of delegated approval authority framework and responsibilities to sub-committees and to Risk Officers. The Risk function is independent of the origination, trading and sales functions to ensure that the necessary balance in risk/return decisions is not compromised. The Board and Executive Committee receive regular reports on risk management and are authorized to investigate or seek any information relating to an activity within its term of reference.

Internal Audit is an independent function that reports to the Board. It provides assurance that policies and procedures are being complied with. The findings and recommended corrective actions from the audits are reported to all relevant management and governance bodies.

To ensure the effectiveness of risk management processes in maintaining the risk profile of the Bank, it maintains three lines of defence. The First Line of Defence requires that all employees ensure the effective management of all risks within the scope of their direct organizational responsibilities. The Second Line of Defence comprises Risk Control Owners, supported by their respective control and assurance functions. The Third Line of Defence is the independent assurance provided by Internal Audit of the effectiveness of the First and Second Lines of Defence.

iii) The scope and characteristics of credit risk report and evaluation system

Risk measurement plays a central role, along with judgment and experience, in informing risk-taking and portfolio management decisions. It is a primary area for sustained investment and senior management attention.

Various risk measurement systems are available to the Risk function to enable them to assess and manage the credit portfolio. These include systems to calculate probability of default (PD), loss given default (LGD) and exposure at default (EAD) on a transaction, counterparty and portfolio basis.

A number of internal risk management reports are produced on a regular basis, providing information such as; individual counterparty, counterparty group, portfolio exposure, credit grade migration, the status of accounts or portfolios showing signs of weakness or financial deterioration, models performance and updates on credit markets.

The Bank regularly monitors credit exposures, portfolio performance, and external trends which may impact risk management outcomes. Internal risk management reports are presented to risk committees, containing information on key environmental, political and economic trends across major portfolios and countries; portfolio delinquency and loan impairment performance.

iv) Policies for credit risk hedge and mitigation, as well as the strategy and procedure for maintaining efficiency in risk hedge and mitigation tools

(Continued)

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and other guarantees. The reliance that can be placed on these mitigates is carefully assessed in light of potential issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor.

Risk mitigation policies determine the eligibility of collateral types. Collateral types which are eligible for risk mitigation include: cash, residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; bank guarantees and letters of credit. The Bank also enters into collateralized reverse repurchase agreements.

Where guarantees or credit derivatives are used as Credit Risk Mitigation (CRM) the creditworthiness is assessed and established using the credit approval process in addition to that of the obligor or main counterparty.

Collateral is valued in accordance with the CRM, which prescribes the frequency of valuation for different collateral types, based on the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Collateral held against impaired loans is maintained at fair value.

Certain credit exposures, e.g. non-recourse receivable service, are mitigated using credit default insurance.

Bilateral and multilateral netting are used to reduce settlement counterparty risk. Settlement exposures are generally netted using bilateral netting documentation in legally approved jurisdictions. Delivery vs Payments or Payment vs Payments systems.

v) Method used for regulatory capital calculation

Standardized Approach

vi) Maximum exposure to credit risk

Without taking collateral or other credit enhancement mitigation effect into account, the maximum exposure to credit risk of on-balance-sheet financial assets is equal to their carrying values. Maximum exposures of financial instruments (without taking collateral or other credit enhancement, and irrevocable maximum exposure) were as follows:

	Maximum exposure to credit risk		
Off-balance-sheet items	**December 31, 2013**	**December 31, 2012**	**January 1, 2012**
Unused amount of irrevocable credit commitments	$ 3,927,407	2,177,170	1,169,610
Unused amount of irrevocable letters of credit	2,166,243	1,878,599	2,291,150
Other guarantees	7,194,171	7,066,722	9,390,534
Total	$ 13,287,821	11,122,491	12,851,294

Due to the Bank's use of a more strict selection process for credit risk followed by subsequent periodic review, the Bank's management assessed a more sustainable control to minimize the Bank's off-balance-sheet items for credit risk.

vii) Concentrations of credit risk

Financial instruments counterparties are significantly concentrated onto one person or multiple persons. Concentration of credit risk exists if a number of counterparties are engaged in similar activities or activities in the same region, or have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Bank's concentration of credit risk are derived from assets, liabilities or off-balance sheet items, compliance or enforcement by transactions (regardless of the product or service), or arises from a combination of categories including credit, due from banks and call loans to banks, portfolio investments, and other receivables and derivatives. The Bank currently has no concentration of transaction to a single counterparty nor a single transaction with a counterparty for the Bank's discount and loans, and non-performing loans that are significant. The following table illustrates the diversification of the loan portfolio among industry sectors, geographical regions and collateral types of the Bank and its subsidiaries:

A. By industry

	December 31, 2013	December 31, 2012	January 1, 2012
Manufacturing	$ 55,128,497	43,306,915	36,758,508
Commercial	14,609,759	15,019,866	7,932,603
Construction industry	5,701,012	1,455,281	6,142,979
Financial industry	22,731,147	12,947,258	3,104,060
Individual	247,122,625	267,830,077	285,470,139
Other	20,655,580	15,054,286	10,890,473
Total	$ 365,948,620	355,613,683	350,298,762

B. By area

	December 31, 2013	December 31, 2012	January 1, 2012
Domestic	$ 301,305,124	309,527,423	325,786,279
Overseas	64,643,496	46,086,260	24,512,483
Total	$ 365,948,620	355,613,683	350,298,762

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

C. By collateral

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecured	$ 132.334.919	115.398.529	98.509.328
Secured			
—Financial	6.413.012	8,906.954	5.123.415
—Real estate	210.701.761	217.428.563	238.101.828
—Other	16.498.928	13.879.637	8.564.191
Total	$ 365,948,620	355,613,683	350,298,762

viii) Credit quality and impairment analysis on financial asset

Some of the financial assets held by the Bank. such as cash and equivalent cash. due from Central Bank. call loans to banks. and financial assets measured at fair value through profit or loss are excluded from this analysis since the counterparty is normally with good credit quality and can be considered as low credit risk. Below tables provide the credit quality analysis for other financial assets.

A. Credit quality analysis

	December 31, 2013					
				Allowance for bad debts		
	Neither past due nor impaired	Past due but Not impaired	Impaired	Individually impaired	Collectively impaired	Total
Receivables						
Credit cards accounts receivable	$ 4.671.389	152.554	974.624	269.605	54.773	5.474.189
Accounts receivable factoring without recourse	23.878.092	-	-	-	-	23.878.092
Discounts and loans						
Consumer banking	231.569.761	5.253.094	5.458.668	1.313.237	2.128.012	238.840.274
Wholesale banking	121.890.198	306.587	1.470.312	1.585.668	247.699	121.833.730
Available-for-sale financial assets	230.073.502	-	97.797	14.469	-	230.156.830
	$ 612.082.942	5.712.235	8.001.401	3.182.979	2.430.484	620.183.115

	December 31, 2012					
				Allowance for bad debts		
	Neither past due nor impaired	Past due but Not impaired	Impaired	Individually impaired	Collectively impaired	Total
Receivables						
Credit cards accounts receivable	$ 4.789.353	214.090	758.815	158.243	62.055	5.541.960
Accounts receivable factoring without recourse	26.424.694	-	-	-	-	26.424.694
Discounts and loans						
Consumer banking	251.692.386	7.026.842	5.592.448	1.261.479	2.199.088	260.851.109
Wholesale banking	88.245.839	302.523	2.753.645	1.782.096	205.678	89.314.233
Available-for-sale financial assets	226.284.479	-	93.322	14.469	-	226.363.332
	$ 597.436.751	7.543.455	9.198.230	3.216.287	2.466.821	608.495.328

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

	January 1, 2012					
				Allowance for bad debts		
	Neither past due nor impaired	Past due but Not impaired	Impaired	Individually impaired	Collectively impaired	Total
Receivables						
Credit cards accounts receivable	$ 4.619.461	124.740	1.028.344	206.744	258.007	5.307.794
Accounts receivable factoring without recourse	25.387.750	-	-	-	-	25.387.750
Discounts and loans						
Consumer banking	266.462.917	6.548.423	5.269.949	1.072.816	1.872.901	275.335.572
Wholesale banking	68.730.070	297.909	2.989.494	1.059.128	228.653	70.729.692
Available-for-sale financial assets	210.037.844	-	1.898.855	62.678	-	211.874.021
	$ 575,238,042	6,971,072	11,186,642	2,401,366	2,359,561	588,634,829

B. Credit quality analysis on neither past due nor impaired loans and advances. The credit quality categorization based on the bank's internal risk rating which is defined in internal master scale.

	December 31, 2013			
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	$ -	-	4,671.389	4.671.389
Accounts receivable factoring without recourse	16.464.642	2.469.840	4.943.610	23.878.092
Discounts and loans				
Consumer banking	4.489.699	-	227.080.062	231.569.761
Wholesale banking	29.964.772	28.669.323	63.256.103	121.890.198
Total	$ 50,919,113	31,139,163	299,951,164	382,009,440

	December 31, 2012			
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	$ -	-	4.789.353	4.789.353
Accounts receivable factoring without recourse	20.523.265	3.570.619	2.330.810	26.424.694
Discounts and loans				
Consumer banking	5.387.457	-	246.304.929	251.692.386
Wholesale banking	21.040.654	17.503.008	49.702.177	88.245.839
Total	$ 46,951,376	21,073,627	303,127,269	371,152,272

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

		January 1, 2012		
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	$ -	-	4,619,461	4,619,461
Accounts receivable factoring without recourse	19,705,400	3,306,317	2,376,033	25,387,750
Discounts and loans				
Consumer banking	3,092,079	-	263,370,838	266,462,917
Wholesale banking	13,960,805	12,722,263	42,047,002	68,730,070
Total	$ 36,758,284	16,028,580	312,413,334	365,200,198

C. Credit quality analysis on past due but not impaired loans and receivables. The credit quality categorization based on the Bank's internal risk rating which is defined in internal master scale.

		December 31, 2013		
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	$ 1,882	2,193	148,479	152,554
Discounts and loans				
Consumer banking	321,718	400,971	4,530,405	5,253,094
Wholesale banking	-	-	306,587	306,587
Total	$ 323,600	403,164	4,985,471	5,712,235

		December 31, 2012		
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	$ 3,496	2,267	208,327	214,090
Discounts and loans				
Consumer banking	288,239	583,994	6,154,609	7,026,842
Wholesale banking	-	-	302,523	302,523
Total	$ 291,735	586,261	6,665,459	7,543,455

(Continued)

	January 1, 2012				
		Investment grade	Sub-investment grade	High risk grade	Total
Receivables					
Credit cards accounts receivable	$	3.917	2.090	118,733	124,740
Discounts and loans					
Consumer banking		223.545	401.873	5,923.005	6.548.423
Wholesale banking		-	-	297,909	297,909
Total	$	227,462	403,963	6,339,647	6,971,072

D. Credit quality analysis on neither past due nor impaired financial assets. The credit quality categorization based on the issuer's internal risk rating which is defined in internal master scale.

	December 31, 2013				
		Investment grade	Sub-investment grade	High risk grade	Total
Available-for-sale financial assets					
Bonds	$	230,073,502	-	-	230,073,502

	December 31, 2012				
		Investment grade	Sub-investment grade	High risk grade	Total
Available-for-sale financial assets					
Bonds	$	226,284,479	-	-	226,284,479

	January 1, 2012				
		Investment grade	Sub-investment grade	High risk grade	Total
Available-for-sale financial assets					
Bonds	$	210,037,844	-	-	210,037,844

ix) Aging analysis on past due but not impaired financial assets

Customer in the early stage of delinquency due to some temporary administration reasons can result in past due but not impairment. According to the internal credit risk assets impairment evaluation guideline. a less than 90-day past due loan is typically not to be treated as impairment unless there is other objective evidence showing the potential loss.

		December 31, 2013				
		Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Receivables						
Credit cards accounts receivable	$	70,647	29,360	22,933	29,614	152,554
Discounts and loans						
Consumer banking		3,500,795	960,447	449,473	342,379	5,253,094
Wholesale banking		235,122	39,503	14,433	17,529	306,587
Total	$	3,806,564	1,029,310	486,839	389,522	5,712,235

		December 31, 2012				
		Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Receivables						
Credit cards accounts receivable	$	100,519	44,203	29,709	39,659	214,090
Discounts and loans						
Consumer banking		4,498,932	1,304,007	692,259	531,644	7,026,842
Wholesale banking		230,465	20,771	11,087	40,200	302,523
Total	$	4,829,916	1,368,981	733,055	611,503	7,543,455

		January 1, 2012				
		Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Receivables						
Credit cards accounts receivable	$	63,154	24,852	18,313	18,421	124,740
Discounts and loans						
Consumer banking		4,124,812	1,342,913	653,760	426,938	6,548,423
Wholesale banking		265,917	19,905	3,884	8,203	297,909
Total	$	4,453,883	1,387,670	675,957	453,562	6,971,072

x) Asset quality of non-performing loans and overdue receivables

A. Asset quality of the Bank

Unit: in thousands of New Taiwan Dollars, %

Product			Period: December 31, 2013				
Product			Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Wholesale Banking	Secured		239,792	25,395,478	0.94 %	179,276	74.76 %
	Unsecured		721,164	98,271,619	0.73 %	1,654,091	229.36 %
Consumer Banking	Mortgage		581,428	192,323,029	0.30 %	1,367,330	235.17 %
	Personal loan		412,810	45,468,745	0.91 %	2,067,633	500.87 %
	Others	Secured	-	672,456	- %	-	- %
		Unsecured	-	3,817,293	- %	6,286	- %
Total			1,955,194	365,948,620	0.53 %	5,274,616	269.77 %
			Overdue	Accounts receivables	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			37,939	5,798,567	0.65 %	324,378	855.00 %
Factoring loan receivable without recourse			-	23,878,092	- %	-	- %

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Product			Period: December 31, 2012 Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Wholesale Banking	Secured		122,083	21,716,460	0.56 %	765,370	626.93 %
	Unsecured		990,716	69,585,547	1.42 %	1,222,404	123.39 %
Consumer Banking	Mortgage		834,357	201,380,086	0.41 %	1,367,330	163.88 %
	Personal loan		542,323	57,544,132	0.94 %	2,089,812	385.34 %
	Others	Secured	-	750,352	- %	-	- %
		Unsecured	-	4,637,106	- %	3,425	- %
Total			2,489,479	355,613,683	0.70 %	5,448,341	218.85 %
			Overdue	Accounts receivables	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			41,280	5,762,258	0.72 %	220,298	533.67 %
Factoring loan receivable without recourse			-	26,424,694	- %	-	- %

Product			Period: January 1, 2012 Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Wholesale Banking	Secured		113,017	24,030,880	0.47 %	389,248	344.42 %
	Unsecured		76,784	47,986,593	0.16 %	898,533	1,170.21 %
Consumer Banking	Mortgage		995,509	218,760,987	0.46 %	1,216,694	122.22 %
	Personal loan		359,158	56,415,663	0.64 %	1,725,771	480.50 %
	Others	Secured	-	847,704	- %	-	- %
		Unsecured	-	2,256,935	- %	3,252	- %
Total			1,544,468	350,298,762	0.44 %	4,233,498	274.11 %
			Overdue	Accounts receivables	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			19,375	5,772,545	0.34 %	464,751	2,398.71 %
Factoring loan receivable without recourse			-	25,387,750	- %	-	- %

The information below shows that may be exempted from reporting as overdue loans and overdue receivables, respectively.

Unit: in thousands of New Taiwan Dollars

	December 31, 2013 Loans that may be exempted from reporting as overdue loan	December 31, 2013 Receivables that may be exempted from reporting as overdue receivables	December 31, 2012 Loans that may be exempted from reporting as overdue loan	December 31, 2012 Receivables that may be exempted from reporting as overdue receivables
The amount under inter-bank debt relief program without default by debtors	$ 15,678	57,287	20,895	75,306
The amount under debt discharge program and rehabilitation program without default by debtors	553,150	55,447	475,817	-
	$ 568,828	112,734	496,712	75,306

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

		January 1, 2012	
		Loans that may be exempted from reporting as overdue loan	Receivables that may be exempted from reporting as overdue receivables
The amount under inter-bank debt relief program without default by debtors	$	27,145	99,544
The amount under debt discharge program and rehabilitation program without default by debtors		429,271	-
	$	456,416	99,544

B. Concentration of corporate credit risk for the bank

Units: in thousands of New Taiwan Dollars, %

December 31, 2013				
Rank	Industry classification of group enterprise		Outstanding credit	% of net assets
1	A Group	Other computer peripheral manufacturing industry	4,925,019	11.61 %
2	B Group	Petrochemical manufacturing	3,595,451	8.48 %
3	C Group	Other computer peripheral manufacturing industry	3,403,307	8.03 %
4	D Group	Other weaving industry	3,143,766	7.41 %
5	E Group	Sheet glass and glass manufacturing products manufacturing	3,027,298	7.14 %
6	F Group	Semiconductors packaging and testing	2,790,026	6.58 %
7	G Group	Shoes industry	2,391,620	5.64 %
8	H Company	Other chemical manufacturing	2,386,828	5.63 %
9	I Group	Aviation transportation	2,032,068	4.79 %
10	J Group	Other computer peripheral manufacturing industry	2,015,117	4.75 %

(Continued)

December 31, 2012				
Rank	**Industry classification of group enterprise**		**Outstanding credit**	**% of net assets**
1	B Group	Petrochemical manufacturing	3.187.547	7.42 %
2	A Group	Other computer peripheral manufacturing industry	3.048.214	7.09 %
3	K Group	Cement manufacturing	2.846.157	6.62 %
4	E Group	Sheet glass and glass manufacturing products manufacturing	2.605.617	6.06 %
5	D Group	Other weaving industry	2.445.178	5.69 %
6	F Group	Semiconductors packaging and testing	1.923.089	4.47 %
7	L Company	Banking	1.914.763	4.45 %
8	M Company	Banking	1.859.884	4.33 %
9	N Company	Banking	1.806.378	4.20 %
10	O Company	Tire manufacturing	1.742.134	4.05 %

January 1, 2012				
Rank	**Industry classification of group enterprise**		**Outstanding credit**	**% of net assets**
1	P Company	Audio and video electronic products manufacturing	4.540,436	10.23 %
2	A Group	Other computer peripheral manufacturing industry	2.539,332	5.72 %
3	F Group	Semiconductors packaging and testing	2.048.904	4.62 %
4	K Group	Cement manufacturing	1.944.819	4.38 %
5	O Company	Tire manufacturing	1.816.174	4.09 %
6	Q Company	Drugs and medicines manufacturing	1.774.955	4.00 %
7	R Company	Integrated circuit manufacturing	1.696.163	3.82 %
8	E Group	Sheet glass and sheet glass products manufacturing	1,572.072	3.54 %
9	S Company	Monitors and terminals manufacturing industry	1,503.064	3.39 %
10	D Group	Other weaving industry	1.422.670	3.21 %

Note: the above listed group enterprises refer to a group of corporate entities defined by the Sixth Article of the Supplementary Provisions to the Taiwan Stock exchange Corporation Criteria for Review of Securities Listings.

v. Liquidity risk management mechanism

i) Definition and sources of liquidity risk

Liquidity risk is the potential that the Bank either does not have sufficient liquid financial resources available to meet all its obligations as they fall due. or can only access these financial resources at excessive cost.

(Continued)

ii) Management procedure of liquidity risk

The Liquidity Risk Framework governs liquidity risk and is managed by Asset and Liability Committee. The Bank maintains a liquid portfolio of marketable securities as a liquidity buffer as required by local regulation. In total. it maintains a liquidity buffer of TWD239.6bn. which is equivalent to 31.6% of the Bank's total assets. The level of the Bank's aggregate liquid reserves is in accordance with local regulatory minimum liquidity requirements.

The asset side of the balance sheet is of equal importance to the Bank's balance sheet as the liability side. The Bank's balance sheet is fluid as evidenced by the majority of WB lending and fixed income assets are contractually less than one year in tenor.

The Bank is of the view that capital is not a mitigant for liquidity risk; liquid reserves and a short tenured book are the appropriate mitigant. Accordingly, the Bank does not hold capital in respect of liquidity risk.

iii) Financial assets held for liquidity risk management

The Bank holds cash and high quality liquid interest earning assets to support the repay liability and the potential urgency for cash demand emerges from market environment. The assets held for liquidity risk management include cash and cash equivalent. due from the Central Bank and call loans to banks. financial assets at fair value through profit or loss. discounts and loans, available-for-sale financial assets. and held-to-maturity financial assets.

iv) Maturity analysis of non-derivatives liabilities

The table below shows the analysis of cash outflows of non-derivatives liabilities based on time remaining until the contractual maturity date. The amount disclosed is based on contractual cash flows and may be different from that included in the balance sheets.

	December 31, 2013				
	Within 3 months	3 months~1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and the banks	$ 37.668.206	8.317.466	-	-	45.985.672
Deposits and remittances	406.509.716	165.749.484	5.326.645	-	577.585.845
Bank notes payable	16.660.044	9.803.015	17.039.669	12.057.197	55.559.925
Other financial liabilities	1.577.657	10.263.786	1.278.579	-	13.120.022
Total	$ 462.415.623	194.133.751	23.644.893	12.057.197	692.251.464

	December 31, 2012				
	Within 3 months	3 months~1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and the banks	$ 8.220.944	1.063.039	-	-	9.283.983
Deposits and remittances	397.093.200	162.292.496	3.686.281	-	563.071.977
Bank notes payable	8.715.484	6.550.805	28.026.643	18.721.605	62.014.537
Other financial liabilities	3.157.766	2.000.000	28.532.470	1.000.000	34.690.236
Total	$ 417.187.394	171.906.340	60.245.394	19.721.605	669.060.733

(Continued)

	January 1, 2012				
	Within 3 months	3 months~1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and the banks	$ 17,243,476	1,146,913	-	-	18,390,389
Deposits and remittances	420,055,136	147,055,447	29,041,109	-	596,151,692
Bank notes payable	9,091,871	-	18,600,092	19,820,207	47,512,170
Other financial liabilities	5,884,948	100,000	1,210,783	2,900,001	10,095,732
Total	$ 452,275,431	148,302,360	48,851,984	22,720,208	672,149,983

v) Maturity analysis of derivative financial liabilities

The Bank evaluates the maturity of the derivative financial liabilities listed on the balance sheets to analyze their basic elements. The amount disclosed in based on contractual cash flows and may be different from those included in the balance sheets. The maturity analysis of net settled derivative liabilities is as follows:

A. Maturity analysis of net settled derivatives

	December 31, 2013					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit and loss						
—Foreign exchange derivative instruments	$ 31,053	38,684	231,769	516,577	289,284	1,107,367
—Interest rate derivative instruments	15,998	16,015	55,239	245,992	2,345,484	2,678,728
Derivative financial liabilities—hedging						
—Interest rate derivative instruments	18	-	890	49	2,270	3,227
	$ 47,069	54,699	287,898	762,618	2,637,038	3,789,322

	December 31, 2012					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit and loss						
—Foreign exchange derivative instruments	$ 1,284	2,763	20,936	6,814	-	31,797
—Interest rate derivative instruments	13,256	228,805	206,517	236,305	3,706,451	4,391,334
Derivative financial liabilities—hedging						
—Interest rate derivative instruments	-	-	791	3,810	8,922	13,523
	$ 14,540	231,568	228,244	246,929	3,715,373	4,436,654

(Continued)

	January 1, 2012					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit and loss						
—Foreign exchange derivative instruments	$ 14,984	33,808	443,307	46,793	1,027	539,919
—Interest rate derivative instruments	96,240	438,735	577,646	838,421	6,316,153	8,267,195
Derivative financial liabilities—hedging						
—Interest rate derivative instruments	-	-	20	-	19,001	19,021
—Foreign exchange derivative instruments	73,420	-	-	-	-	73,420
	$ 184,644	472,543	1,020,973	885,214	6,336,181	8,899,555

B. Maturity analysis of gross settled derivatives

	December 31, 2013					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit and loss						
—Foreign exchange derivative instruments						
—Cash outflow	$ 139,928,194	94,186,357	30,984,588	38,087,214	14,456,070	317,642,423
—Cash inflow	138,684,190	93,646,354	30,653,576	37,433,299	14,345,527	314,762,946
Net cash flow	$ (1,244,004)	(540,003)	(331,012)	(653,915)	(110,543)	(2,879,477)

	December 31, 2012					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit and loss						
—Foreign exchange derivative instruments						
—Cash outflow	$ 102,711,731	78,326,077	33,085,063	37,754,822	19,485,844	271,363,537
—Cash inflow	101,838,597	77,271,768	32,679,158	37,405,670	19,081,740	268,276,933
Net cash flow	$ (873,134)	(1,054,309)	(405,905)	(349,152)	(404,104)	(3,086,604)

	January 1, 2012					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit and loss						
—Foreign exchange derivative instruments						
—Cash outflow	$ 86,990,279	108,880,304	29,196,018	36,984,818	6,773,753	268,825,172
—Cash inflow	85,865,976	107,531,737	29,043,370	37,673,438	7,038,573	267,153,094
Net cash flow	$ (1,124,303)	(1,348,567)	(152,648)	688,620	264,820	(1,672,078)

(Continued)

vi) Maturity analysis of off-balance-sheet items

Table below shows the maturity analysis of off-balance-sheet items for the Bank. The amount of the guarantee and committed credit lines will be allocated to the earliest period when such obligation can be exercised anytime by clients. The amount disclosed is based on contractual cash flow and may be different from that included in the individual balance sheets.

	December 31, 2013				
	0-30 days	31-90 Days	91 days-1 year	Over 1 year	Total
Other guarantees	$ 293,288	731,379	2,640,670	3,528,834	7,194,171
Unused amount of irrevocable loan commitment	150,000	-	2,609,090	1,168,317	3,927,407
Unused amount of irrevocable letter of credit	517,559	1,428,833	219,851	-	2,166,243
	$ 960,847	2,160,212	5,469,611	4,697,151	13,287,821

	December 31, 2012				
	0-30 days	31-90 Days	91 days-1 year	Over 1 year	Total
Other guarantees	$ 30,656	119,157	684,011	6,232,898	7,066,722
Unused amount of irrevocable loan commitment	200,000	-	1,036,512	940,658	2,177,170
Unused amount of irrevocable letter of credit	74,387	1,263,717	324,321	216,174	1,878,599
	$ 305,043	1,382,874	2,044,844	7,389,730	11,122,491

	January 1, 2012				
	0-30 days	31-90 Days	91 days-1 year	Over 1 year	Total
Other guarantees	$ 30,656	297,887	465,064	8,596,927	9,390,534
Unused amount of irrevocable loan commitment	-	-	286,949	882,661	1,169,610
Unused amount of irrevocable letter of credit	292,200	1,036,400	828,626	133,924	2,291,150
	$ 322,856	1,334,287	1,580,639	9,613,512	12,851,294

vii) Structure Analysis of Maturity Date New Taiwan Dollars

December 31, 2013

		Remaining period to expiration					
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	$ 764,150,784	103,922,050	53,989,266	92,366,834	78,450,819	174,376,893	261,044,922
Capital used	764,508,329	36,224,072	94,775,117	132,265,008	114,039,394	102,079,450	285,125,288
Cap	(357,545)	67,697,978	(40,785,851)	(39,898,174)	(35,588,575)	72,297,443	(24,080,366)

December 31, 2012

		Remaining period to expiration					
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	$ 796,223,830	144,337,128	46,486,205	56,801,342	101,985,455	176,682,452	269,931,248
Capital used	796,639,425	75,352,281	69,232,627	90,529,993	124,157,229	92,979,710	344,387,585
Cap	(415,595)	68,984,847	(22,746,422)	(33,728,651)	(22,171,774)	83,702,742	(74,456,337)

January 1, 2012

		Remaining period to expiration					
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	$ 828,288,527	131,077,702	48,699,865	120,082,839	72,244,490	174,627,253	281,556,378
Capital used	845,379,289	57,517,132	64,066,084	184,292,171	108,323,178	89,799,803	341,380,921
Cap	(17,090,762)	73,560,570	(15,366,219)	(64,209,332)	(36,078,688)	84,827,450	(59,824,543)

(Continued)

viii) Structure Analysis of Maturity Date US Dollars

December 31, 2013

Units: in thousands of US Dollars

	Total	Remaining period to expiration				
		0~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	$ 14,636,005	6,430,950	3,863,505	1,901,014	1,291,366	1,149,170
Capital used	14,747,801	5,962,576	3,438,741	1,439,953	1,956,107	1,950,424
Gap	(111,796)	468,374	424,764	461,061	(664,741)	(801,254)

December 31, 2012

	Total	Remaining period to expiration				
		0~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	$ 11,924,036	4,903,564	3,166,560	1,575,848	1,303,847	974,217
Capital used	11,955,176	4,559,336	3,356,929	959,154	1,338,252	1,741,505
Gap	(31,140)	344,228	(190,369)	616,694	(34,405)	(767,288)

January 1, 2012

	Total	Remaining period to expiration				
		0~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	$ 12,475,547	4,363,809	5,017,542	1,509,401	1,199,636	385,159
Capital used	12,618,871	4,209,749	4,914,597	1,108,572	1,508,339	877,614
Gap	(143,324)	154,060	102,945	400,829	(308,703)	(492,455)

(e) Capital management

i. Summary

The goal of the Bank's capital management is shown below:

i) Meeting the regulatory capital requirement and the minimum capital adequacy ratio is the Bank's basic goal for capital management. The Bank calculates qualified capital and regulatory capital requirement in accordance with rules issued by the regulator.

ii) To ensure keeping adequate capital to support all the risks surrounding its business, the Bank should take the risk combination and the characters of risk into consideration when measuring the Bank's required capital. At the meanwhile, the Bank should maximize resource allocation through risk management by means of capital allocation.

ii. Capital management procedure

The Bank maintains the capital adequacy ratio in line with the requirement made by the regulator, and report to the regulator on a quarterly basis.

The Bank's capital is managed by the Asset and Liability Committee. The Bank's capital is divided into Tier 1 Capital and Tier 2 Capital following the "Regulations Governing the Capital Adequacy and Capital Category of Banks":

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

i) Tier 1 Capital: The aggregate amount of Common Equity and additional Tier 1 Capital.

A. Common equity Tier 1 capital: Consists of the common equity deducting intangible assets, the deferred tax assets due to losses from previous years, the insufficiency of operation reserves and loan loss provisions, the revaluation surplus of real estate, unamortized losses on sales of non-performing loans, and the statutory adjustment items calculated in accordance with other rules for calculation methods.

The common equity Tier 1 capital shall mean the sum of the following items:

a. Common stock and additional paid-in capital in excess of par-common stock

b. Capital collected in advance

c. Capital reserves

d. Statutory surplus reserves

e. Special reserves

f. Accumulated profit or loss

g. Non-controlling interests

h. Other items of interest

B. Additional Tier 1 capital: Consists of the aggregate amount of non cumulative perpetual preferred stock and its capital stock premium, non cumulative and non perpetual subordinated debts etc.

ii) Tier 2 capital: Consists of the aggregate amount of cumulative perpetual preferred stock and its capital stock premium, cumulative perpetual subordinated debts, convertible subordinated debts, long-term subordinated debts and Non-perpetual preferred stock and its capital stock premium etc.

iii. Capital adequacy

Item		Period-end	December 31, 2013	December 31, 2012
Self-owned capital	Common stock capital		37.704.360	38.501.448
	Other Tier 1 capital		-	-
	Tier 2 capital		18.536.851	19.881.317
	Total self-owned capital		56.241.211	58.382.765
Risk-weighted assets	Credit risk	Standard approach (SA)	363.779.689	320.675.692
		Internal ratings-based approach (IRB)	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach (BIA)	30.296.999	31.379.656
		Standardized approach (SA)	-	-
		Advanced measurement approach (AMA)	-	-
	Market risk	Standardized approach/alternative approach	19.217.874	18.918.596
		Internal model-based approach (IMA)	-	-
	Total risk-weighted assets		413.294.562	370.973.944
Total risk-based capital			13.61 %	15.74 %
Ratio of common stock to total risk-based assets			9.12 %	10.38 %
Ratio of Tier 1 capital to risk-based assets			9.12 %	10.38 %
Leverage ratio			4.21 %	4.52 %

(7) Related-Party Transactions

1) Name and relationship of related parties

Name	Relationship
Standard Chartered Bank ("SCB")	The Bank's parent company
Standard Chartered Bank Taipei Branch ("SCB Taipei")	Affiliate
Standard Chartered Bank New York ("SCB New York")	Affiliate
Standard Chartered Bank Tokyo ("SCB Tokyo")	Affiliate
Standard Chartered Bank Singapore ("SCB Singapore")	Affiliate
Standard Chartered Bank Germany ("SCB Germany")	Affiliate
Scope International Private Limited	Affiliate
Scope International (M) Sdn Bhd	Affiliate
Standard Chartered Bank Hong Kong Limited ("SCB HK")	Affiliate
Standard Chartered Bank China Limited ("SCB China")	Affiliate
Standard Chartered Bank Bangkok Limited ("SCB BKK")	Affiliate
Standard Chartered Life Insurance Agency Co.. Ltd. ("Standard Chartered Life Insurance Agency")	Investee under equity method
Taiwan Standard Chartered Insurance Agency Co.. Ltd. ("Taiwan Standard Chartered Insurance Agency")	Investee under equity method
Directors. Supervisors. President and Vice Presidents	The senior management of the Bank
Others	Families. spouses of the senior management of the Bank

2) Significant transactions with related parties

(a) Deposits

December 31, 2013			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	$ 863,815	0.15	0.00~5.48

December 31, 2012			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	$ 790,139	0.14	0.00~5.28

The interest rate on employee savings accounts was calculated based on the interest rate of time savings deposits with three year term offered to the general public plus 3%.

For the years ended December 31, 2013 and 2012, interest expenses on the above deposits were $4,812 thousand and $4,191 thousand, respectively, and the interest payables on the above transaction were $270 thousand and $252 thousand, respectively.

(b) Loans

December 31, 2013							
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	Repayment: On-schedule	Repayment: Overdue	Collateral	Difference between terms and conditions offered to the accounts and to the general public
Employee consumer loans	11	5,199	2,305	2,305	-	Unsecured lending	None
Mortgage	21	189,231	144,797	144,797	-	House	None
Other	2	6,610	6,068	6,068	-	Overdraft on the comprehensive deposits	None

December 31, 2012							
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	Repayment: On-schedule	Repayment: Overdue	Collateral	Difference between terms and conditions offered to the accounts and to the general public
Employee consumer loans	8	5,950	3,188	3,188	-	Unsecured lending	None
Mortgage	17	170,970	160,719	160,719	-	House	None
Other	2	6,994	6,610	6,610	-	Overdraft on the comprehensive deposits	None

For the years ended December 31, 2013 and 2012, interest income on the above loans were $2,833 thousand and $2,205 thousand, respectively, and the interest receivables on the above transaction were $136 thousand and $142 thousand, respectively.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(c) Derivative transactions

			December 31, 2013			
		Contract		Net valuation	Balance sheet	
Name	Contracts	duration period	Notional	adjustment	Account	Balance
SCB	Interest rate swap	2014.1.17~ 2017.10.11	$ 25,105,084	(59,195)	Financial assets at fair value through profit or loss	98,387
					Financial liabilities at fair value through profit or loss	(157,582)
	Interest rate option contract	2017.5.15~ 2017.8.22	1,194,143	(10,760)	Financial liabilities at fair value through profit or loss	(10,760)
	Forward contract	2014.1.2~ 2014.11.20	100,319,785	(532,298)	Financial assets at fair value through profit or loss	343,306
					Financial liabilities at fair value through profit or loss	(875,604)
	Foreign exchange option contract	2014.1.2~ 2016.3.24	51,785,359	(827,474)	Financial assets at fair value through profit or loss	186,696
					Financial liabilities at fair value through profit or loss	(1,014,170)
	Commodity swap	2014.1.3~ 2014.8.4	362,610	(5,979)	Financial assets at fair value through profit or loss	8,637
					Financial liabilities at fair value through profit or loss	(14,616)
	Interest rate swap -(Hedge)	2014.10.16~ 2015.4.22	4,352,420	(2,199)	Derivative financial assets for hedging-net	120
					Derivative financial liabilities for hedging-net	(2,319)
SCB Singapore	Forward contract	2014.1.2~ 2014.12.17	32,370,238	(368,086)	Financial assets at fair value through profit or loss	102,013
					Financial liabilities at fair value through profit or loss	(470,099)
SCB HK	Forward contract	2014.1.6~ 2014.9.17	7,775,282	34,072	Financial assets at fair value through profit or loss	152,974
					Financial liabilities at fair value through profit or loss	(118,902)
SCB Tokyo	Forward contract	2014.1.16	795,663	1,807	Financial assets at fair value through profit or loss	1,807

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

December 31, 2012

Name	Contracts	Contract duration period	Notional	Net valuation adjustment	Balance sheet Account	Balance sheet Balance
SCB	Interest rate swap	2013.1.9~ 2017.10.11	$ 18,842,156	(181,650)	Financial assets at fair value through profit or loss	137,400
					Financial liabilities at fair value through profit or loss	(319,050)
	Interest rate option contract	2013.1.2~ 2017.8.22	2,286,528	2,129	Financial assets at fair value through profit or loss	2,601
					Financial liabilities at fair value through profit or loss	(472)
	Forward contract	2013.1.2~ 2013.11.6	57,122,853	217,649	Financial assets at fair value through profit or loss	655,146
					Financial liabilities at fair value through profit or loss	(437,497)
	Cross currency swap	2013.10.1	29,035	2,859	Financial assets at fair value through profit or loss	2,859
	Foreign exchange option contract	2013.1.1~ 2014.12.3	51,302,241	(497,729)	Financial assets at fair value through profit or loss	30,776
					Financial liabilities at fair value through profit or loss	(528,505)
	Commodity swap	2013.1.3~ 2013.6.4	687,614	392	Financial assets at fair value through profit or loss	41,881
					Financial liabilities at fair value through profit or loss	(41,489)
	Commodity option contract	2013.1.14~ 2013.7.2	618,771	(1,372)	Financial liabilities at fair value through profit or loss	(1,372)
	Interest rate swap (Hedge)	2013.5.2~ 2017.9.18	7,955,215	7,969	Derivative financial assets for hedging-net	8,225
					Derivative financial liabilities for hedging-net	(256)
SCB Singapore	Forward contract	2013.1.3~ 2013.8.22	13,965,608	(92,140)	Financial assets at fair value through profit or loss	75,228
					Financial liabilities at fair value through profit or loss	(167,368)
SCB HK	Forward contract	2013.1.4~ 2013.12.18	23,463,139	(107,356)	Financial assets at fair value through profit or loss	108,520
					Financial liabilities at fair value through profit or loss	(215,876)

(d) Deposits with banks—affiliates

	2013 Balance	Interest rate %	Interest income
SCB HK	$ 1,959,535	-	-
SCB China	1,476,935	-	-
SCB New York	846,312	2.00	931
SCB	482,100	-	-
Other	340,001	-	-
	$ 5,104,883		931

	2012 Balance	Interest rate %	Interest income
SCB New York	$ 531,282	0.08~1.28	1,537
SCB China	498,620	-	-
SCB HK	60,487	-	-
SCB Singapore	28,641	-	-
Other	34,046	-	-
	$ 1,153,076		1,537

(Continued)

(e) Call loans to banks—affiliates

	2013		
	Balance	Interest rate %	Interest income
SCB China	$ 20,705,133	3.50~8.00	296,781
SCB New York	13,135,571	0.25	5,508
SCB Taipei	8,476,784	0.06~1.38	84,510
Other	-	0.03~0.15	761
	$ 42,317,488		387,560

	2012		
	Balance	Interest rate %	Interest income
SCB Taipei	$ 35,088,854	0.10~1.93	232,387
Other	-	0.00~0.51	291
	$ 35,088,854		232,678

As of December 31, 2013 and 2012, the interest receivables resulting from the above loans and advances to affiliates were $62,130 thousand and $101,489 thousand, respectively

(f) Deposits from banks—affiliates

	2013		
	Balance	Interest rate %	Interest expense
SCB Taipei	$ 828,609	0.01	24

	2012		
	Balance	Interest rate %	Interest expense
SCB Taipei	$ 489	0.01~0.20	7

As of December 31, 2013 and 2012, the interest payables resulting from the above deposits and advances to affiliates were $3 thousand, and $0 thousand, respectively.

(g) Overdrafts on banks—affiliates

	2013		
	Balance	Interest rate %	Interest expense
SCB New York	$ -	0.60	277
SCB HK	-	6.25	185
SCB Germany	-	1.50	54
Other	-	1.50	5
	$ -		521

	2012		
	Balance	Interest rate %	Interest expense
SCB Germany	$ 89.885	-	-
SCB HK	33.844	0.01	52
SCB New York	-	0.60	559
SCB Tokyo	-	1.55	194
SCB	-	1.50	44
Other	45	-	-
	$ 123,774		849

As of December 31. 2013 and 2012. the interest payables. resulting from the above overdrafts and advances to affiliates were both $0 thousand.

(h) Call loans from banks—affiliates

	2013		
	Balance	Interest rate %	Interest expense
SCB Tokyo	$ 10,448.750	0.20~0.67	50.554
SCB HK	6.102.316	0.10~6.25	102.730
SCB BKK	4.478.036	0.65~0.75	17,342
SCB Singapore	1,492.678	0.67	1.597
SCB Taipei	1,400.000	0.45~0.82	2.908
Other	-	0.22~0.24	145
	$ 23,921,780		175,276

	2012		
	Balance	Interest rate %	Interest expense
SCB Tokyo	$ 303.496	0.01	14
SCB HK	235.366	0.07~3.00	25.127
SCB Taipei	-	0.20~1.38	42.797
Other	-	0.17~0.25	930
	$ 538.862		68.868

As of December 31. 2013 and 2012, the interest payables resulting from the above loans from affiliates were $24.070 thousand and $494 thousand. respectively.

(i) The fair values of financial debentures acquired from affiliates. which were recognized as available for sale financial assets were as follows:

	Fair value		
Name	December 31, 2013	December 31, 2012	January 1, 2012
SCB HK	$ 5.492.108	5.247.836	5.092.553

As of December 31, 2013 and 2012. the interest receivable resulting from the above transaction were $271.755 thousand and $240.648 thousand. respectively.

(j) Bank notes payables deriving from the issuance of financial debentures to affiliates were as follows:

Name	Bond (note)		December 31, 2013	December 31, 2012	January 1, 2012
SCB	98-2	$	4,478,036	4,355,292	4,540,436
SCB	98-3		4,478,036	4,355,292	4,540,436

Note: The issuance conditions and details of financial debentures are stated in note 4(16).

For the years ended December 31, 2013 and 2012, the interest expense on the above transaction were $325,801 thousand and $341,765 thousand, respectively, and the interest payables on the above transaction were $18,665 thousand and $18,493 thousand, respectively.

(k) For the years ended December 31, 2013, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were $903,989 thousand, $507,753 thousand, and $263,198 thousand, respectively. For the years ended December 31, 2012, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were $1,052,814 thousand, $535,044 thousand, and $277,831 thousand, respectively.. As of December 31, 2013 and 2012, fees payables to SCB were $7,302,507 thousand and $5,465,118 thousand, respectively, recorded under accounts payables—related parties. Moreover, for the years ended December 31, 2013 and 2012, the royalty expenses for obtaining the right to use intellectual property of SC PLC Group amounted to $40,786 thousand and $44,794 thousand, respectively. As of December 31, 2013 and 2012, the royalty expenses payable to SCB were $90,156 thousand and $48,663 thousand, respectively, recorded under accounts payables—related parties.

(l) For the years ended December 31, 2013 and 2012, the related cost of the Executive Share Option Scheme amounted to $54,127 thousand and $79,636 thousand, respectively. As of December 31, 2013 and 2012, accounts payable to SCB for the share-based payment scheme costs amounted to $55,063 thousand and $473,700 thousand, respectively, recorded under accounts payables—related parties.

(m) For the years ended December 31, 2013 and 2012, expenses resulting from operating activities with affiliates were as follows:

Name		2013	2012
Technical support mandate services:			
SCB	$	55,097	62,667
Information technology service fees:			
Scope International Private Ltd.	$	70,302	67,418
Scope International (M) Sdn Bhd		84,550	70,914
Total	$	154,852	138,332

(n) As of December 31, 2013 and 2012, the deposit ending balance, related interest expense and accrued interest of SCLIA were $645,157 thousand and $608,503 thousand, $2,409 thousand and $2,126 thousand, and $88 thousand and $48 thousand, respectively; the deposit ending balance, related interest expense and accrued interest of SCIAC were $37,980 thousand and $33,442 thousand, $129 thousand and $173 thousand, and $9 thousand and $1 thousand, respectively.

(Continued)

(o) For the years ended December 31, 2013 and 2012, SCBTL signed a rental contracts with SCB Taipei, related rental were both $15 thousand.

(p) As of December 31, 2013 and 2012, the accounts receivable and related service income that SCBTL supported the SCLIA for its sales were $420,370 thousand and $387,140 thousand, $432,007 thousand, $394,233 thousand, respectively; the accounts receivable and related service income that SCBTL supported the SCIAC for its sales were $11,230 thousand and $9,720 thousand, and $12,191 thousand and $10,767 thousand, respectively.

(q) For the years ended December 31, 2013 and 2012, SCBTL signed a rental contracts with SCB Taipei. Related rental were both $4,278 thousand.

3) The salary and remuneration of directors and supervisors

	2013	2012
Salary and other short term benefits	$ 218,228	291,704

(8) Pledged Assets

Unit: in thousands of New Taiwan dollars

Pledged assets	Pledged for	Amount December 31, 2013	Amount December 31, 2012	Amount January 1, 2012
Bonds (recognized as other assets)	Provision seizure	$ 131,400	165,200	209,200
	Securitization of mortgage loans	-	-	700,000
		$ 131,400	165,200	909,200

Refundable security deposits made in accordance with the relevant regulations governing bank operations:

Pledged assets	Pledged for	Amount December 31, 2013	Amount December 31, 2012	Amount January 1, 2012
Negotiable certificates of deposit, government bonds (recognized as other assets)	Trust indemnity reserve	$ 150,000	150,000	150,000
	Security deposits for futures trading	35,000	35,000	35,000
	Security deposits for security brokerage	225,000	225,000	225,000
	Reserve for trust funds	-	-	25,000
	Bid for bonds	100,000	100,000	50,000
		510,000	510,000	485,000
Guarantee deposits paid (recorded as other assets)	Security deposits for bond proprietary trading	175,702	171,772	198,747
Total		$ 685,702	681,772	683,747

1) Reserves for trust funds are provided by deposits that the Bank placed in the Central Bank of China for its trust custodian business.

2) Reserves for trust indemnity obligations are provided by deposits placed in the Central Bank of China for conducting a trust business.

3) Provision seizures are provided by collateral placed with the court in order to execute the Bank's right over debtors' properties.

4) Bid for bonds are provided by deposits placed in the Central Bank of China for the Bank's bill trading business.

5) Security deposits for bond proprietary trading and underwriting are provided by deposits placed in the OTC Securities Exchange for the Bank's government bond trading and underwriting business.

6) Security deposits for futures trading are operating bonds provided by deposits placed in the special account with the financial institution designated by the Financial Supervisory Commission.

7) Security deposits for security brokerage are operating bonds by deposits placed for operating business of securities commission agency, brokerage, agency, and other relevant businesses approved by the Competent Authority.

(9) Significant Contingent Liabilities and Unrecognized Contract Commitments

1) Commitments and contingent liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Consignment collection for others	$ 8,216,760	9,176,863	10,448,433
Traveler's checks held on consignment for sale	20,933	85,584	123,009
Securities, consignments and goods in custody	1,341,049,361	1,642,020,829	1,374,512,602
Trust assets	101,735,697	112,727,231	131,948,904
	$ 1,451,022,751	1,764,010,507	1,517,032,948
Other guarantees	$ 7,194,171	7,066,722	9,390,534
Unused lines of credit	$ 3,927,407	2,177,170	1,169,610
Unused letters of credit by customer	$ 2,166,243	1,878,599	2,291,150

2) Operating leases

Estimated irrevocable operating lease of minimum future lease payments were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Not later than one year	$ 474,496	518,034	517,107
Later than one year and not later than five years	522,501	884,127	1,420,117
Later than five years	-	-	618
Total	$ 996,997	1,402,161	1,937,842

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

3) Significant service agreements

The Bank entered into a banc assurance agreement with PCA Life Assurance Co., Ltd. ("PCA") to promote and sell approved insurance policies in October 2007. Pursuant to the agreement, during the contract period from October 2007 to September 2015, the Bank should establish a sales team for PCA life insurance products, maintain a customer database, and exclusively sell such life insurance products underwritten by PCA through the distribution networks in Taiwan. In consideration of the exclusive distribution arrangement, PCA had paid to the Bank a facilitation fee of USD 32,000 thousand. The amounts of $123,122 thousand were both recognized as fee income for the years ended December, 2013 and 2012, and the remaining amount was recognized as other liabilities—unearned receipts.

4) Disclosures required by Article 17 of the Trust Enterprise Law on trust balance sheets, trust income statements, and trust assets were as follows:

Trust balance sheet
December 31, 2013

Trust assets		Trust liabilities	
Bank deposits	$ 14,633	Accounts payables	$ 10
Short-term investments	96,455,236	Tax payables	1
Structured notes	3,981,298	Payables for securities under custody	1,284,526
Securities under custody	1,284,526	Trust capital	100,451,160
Other assets	4		
Total trust assets	$ 101,735,697	Total trust liabilities and capital	$ 101,735,697

Trust balance sheet
December 31, 2012

Trust assets		Trust liabilities	
Bank deposits	$ 18,069	Accounts payables	$ 14
Short-term investments	108,235,720	Tax payables	1
Structured notes	2,565,637	Payables for securities under custody	1,907,799
Securities under custody	1,907,799	Trust capital	110,819,417
Other assets	6		
Total trust assets	$ 112,727,231	Total trust liabilities and capital	$ 112,727,231

Trust balance sheet
January 1, 2012

Trust assets		Trust liabilities	
Bank deposits	$ 20,840	Accounts payables	$ 15
Short-term investments	123,343,564	Tax payables	2
Structured notes	6,037,371	Payables for securities under custody	2,547,111
Securities under custody	2,547,111	Trust capital	129,401,776
Other assets	18		
Total trust assets	$ 131,948,904	Total trust liabilities and capital	$ 131,948,904

(Continued)

Trust income statements

		2013	2012
Trust revenue:			
Interest revenue	$	80	113
Common stock cash dividends		652	799
Realized gain on investments		191	52
Unrealized gain on investments		952	1.992
Net gain (loss) on trading of assets		17	(468)
		1.892	2.488
Trust expenses:			
Management expenses		135	178
Service charges		1	1
Realized loss on investments		175	-
		311	179
Net income before income tax		1,581	2,309
Income tax expense		5	12
Net income after income tax	$	1,576	2,297

Schedules of investment for trust business

Investment items		December 31, 2013	December 31, 2012	January 1, 2012
Bank deposits	$	14.633	18.069	20.840
Short-term investments:				
Bonds		9.651.220	8.789.054	2.830.507
Common stock		2.696.351	2.475.194	3.047.643
Funds		84.107.665	96.971.472	117.465.414
Structured notes		3.981.298	2.565.637	6.037.371
Securities under custody		1.284.526	1.907.799	2.547,111
Other assets		4	6	18
	$	101,735,697	112,727,231	131,948,904

Foreign currency trust business engaged by the Offshore Banking Unit (OBU) as of December 31. 2013 and 2012, and January 1, 2012 were included in the trust balance sheets and schedules of investment for trust business.

(10) Significant Disaster Loss: None.

(11) Significant Subsequent Events: None.

(12) Others

Profitability

Unit: %

Items		December 31, 2013	December 31, 2012
Return on assets	Before income tax	0.37	0.49
	After income tax	0.32	0.41
Return on equity	Before income tax	6.51	8.34
	After income tax	5.60	7.01
Net profit ratio		16.44	18.98

Note 1: Return on assets = net income before / after tax ÷ average assets

Note 2: Return on equity = net income before / after tax ÷ average equity

Note 3: Net profit ratio = net income after tax ÷ net revenue

(13) Other Disclosures Items

1) Related information on significant transaction

(a) Lending to other parties: None.

(b) Guarantees and endorsements for other parties: None.

(c) Information regarding securities held: None.

(d) Information regarding securities for which the purchase or sale amount for the period exceeded NT$300 million or 10% of the Bank's paid in capital: None.

(e) Information on the acquisition of real estate for which the purchase amount exceeded NT$300 million or 10% of the Bank's paid in capital: None.

(f) Information on the disposal of real estate for which the sale amount exceeded NT$300 million or 10% of the Bank's paid in capital: None.

(g) Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT$5 million: None.

(h) Information regarding receivables from related parties for which the amount exceeded NT$300 million or 10% of the Bank's paid in capital:: None.

(i) Information regarding trading in derivative financial instruments: please refer to Note (6) 3), 4) and 36)

(j) Information regarding selling non performing loans：

i. Summary table of NPL disposal: None.

ii Disposal of a single batch of NPL up to 1 billion and information on each transactions: None.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(k) Information on applications for handling securitized commodities according to the Regulation on Financial Asset Securitization or the Regulation on Real Estate Investment Trusts: None.

(l) Business relationship and material transaction between the parent party and subsidiaries: Note 7.

(m) Other material transaction items which were significant to people who use the information in the financial statements to make financial decisions: None.

2) Information on long-term equity investments:

Name of investee	Investee's location	Investee's operation	Percentage of ownership	Book value of investments	Gain (loss) recognized during the period	Holdings				Remark
						Number of shares	Pro forma number of shares	Total		
								Shares	Percentage	
Standard Chartered Life Insurance Agency Co., Ltd.	No. 106, Chung-Yeng Road, Hsinchu, Taiwan	Life insurance agent	100.00 %	367,190	304,629	300	-	300	100.00 %	Note 1
Taiwan Standard Chartered Insurance Agency Co., Ltd.	No. 106, Chung-Yeng Road, Hsinchu, Taiwan	Property insurance agent	100.00 %	26,321	18,590	300	-	300	100.00 %	Note 1
Fuji Enterprise Management Consulting Co., Ltd.	6-7F., No.258, Sec. 4, Ren-ai Rd., Da-an District, Taipei City 10687, Taiwan	Financial securities services	- %	-	-	-	-	-	- %	Note1 and Note 2
Taiwan Small and Medium Enterprises Development Corp.	8F., No.181, Fushing N. Rd., Songshan District, Taipei City 10596, Taiwan	Small and medium enterprises improvement services	4.84 %	29,000	-	3,417	-	3,417	4.84 %	Note 1
Financial Information Service Co., Ltd.	No.81, Sec. 3, Kangning Rd., Neihu District, Taipei City 11485, Taiwan	Information technology services	1.14 %	45,500	-	5,119	-	5,119	1.14 %	Note 1
Taipei Forex Inc.	8F., No.400, Sec. 2, Bade Rd., Songshan District, Taipei City 10556, Taiwan	Foreign exchange and foreign currency lending services	3.18 %	6,673	-	630	-	630	3.18 %	Note 1
TSC Bio Venture Management, Inc.	11F.-1, No.176, Sec. 1, Keelung Rd., Xinyi District, Taipei City 11070, Taiwan	Venture capital services	5.00 %	15,188	-	1,519	-	1,519	5.00 %	Note 1
Liyu Venture Investment, Inc.	8F., No.70, Sec. 3, Nanjing E. Rd., Jhongshan District, Taipei City 10489, Taiwan	Venture capital services	4.76 %	8,549	-	855	-	855	4.76 %	Note 1
Windance Co., Ltd.	No.243-1, Jhongyang Rd., North District, Hsinchu City 30041, Taiwan	Residential and commercial lease/sale services	2.73 %	188,500	-	18,850	-	18,850	2.73 %	Note 1

(Continued)

Name of investee	Investee's location	Investee's operation	Percentage of ownership	Book value of investments	Gain (loss) recognized during the period	Holdings				Remark
						Number of shares	Pro forma number of shares	Total		
								Shares	Percentage	
Taiwan Asset Service Corporation	6 and B1F., No.99, Sec. 2, Ren-ai Rd., Jhongjheng District, Taipei City 10062, Taiwan	Asset auction notarization	2.94 %	50,000	-	5,000	-	5,000	2.94 %	Note 1
Yang Guang Asset Management Company	15F., No.218, Sec. 2, Dunhua S. Rd., Da-an District, Taipei City 10669, Taiwan	NPL acquisition services	1.42 %	849	-	85	-	85	1.42 %	Note 1
Taiwan Depository and Clearing Corporation	11F., No.363, Fushing N. Rd., Songshan District, Taipei City 10542, Taiwan	Securities custodian	0.17 %	9,277	-	543	-	543	0.17 %	Note 1
Taiwan Cooperative Financial Holdings	14F., No. 85, Sec 2, Nan Jing Dong Rd., Zhongshan District, Taipei City, Taiwan	Financial securities services	0.06 %	83,328	-	5,112	-	5,112	0.06 %	Note 1

Note 1: The highest shares of Fuji Enterprise Management Consulting Co., Ltd. owned by the Bank are 19,716 shares for the year ended December 31, 2013. The shares of other long-term equity investments owned by the bank kept the same for the year ended December 31, 2013.

Note 2: Fuji Enterprise Management Corporation completed the process of winding up on April 24, 2013.

3) Related information on investments in Mainland China: None.

(14) Operating Segment Financial Information

Please refer to the consolidated financial statements for the Bank for the year ended December 31, 2013.

(15)First-time Adoption of IFRSs

Please refer to the consolidated financial statements for the Bank for the year ended December 31, 2013.