



**IBT Group**

**Industrial Bank of Taiwan (IBT)**



**2014  
ANNUAL REPORT**

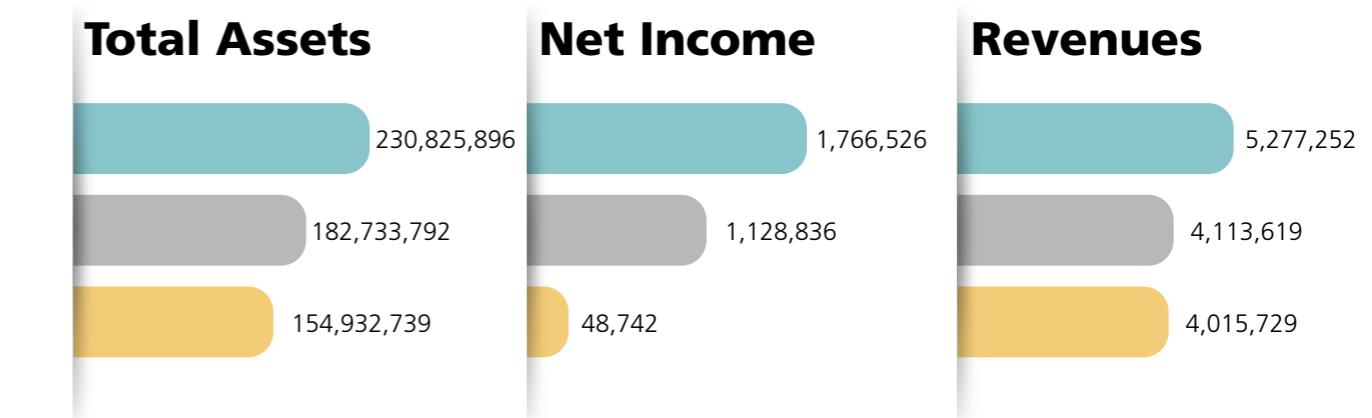
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## Financial Highlights

	2014 Thousands of NT dollars	2013 Thousands of NT dollars	2012 Thousands of NT dollars	2014 Thousands of US Dollars( *)
<b>Total Assets</b>	<b>230,825,896</b>	182,733,792	154,932,739	<b>7,277,442</b>
<b>Net Worth</b>	<b>28,680,583</b>	26,742,073	26,201,151	<b>904,237</b>
<b>Investments Outstanding</b>	<b>42,864,976</b>	32,626,888	28,480,881	<b>1,351,440</b>
<b>Loans Outstanding</b>	<b>118,275,261</b>	107,043,529	80,957,093	<b>3,728,963</b>
<b>Guarantees Outstanding</b>	<b>4,831,446</b>	3,803,833	4,957,115	<b>152,325</b>
<b>Revenues</b>	<b>5,277,252</b>	4,113,619	4,015,729	<b>166,380</b>
<b>Net Income</b>	<b>1,766,526</b>	1,128,836	48,742	<b>55,695</b>
<b>Return on Assets</b>	<b>0.85%</b>	0.67%	0.03%	<b>0.85%</b>
<b>Return on Equity</b>	<b>6.37%</b>	4.26%	0.19%	<b>6.37%</b>
<b>BIS Ratio</b>	<b>14.93%</b>	13.33%	14.45%	<b>14.93%</b>
<b>Non Performing Assets Ratio</b>	<b>0.34%</b>	0.50%	0.67%	<b>0.34%</b>

\* U.S. Dollars amounts are converted at the prevailing exchange rate on Dec.31, 2014 of NT\$31.718=US\$1



2014 2013 2012

# Message from the Chairman & CEO

Global economic growth was approximately unchanged from the previous year in 2014. Although stable U.S. economic growth provided momentum for global recovery, gains were mitigated by the relatively weak performance of other major developed economies, as well as decelerating growth in China. Due to these factors, global economic growth remained at 3.3% in 2014, according to the International Monetary Fund. In Taiwan, domestic demand was driven by export expansion, increased private investment, gains in the stock market, and improvement in the employment market. Accordingly, Taiwan's economic growth increased from 2.23% in the previous year to 3.74% in 2014, as per R.O.C. Directorate General of Budget, Accounting, and Statistics (DGBAS) figures.

Benefiting from gradual recovery of the domestic and international economy, as well as a number of government financial deregulation measures, including encouragement of investment in Asia, expanding the scope of offshore and international financial operations, and financial import substitution, total pretax profits of the overall Taiwan banking sector reached NT\$320 billion. This included rapid pretax profit growth of Offshore Banking Unit and overseas branches to more than NT\$100 billion as the overall financial industry grows more robust. IBT grasped the market opportunities provided by growth momentum in the domestic financial market, yielding significant increase in assets and profit in 2014. Total assets expanded 26.32% from the previous year to NT\$230.8 billion and the capital adequacy ratio increased to 14.93%. 2014 net profit reached NT\$1.767 billion, an increase of 56% from the previous year. Earnings per share was NT\$0.74.

Looking ahead to 2015, the global economy is on track for gradual recovery, and the DGBAS estimates that Taiwan's economy will show mild growth. With attitude of cautious optimism, IBT plans to steer operational efforts in the following directions:



## 1. Continuing to Implement Action Plans to Increase Stable Source of Income

As of 2014, over 80% of IBT's profit now comes from stable financial services such as corporate finance, transactions, and securities and trusts, successfully reversing a profit structure in which the majority of earnings came from trading income such as securities and direct investments. IBT will continue to implement a variety of action plans to increase stable income sources. These include broadening the scope of financial services for small and medium enterprises to effectively expand our base of medium-sized clients and develop high-contribution clients among middle-market enterprises. In addition, we are actively expanding overseas markets and new products, broadening global transaction services, and providing a diverse portfolio of products and services. At the same time, we are also aggressively developing Internet banking to attract client cash flow and trade finance business to raise the return on capital of our core operations.

## 2. Unlock Group Synergies

IBT subsidiaries are engaged in a diverse array of financial businesses; as the IBT Group deploys across mainland China, intra-group collaborations have grown increasingly frequent. By leveraging cooperation and complementarities between Group businesses, we can effectively expand our client base and satisfy our clients' diverse financial service requirements at different stages. Going forward, IBT will continue broadening product innovation, and bring together our subsidiaries' businesses in bills finance, securities, and leasing to further consolidate the financial platform we provide in greater China, offering clients a one-stop-shop that lays an even stronger foundation for profitability. Furthermore, we will effectively consolidate Group resources to optimize capital deployment and put these resources to their most productive use.

## 3. Moving Forward with Our Transformation Plan

In order to adapt to the needs of the current financial marketplace, IBT has been hard at work formulating

transition plans to win more space for future growth. In the past, we have discussed M&A with external parties, studied the feasibility of consolidation within the group, and asked regulatory authorities to review governing regulations and establish a means by which industrial banks can independently transition their business to commercial banking. All these actions aim to find a transition process that meets the interests of employees, clients, shareholders, and all stakeholders, while also fulfilling both the letter and spirit of the law. Regulatory authorities agreed in March 2015 to set key points for review, and further agreed to review the feasibility of transition to a commercial bank once IBT drafts a concrete plan and timetable for such a change. Going forward, IBT will make the greatest effort to prudently evaluate and draft a transformation program in line with governing policies and regulations to meet the standards for transition, and realize our goal of becoming a boutique commercial bank.

In the 16 years since our founding, we have been striving to develop all aspects of our business, charted a course for growth, and pursued sustainable business operations. At the same time, we have brought the Group's resources together through the IBT Education Foundation to promote social welfare and give back to society through the themes of "innovation and entrepreneurship, humanities and arts". As we move forward, IBT will persist in our core values of "Truthfulness, Outstanding, Unity, Creativity, and Honor" to provide quality services, create shareholder value, and fulfill our corporate social responsibilities to work for the welfare of all our stakeholders. With everyone in the bank working in harmony, we believe that IBT will carry on reaching new heights in all aspects of its performance, and hope for the continued support and guidance of our shareholders.

A handwritten signature in black ink, appearing to read "Kenneth C.M. Lo".

Kenneth C.M. Lo / Chairman & CEO

# Mission of the Vice Chairman

Employees are undoubtedly the most valuable asset in our bank. In the past, we have held many professional training classes attended by colleagues from IBT as well as affiliates, steadily carried out skill training for related managers, and strengthened managers' leadership and communication abilities as well as identification with our corporate culture. Looking ahead, we will develop a number of more in-depth training programs and effectively propagate them to our affiliates and overseas units, as well as establish an intra-group job rotation system to offer employees more diverse options for career development.

We further hope that we can gradually give every one of our colleagues a working environment and atmosphere with a sense of mission, belonging, and happiness, so that the spirit of corporate culture can ripple out from each and every one of them.



The Chinese classic *The Doctrine of the Mean* states that "Sincerity is the beginning and end of all things. Without sincerity there is nothing." Our bank is a long-term endeavor, and will only succeed on a foundation of trust. Therefore, I have always strongly believed that the realization of our corporate culture, "Always Sincere, Always Here", is the basis of our sustainable development, and is the fountainhead of meaning in our work and life.

In 2014, our Corporate Culture Committee initiated a number of programs including hiring of vision-impaired massage therapists, and summer internships for employees' children. We also took up the ALS ice bucket challenge, launched fund drives for disadvantaged groups in society, and held an exhibition of photos taken by children in remote townships with digital cameras donated by IBT, a project to nurture their talents in photography. These measures are all aimed at increasing employees' sense of cohesion and satisfaction, and make our institution a force for improving society. We founded a Corporate Social Responsibility Committee in January 2014, and will move forward with comprehensive and concrete initiatives in the 5 areas of "corporate governance, employee care, customer relations, environmental protection, and social welfare".

As we move ahead, I look forward to seeing the implementation of our corporate culture belief of "Always Sincere, Always Here" broadened to clients, shareholders, and even to all our stakeholders, not merely within IBT Group. We are firmly confident that IBT Group and all its associated stakeholders will benefit when each member of this big family carries out their duty with this belief. Our core values of "Truthfulness, Outstanding, Unity, Creativity, and Honor" need to be guarded, cherished, and fulfilled by everyone in IBT Group. The initials of each core value spell "T.O.U.C.H.", which exactly represent the value of humane care, as well as the true meaning of what we have been striving for. I truly hope that each one of us will be an initiator, acting with true affection, true love, and true care to lead our group and our society toward a brighter future.

A handwritten signature in black ink, appearing to read "Tina Y. Lo".

Tina Y. Lo / Vice Chairman

# Perspective of the President

In 2014, IBT grasped the market opportunities provided by growth momentum in the domestic financial market, yielding significant increase in assets and profit. Total assets expanded 26.32% from the previous year to NT\$230.8 billion and the capital adequacy ratio increased to 14.93%. 2014 net profit reached NT\$1.767 billion, an increase of 56% from the previous year. Earnings per share was NT\$0.74. Taiwan Ratings reaffirmed IBT's "twA" and "twA-1" for long-term and short-term credit ratings respectively in July 2014, with outlook rated "stable". In addition, we also earned the 2014 "Golden Quality" award in credit information reporting for domestic banks from the Joint Credit Information Center, highlighting our efforts in risk management.

We achieved the following key strategic goals in 2014:

## 1. Strengthened International Presence and Achieved Stable Profit Growth in Subsidiaries

To take advantage of the immense leasing market opportunities provided by the Chinese government's support for small and medium enterprises, IBT maintained its "take root and cultivate" strategy and continued to strengthen the reach of its leasing services. IBT International Leasing and IBT Tianjin International Leasing have started to demonstrate swift growth since their establishment by our subsidiary IBT Leasing two years ago in the Chinese cities of Suzhou and Tianjin.



In addition to growing the loans outstanding of our overall leasing operations, we are now making headway in business performance. IBT International Leasing has been especially outstanding, making pretax profit of approximately RMB35 million in 2014, an increase of more than 50% over 2013. IBT International Leasing won the "Pioneer Award" of the "China Financial Leasing Honor Roll" once again to become the only Taiwanese company to gain this distinction two years in a row. Looking forward, the IBT Group will develop plans and establish new branches and continue expanding its presence of leasing operations in China.

In addition, our U.S. subsidiary, EverTrust Bank, once again booked record earnings in 2014, achieving pretax profit of more than US\$10 million. Group affiliate China Bills Finance also reached pretax profit of NT\$1.6 billion.

In addition to stable growth in returns from our subsidiaries, IBT's Hong Kong branch showed a nearly 50% rise in 2014 earnings, and it is working in conjunction with the IBT Group's operations in mainland China to quickly expand its market and customer base in both China and Hong Kong.

## 2. Expanded Stable Income Sources for Improved Profit Structure

Over the past few years, we have moved forward on a number of action plans to increase stable sources of income, and the IBT Group's profit structure has shown dramatic improvement. Profit contribution from direct investments, equities, and other more volatile businesses has declined significantly to less than 5% of overall profit, while contribution from other earnings streams including lending spreads, fees, and other stable sources has greatly increased

to more than 95%. At the same time, net income from interest amounted to NT\$1.376 billion in 2014, which was a gain of 32% over 2013. Loans outstanding reached a record high of NT\$128.2 billion.

## 3. Innovations in Product and Processes to Lower Operating Costs

Apart from project and structure finance, IBT also established a complete product and service lines in trade finance, factoring, derivatives, and other areas. Adapting to the arrival of the information age, we have also launched online systems including e-factoring, e-advice, and e-banking to provide our clients more timely and complete services. Moreover, through measures such as minimizing cost in risk management, enhancing asset quality, optimizing use of capital, raising hardware efficiency, strengthening personnel training, and improving operational processes, in the past three years we have effectively lowered the cost-income ratio of our core banking business by more than 30 percent, making our institution even more robust.

Looking forward, weighing the current political and economic environment in Taiwan and abroad, as well as the favorable and unfavorable factors for the Bank's development, we will continue to actively pursue business growth through our short, medium, and long-term business development plans to accomplish missions set forth for forthcoming years.

A handwritten signature in black ink, appearing to read "Tony C. Y. Yang / President".

Tony C. Y. Yang / President

# Business Review



IBT's domestic offices comprise its headquarters in Taipei and branches in the Hsinchu Science Park, Taichung, and Kaohsiung, as well as regional service offices in Taoyuan and Tainan approved by regulatory authorities. In addition to offering IBT's financial products, these sites provide comprehensive financial services to manufacturers and technology industry clients around the island. Our first overseas site, the Hong Kong branch, began operations in April 2009, and it offers financial services and product platforms to Hong Kong and the Greater China region. It also provides convenient services to industrial clients and Taiwan-owned companies, creating win-win outcomes through long-term partnerships based on mutual trust and mutual benefit.

## 1. Credit Extension

IBT continued to actively develop domestic and overseas clients in 2014. To pursue stable growth while diversifying management risk, we persisted with a conservative and stable approach, carefully maintaining both loan asset quality and reasonable returns. As of end-2014, the Bank's total credit extension, including domestic and foreign currency, was NT\$128.2 billion, with a non-performing loan ratio of just 0.34%. Credit extensions grew 13% from end-2013, and the loan loss coverage ratio was 561.99%.

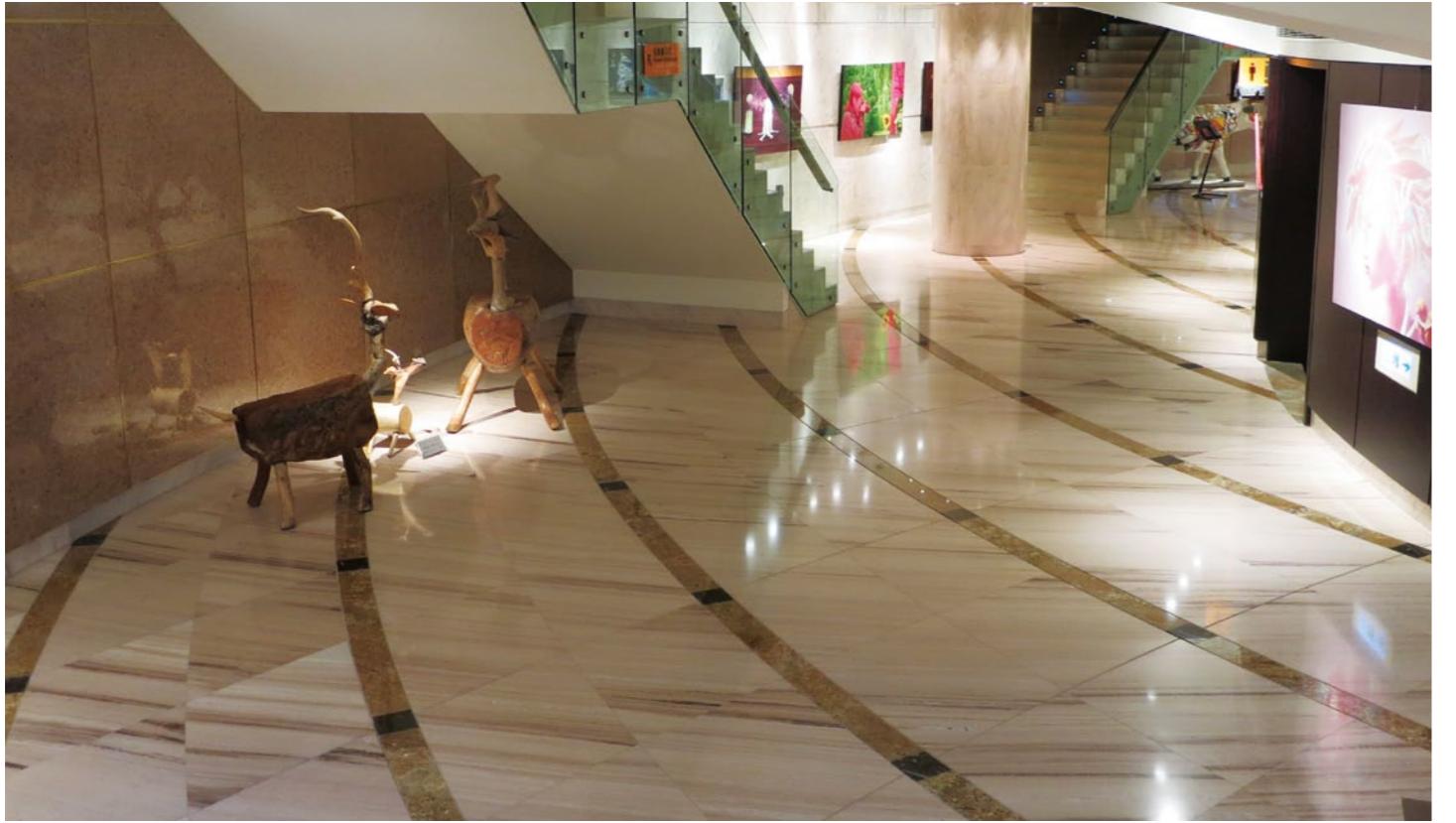
By industry, the electronics industry was the Bank's largest borrower, receiving 17.55 percent of credit extended by end-2014. Other industries included: Petrochemicals and textiles at 14.52%, construction, cement, and real estate at 12.93%, investment, leasing, and other financial companies at 11.33%, transportation and equipment at 10.65%, steel and metal manufacturing at 8.19%, and communications at 2.02%. Other sectors made up 22.81%.

Out of the electronics industry, the electronic components sector was the largest borrower at 4.31% of credit extended, information hardware received 4.22%, opto-electronics was 3.72%, the semiconductor sector was 3.17%, solar energy was 1.17%, and channels and other electronics products made up 0.96%.

IBT is actively developing overseas and domestic customers, pursuing stable growth and diversification of operating risks. In addition to securing our customer base, we are working to enter the medium-sized enterprise market segment, which will serve as an important foundation for our cross-selling efforts. At end-2014, IBT served 1,027 active client accounts.

The primary focus of our credit extension business is syndicated loans. As of end-2014, the Bank has been lead manager for 297 syndicated loans, with clients encompassing industries including electronics, opto-electronics, steel, transportation, electrical machinery, textiles, food, petrochemicals, leasing, construction, securities, and communication. We have supported enterprises with continued growth and also raised their competitiveness by successfully raising funds for purposes including factory construction, equipment purchases and other capital spending, and medium-term operating capital to improve financial structure.





Many businesses reduced capital spending in 2014 due to moderating global and domestic economic growth, and lower demand for syndicated loans led to fierce competition to serve as lead manager. Nonetheless, IBT's strong customer relationships, its focus on enterprise clients with strong growth prospects, and its group cross-selling mechanisms enabled the Bank to lead 11 syndicated loans in 2014 totaling NT\$23.8 billion, in a wide variety of industries including construction, leasing, and petrochemicals. In particular, IBT overcame challenging conditions to lead two syndicated loans in China despite a difficult economic climate of slowing growth and a series of corporate credit defaults.

## 2. Deposits

IBT's funds are primarily deployed over the medium and long term. Due to considerations of liquidity, security, and currency structure of deposits, the Bank not only pays careful attention to the durations of its time deposits, it is also making great efforts to attract savings deposits. At the end of 2014, IBT's total domestic and foreign currency deposits totaled NT\$141.2 billion, up 31% from end-2013.

In addition, as foreign currency loans continue to grow, the Bank is also actively expanding foreign currency deposits. In spite of a highly competitive market, IBT's foreign currency-denominated deposits grew 35% year-on-year to NT\$46.7 billion by end-2014.

## 3. Foreign Exchange and Offshore Banking

IBT's foreign currency operations pursued a business strategy in 2014 of expanding lending spreads. By the end of the year, foreign currency-denominated lending totaled NT\$32.4 billion. While that total was little changed from the previous year, lending spreads grew 0.35% to 1.74%. In addition, the Bank made additional progress in expanding its trade finance business, and export-import lending in 2014 expanded 28% from a year earlier to US\$1,196 million.

In offshore banking, we not only serve clients with multinational business by helping them obtain the offshore funds they require, we are also active in cross-strait DBU and OBU operations. Additionally, in response to the rapid growth in cross-strait trade and also to enhance service quality to Taiwan enterprises in China, our OBU and Hong Kong branch both now offer Renminbi-related services. These services will further diversify our business development and also draw more business opportunities.

## 4. Direct Investment

Some 30% of Taiwan's economic output comes from manufacturing, while services make up 68% and agriculture occupies 2%. Due to deregulation in the tourism and financial sectors, domestic demand made a stronger impact on economic growth in 2014. At the same time, expansion plans in export-led industries also powered private investment. IBT's direct investment business is now transitioning away from its earlier focus on electronics hardware to a greater emphasis on the tremendous business opportunities in consumer commodities created by cross-strait domestic demand; this transition exposes us to relatively low industrial risk in a high-growth market, maximizing our profitability. In addition, we support promising sectors in Taiwan including biomedicine, Internet of things (IoT), and cloud computing applications to support the growth and profitability of our overall investment position. In 2014, the Bank added 13 direct investments, including IBT VII Venture Capital Co., Ltd., Shengzhuang Holdings Limited, General Energy Solutions Inc., Ok Biotech Co., Ltd., TheVAX Genetics Vaccine Co., Ltd., Topping Cuisine International Holdings Limited, Aerospace Industrial Development Corporation, Brave C&H Supply Co., Ltd., Global Tek Fabrication Co., Ltd., Nan Pao Resins Chemical Co., Ltd., Beauty Essentials International LTD., to-BBB Holding B.V., and BioResource International Inc. With these new stakes, total investments reached NT\$1,197 million in 2014.

At the same time, our investment team makes timely portfolio adjustments to raise capital efficiency and strengthen investment management to fully utilize our value added and maximize return to shareholders. At the end of 2014, IBT held 76 foreign and domestic direct investments totaling NT\$3.62 billion. The overall portfolio includes high technology industries such as electronics and semiconductors, pharmaceuticals and biotechnology, and venture capital focused on technology businesses. Pharmaceuticals and biotechnology occupied the largest portion of the portfolio at approximately 14%, followed by 10% for chemical materials manufacturing.

### Investment Portfolio Analysis

Industry	Number of Invested Companies	Investment Amount (NT\$ Million)	Percentage (%)
Pharmaceuticals/Biotechnology	9	496	13.70
Chemical Materials	3	350	9.69
Semiconductor	10	306	8.46
Machinery & Instrument	8	267	7.39
Wholesale and Retail	5	223	6.17
Opto-electronics	11	178	4.92
Solar Energy	2	78	2.14
Transportation and Equipment	2	70	1.93
Electronic Components	4	52	1.43
Information (software)	3	39	1.08
Information (hardware)	4	37	1.01
Vehicles and Components	2	36	0.99
Internet & Multimedia	3	20	0.54
Channels and other Electronic Products	1	6	0.16
Venture Capital Funds	9	1,462	40.39
Total	76	3,620	100

IBT continues to strengthen risk management for its investments, and it regularly evaluates and reviews investment performance to manage risk and divest at the appropriate time. In addition to providing medium-to long-term capital for our clients, IBT leverages the networks created by its close relationships with these enterprises to integrate resources between our investments, helping them maximize sales and profit synergies and reinvent the industry value chain. We further support them with our wealth of accumulated experience in industry analysis and financial management to advise them on enterprise development and on seeking new industry trends.

## 5. Financial Product Trading

IBT engages in the trading and marketing of financial products. The Bank trades in foreign exchange, interest rate products, and derivatives, as well as fund dispatching and fixed income investments. Financial product marketing chiefly provides clients with diversified financial services and products as well as hedging tools.

In 2014, the Bank actively marketed financial services to provide diversified service offerings and to support growing numbers of credit clients. We achieved an outstanding performance for the year by providing interest and exchange rate products for risk hedging.

## 6. Securities Trading

U.S. economic performance was relatively healthy in 2014. With U.S. equities benefiting from improvements in the employment and housing markets, growing corporate profits, and a loose monetary environment, the Dow Jones Industrial Average reached a record high of 17,991, leading the way for bullish investors around the world. By contrast, the Japanese and euro-zone economies made a more muted recovery, relying on interest rate cuts, devaluation, and further monetary easing to revive the economy. In China, the succession of the Xi Jinping administration to the presidency was followed by a series of anti-corruption crackdowns, reforms, and rectification campaigns. Monetary easing measures, including cuts to interest rates, reserve ratios, and tax rates, as well as relaxation of home-buying restrictions and the Shanghai-Hong Kong Stock Connect drew funds into the equities market, lifting the Shanghai Stock Exchange Composite Index to a 52.9% gain for the year.



In Taiwan, the Sunflower Student Movement in March temporarily prevented the legislature from convening. However, Taiwan stocks rose in pace with international markets in the first half of the year, advancing from a low of 8,300 in February to a high of 9,596 in July. In the second half, domestic capital retreated from the market due to discussion of policies such as capital gains tax on major share traders, luxury tax, and the combining of housing and land taxes. Simmering public resentment caused by the long-term factors of high housing prices and income disparity were compounded by food safety scandals, and further inhibited market sentiment, causing trading volumes to decline significantly. The share index hit a low of 8,501 ahead of year-end local government elections, giving back nearly the entire year's gains. Although U.S. and European markets rebounded to new highs, uncertainty over securities income tax prevented momentum from building, and the index closed at 9,307 by year-end, gaining 8.1 percent for the year.

IBT's traders carefully evaluate risk and operate on conservative principles, taking advantage of upside opportunities to maintain stable profitability. When Taiwan stocks encounter volatility and corrections, our traders reduce holdings to lock in profits and operate with lower equity positions. The Bank's trading profits reached NT\$104 million for the full year, reaching 74.29% of its budget target. Total equities holdings were NT\$470 million.

## 7. Project Finance

Project finance encompasses both project funding and financial advising. Project funding is the provision of necessary financing to enterprises for major investment and development projects. IBT provides project financing consulting services for foreign and domestic companies, non-governmental organizations, and government enterprises. These services include planning and arranging funding for major overseas and domestic investments, and mergers and acquisitions (M&A) financing. The Bank's financial advising services provide enterprises with financial advice and consulting; primary financial consulting services include M&A, corporate restructuring, searching for financial and strategic investment partners, enterprise valuation, and planning for initial public offerings.

## 8. Trust Business

IBT's trust businesses are primarily in development trusts, securitization, and asset management. The Banks' trust operations focus on money and real estate trusts, while the securitization business works to develop a variety of securities products. The asset management business chiefly assists clients with asset allocation.

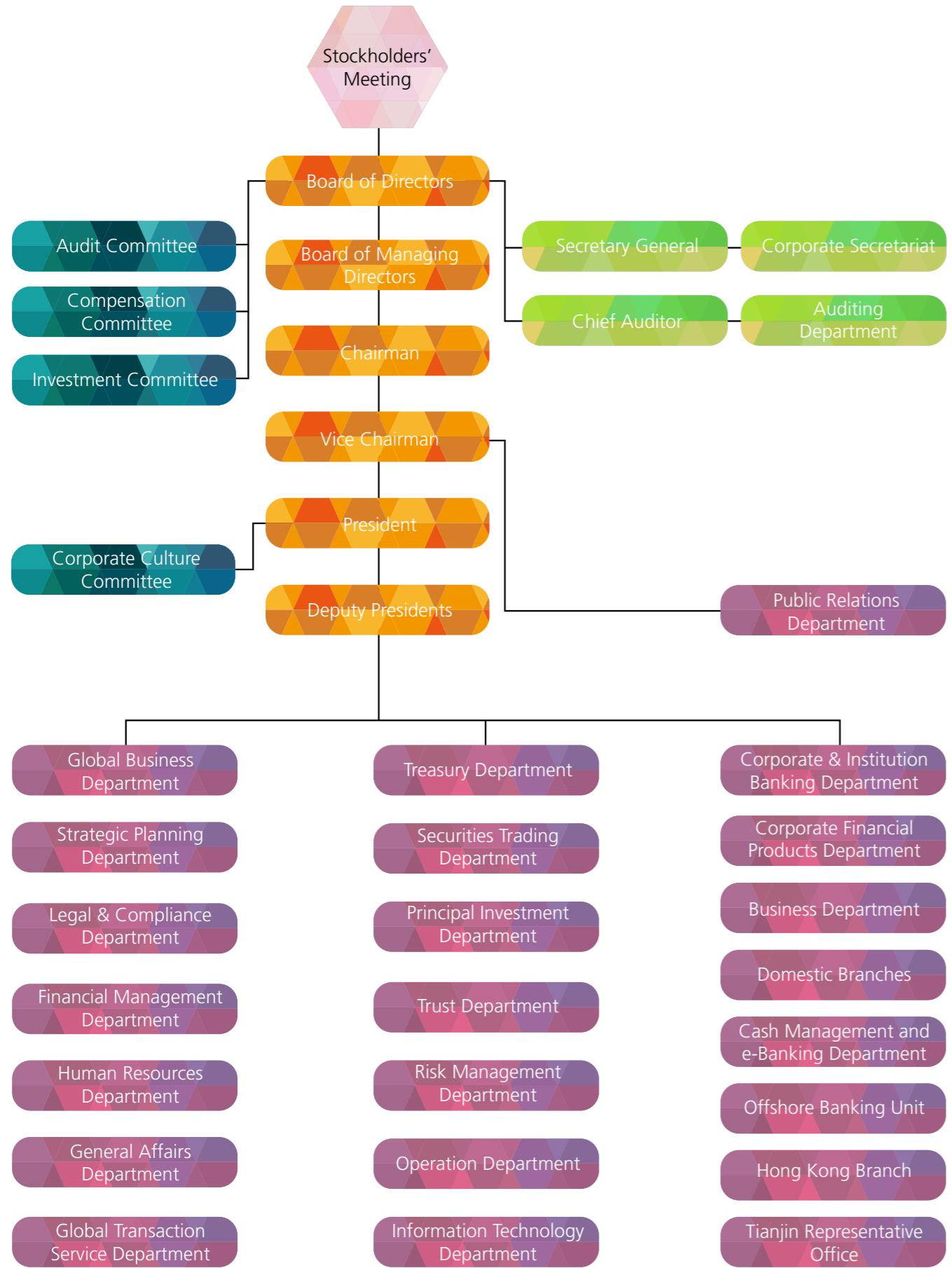
At end-2014, net assets in trust were NT\$8.2 billion, increasing 48.34% from a year earlier due to new money trust business from our OBU. Total assets in trust were NT\$1.16 billion, down 30.95% from the year-ago period due to client capital reduction.



**EXPAND  
VERTICALS**



# Organization Chart



# Board of Directors

Chairman	Kenneth C.M. Lo	Chairman & CEO , Industrial Bank of Taiwan
Vice Chairman	Tina Y. Lo	Vice Chairman , Industrial Bank of Taiwan
Managing Directors	Leslie Koo	Chairman , Taiwan Cement Corp.
	Gordon W.C. Lin	Chairman , IBT Securities Co., Ltd.
Directors	Hou-Sheng Chan	Chairman , Cross-Straits Common Market Foundation
	Shih-Tze Chen	Chairman , Ming Shan Investment Co., Ltd.
	Chung-Ming Cheng	Chairman , San Ho Plastics Fabrication Co., Ltd.
	Mark Lee	General Manager , Heng Kuo Co., Ltd.
	Bobby Sheng	Chairman & CEO , Bora Pharmaceuticals Co., Ltd.
	Tony C.Y. Yang	President , Industrial Bank of Taiwan
	Nina Lo	CEO , IBT Education Foundation
	Eddie Huang	Managing Director , Glory Pacific Shipping (S) Pte. Ltd.
	Chang Lung Lin	Wang Hsiang Co., Ltd.
Independent Directors	Thomas Yue	C.P.A., Tien-Yeh Accounting Firm
	Richard R.C. Liu	Ta Chong Venture Capital Co., Ltd.



# The Management Team

 <p><b>1 ▶ Tony Yang</b> President</p>		 <p><b>8 ▶ Jonathan C.H. Wei</b> Senior Executive Vice President &amp; Chief Strategy Officer Supervising Global Business, Strategic Planning Departments, and Overseas Representative Office</p>		 <p><b>Sophia Y.C. Chung</b> ◀ 9 Executive Vice President &amp; Chief Auditor Supervising Auditing Department</p>	
 <p><b>2 ▶ David C.C. Chang</b> Deputy President &amp; Chief Administration Officer Supervising Financial Management, General Affairs, and Information Technology Departments</p>		 <p><b>Tessie Y.H. Chen</b> ◀ 3 Senior Executive Vice President &amp; Chief Financial Markets Officer Supervising Treasury and Securities Trading Departments</p>		 <p><b>10 ▶ Angela T.C. Wang</b> Executive Vice President &amp; Chief Human Resources Officer Supervising Human Resources Department</p>	
 <p><b>4 ▶ Elton F.Y. Lee</b> Senior Executive Vice President Hong Kong Branch</p>		 <p><b>Nancy S.F. Liu</b> ◀ 5 Senior Executive Vice President &amp; Chief Compliance Officer Supervising Legal and Compliance Department</p>		 <p><b>12 ▶ Brian Y.L. Lin</b> Executive Vice President Taipei Region IV, Business Department</p>	
 <p><b>6 ▶ Roger Y.F. Lin</b> Senior Executive Vice President &amp; Chief Corporate Banking Officer Supervising Business, Corporate Financial Products, Global Transaction Service, Cash Management and e-Banking, Trust, Corporate and Institution Banking Departments, Offshore Banking Unit, and Domestic Branches</p>		 <p><b>Chih Ming Chien</b> ◀ 7 Senior Executive Vice President &amp; Chief Risk Management Officer Supervising Risk Management Department</p>		 <p><b>14 ▶ Walter S.W. Chang</b> Executive Vice President Tianjin Representative Office</p>	
 <p><b>Paul C.H. Jen</b> ◀ 11 Executive Vice President Taipei Region I, Business Department</p>		 <p><b>Joseph L.J. Lai</b> ◀ 13 Executive Vice President Taichung Branch</p>		 <p><b>Tony M.H. Wu</b> ◀ 15 Executive Vice President Information Technology Department</p>	



**EXPAND  
HORIZONS**



# Business Plans



The International Monetary Fund forecasts the global economy to grow between 3.8% to 4% this year. A clear recovery by developed economies, led by the United States, will be the main driver for global economy growth. Healthy U.S. economy growth will bolster Taiwan's export expansion, and with continued improvement in domestic demand, including private investment and consumer spending, the Taiwan economy can be expected to show moderate growth. The R.O.C. Directorate General of Budget, Accounting, and Statistics (DGBAS) forecasts the Taiwan economy to increase 3.78% this year.

Weighing the current political and economic environment in Taiwan and abroad, as well as the favorable and unfavorable factors for the Bank's development, we will continue to actively pursue business growth through the following short, medium, and long-term business development plans.

## 1. Short Term Plans

### • Execute Action Plans to Increase Stable Income Sources, and Expand the Customer Base of Medium and Large Enterprises

Over the past two years, the Bank has moved forward on a number of action plans to increase stable sources of income, and the IBT Group's profit structure has shown dramatic improvement. As of 2014, over 80% of IBT's profit now comes from stable financial services such as corporate finance, transactions, and securities and trusts. Moving forward, the Bank will broaden the scope of financial services for small and medium enterprises to effectively expand our base of medium-sized clients and develop high-contribution clients among middle-market enterprises. In addition, we are actively expanding overseas markets and new products, broadening global transaction services, and providing a diverse portfolio of products and services. At the same time, we are also aggressively developing Internet banking to attract client cash flow and trade finance business to raise the return on capital of our core operations.

### • Raise Risk Management Ability, Improve Infrastructure, and Effectively Lower Operating Costs

In addition to continuously strengthening credit, market, and operating risk management ability, the Bank will also prioritize regulatory compliance and anti-money laundering measures, and lower cost in risk management by comprehensively raising risk management capabilities. We also plan to effectively reduce operating costs and improve overall profitability through IT system upgrades, personnel training, and innovations in process flows.

### • Unlock Group Synergies

IBT invests in a diverse array of financial affiliates. Through client referrals between group members, IBT recorded more than 400 cross-referrals in 2013, and successfully completed more than 100 cases, making significant progress. As the IBT Group deploys across mainland China, intra-group collaborations have grown increasingly frequent. We will continue to leverage our collective advantage, consolidate group resources, and maximize cross-referrals to highlight our differentiation and achieve greater sales.





challenge, launched fund drives for disadvantaged groups in society, and held an exhibition of photos taken by children in remote townships with digital cameras donated by IBT, a project to nurture their talents in photography. These measures are all aimed at increasing employees' sense of cohesion and satisfaction, and make our institution a force for improving society. We founded a Corporate Social Responsibility Committee in January 2015, and will move forward with comprehensive and concrete initiatives in the 5 areas of "corporate governance, employee care, customer relations, environmental protection, and social welfare". Our corporate culture believes in being "Always Sincere, Always Here", and it is in this spirit that we carry out our commitment to sustainable business.

#### **•Aggressively Consolidate Group Resources, Create New Business Models, and Develop Overseas Business**

With the establishment of the Tianjin Free Trade Zone, the Beijing, Tianjin, and Hebei economic integration campaign, and development opportunities brought by the "One Belt One Road" policy, IBT will continue to expand its market and leverage the development of the North China region to build a more comprehensive financial network in China. Using Tianjin as our bridgehead, we will strengthen the development of our credit and leasing businesses and expand into regional centers in Bohai, the Yangtze Delta, and the Pearl River Delta. In addition, we plan to lay deeper foundations in central, eastern, and southern China to serve local medium, small, and micro-sized enterprise clients, gradually increase the scale of our operations, and consolidate resources as well as improve asset quality to build a business development platform in China for the IBT Group. Looking forward, we will make good use of our successful experience in Taiwan and collaborate with local financial institutions in China to promote the development of our asset securitization business.

## **2. Medium and Long Term Plans**

### **•Move Forward with Our Transformation Plan**

In order to adapt to the needs of the current financial marketplace, it has been our goal to transform into a boutique commercial bank. In the past, we have discussed M&A with external parties, studied the feasibility of consolidation within the group, and asked regulatory authorities to review governing regulations and establish a means by which industrial banks can transition their business to commercial banking. All these actions aim to find a transition process that meets the interests of employees, clients, shareholders, and all stakeholders, while also fulfilling both the letter and spirit of the law.

Regulatory authorities agreed in March 2015 to set key points for review, and further agreed to review the feasibility of transition to a commercial bank once IBT drafts a concrete plan and timetable for such a change. Going forward, IBT will follow governing policies and regulations and do our utmost to realize our goal of becoming a boutique commercial bank.

### **•Implement an Interdisciplinary Skill Development and Job Rotation Program**

To accommodate the needs of transformation and consolidation, IBT will continue to carry out our training and job rotation program for internal talent in order to develop our employees' interdisciplinary competencies and enhance skill diversity. Over the past year, we have held many professional training classes attended by colleagues from IBT as well as affiliates, steadily carried out skill training for related managers, and strengthened managers' leadership and communication abilities as well as identification with our corporate culture. Looking ahead, we will develop a number of more in-depth training programs and effectively propagate them to our affiliates and overseas units, as well as establish an intra-group job rotation system to offer employees more diverse options for career development.

### **•Promote a Corporate Culture of "Always Sincere, Always Here", and Fulfill our Corporate Social Responsibilities**

In 2014, our Corporate Culture Committee initiated a number of programs including hiring of vision-impaired massage therapists, and summer internships for employees' children. We also took up the ALS ice bucket



# FINANCIAL REPORT



## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Industrial Bank of Taiwan

We have audited the accompanying consolidated balance sheets of Industrial Bank of Taiwan (the "Bank") and its subsidiaries (collectively, referred to as the "Group") as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Industrial Bank of Taiwan and its subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years ended December 31, 2014 and 2013, in conformity with the Criteria Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Public Bills Finance Firms, Criteria Governing the Preparation of Financial Reports by Securities Firms, Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

*PricewaterhouseCoopers*

March 25, 2015

### Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

# INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2014 AND 2013**  
 (In Thousands of New Taiwan Dollars)

	<b>2014</b>		<b>2013</b>			<b>2014</b>		<b>2013</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>ASSETS</b>									
CASH AND CASH EQUIVALENTS	\$ 8,481,873	2	\$ 5,219,249	1					
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	18,711,447	4	9,202,531	2					
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	138,404,925	32	146,282,464	37					
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	1,750,739	1	1,358,800	1					
RECEIVABLES, NET	16,292,701	4	12,502,448	3					
CURRENT TAX ASSETS	208,147	-	148,287	-					
DISCOUNTS AND LOANS, NET	131,025,730	31	117,770,778	30					
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET	95,063,691	22	86,838,448	22					
HELD-TO-MATURITY FINANCIAL ASSETS	4,884,679	1	2,293,502	1					
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD	268,834	-	394,431	-					
RESTRICTED ASSETS	465,909	-	462,193	-					
OTHER FINANCIAL ASSETS, NET	2,746,204	1	2,664,823	1					
PROPERTIES	2,942,980	1	2,776,274	1					
INVESTMENT PROPERTIES	8,283	-	-	-					
INTANGIBLE ASSETS	1,283,828	-	1,210,533	-					
DEFERRED TAX ASSETS	539,315	-	539,048	-					
OTHER ASSETS	4,984,213	1	3,365,724	1					
<b>TOTAL</b>	<b>\$ 428,063,498</b>	<b>100</b>	<b>\$ 393,029,533</b>	<b>100</b>					
<b>LIABILITIES AND EQUITY</b>									
<b>LIABILITIES</b>									
Due to the central bank and other banks	\$ 43,586,167	10	\$ 44,990,370	11					
Financial liabilities at fair value through profit or loss	5,795,508	1	2,399,922	1					
Securities sold under agreement to repurchase	136,519,486	32	152,552,307	39					
Accounts payable	2,857,519	1	3,405,538	1					
Current tax liabilities	85,506	-	142,647	-					
Deposits	156,516,082	37	120,881,706	31					
Bank debentures	14,980,000	3	11,480,000	3					
Other financial liabilities	19,457,077	5	11,437,995	3					
Provisions	1,668,000	-	1,486,399	-					
Deferred tax liabilities	156,281	-	81,576	-					
Other liabilities	1,449,883	-	1,275,367	-					
Total liabilities	383,071,509	89	350,133,827	89					
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK</b>									
Capital stock	23,905,063	6	23,905,063	6					
Retained earnings									
Legal reserve	1,351,779	-	1,125,327	1					
Special reserve	899,153	-	847,328	-					
Unappropriated earnings	1,762,325	1	754,839	-					
Total retained earnings	4,013,257	1	2,727,494	1					
Other equity	812,883	-	160,136	-					
Treasury stock	(50,620)	-	(50,620)	-					
Total equity attributable to owners of the bank	28,680,583	7	26,742,073	7					
NON-CONTROLLING INTERESTS	16,311,406	4	16,153,633	4					
Total equity	44,991,989	11	42,895,706	11					
<b>TOTAL</b>	<b>\$ 428,063,498</b>	<b>100</b>	<b>\$ 393,029,533</b>	<b>100</b>					

# INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	Percentage Increase (Decrease)						Percentage Increase (Decrease)					
	2014		2013		%	%	2014		2013		%	%
	Amount	%	Amount	%			Amount	%	Amount	%		
<b>NET INTEREST</b>												
Interest revenues	\$ 5,564,810	80	\$ 4,674,425	79	19		INCOME BEFORE INCOME TAX	\$ 3,375,777	49	\$ 2,770,026	47	22
Interest expenses	2,859,696	41	2,539,975	43	13		INCOME TAX EXPENSE	624,161	9	593,717	10	5
Net interest	2,705,114	39	2,134,450	36	27		CONSOLIDATED NET INCOME	2,751,616	40	2,176,309	37	26
<b>NET REVENUES OTHER THAN INTEREST</b>												
Commissions and fee revenues, net	1,453,343	21	1,235,604	21	18		Exchange differences on translating foreign operations	309,798	4	176,233	3	76
Gain on financial assets and liabilities at fair value through profit or loss	1,735,457	25	2,213,133	37	(22)		Unrealized gain (loss) on available-for-sale financial assets	459,074	7	(459,019)	(8)	200
Realized income from available-for-sale financial assets	338,146	5	725,342	12	(53)		Actuarial gain and loss arising from defined benefit plans	(7,487)	-	20,391	-	(137)
Realized income from held-to-maturity financial assets	402	-	-	-	-		Share of the other comprehensive income of associates and joint ventures	23,464	-	30,945	1	(24)
Foreign exchange gain (loss), net	758,429	11	(417,640)	(7)	282		Income tax relating to the components of other comprehensive income	(66,448)	(1)	10,460	-	(735)
Loss from asset impairment	(219,111)	(3)	(213,993)	(4)	2		Other comprehensive income (loss) for the period, net of income tax	718,401	10	(220,990)	(4)	425
Investment income (loss) recognized under equity method	13,303	-	3,393	-	292		<b>TOTAL COMPREHENSIVE INCOME</b>	\$ 3,470,017	50	\$ 1,955,319	33	77
Realized income from financial assets carried at cost	37,963	1	3,879	-	879		<b>NET PROFIT ATTRIBUTABLE TO:</b>					
Consulting revenue	32,712	-	34,267	1	(5)		Owners of the Bank	\$ 1,766,526	26	\$ 1,128,836	19	56
Other non-interest net gains	65,884	1	236,939	4	(72)		Non-controlling interests	985,090	14	1,047,473	18	(6)
Net revenues other than interest	4,216,528	61	3,820,924	64	10			\$ 2,751,616	40	\$ 2,176,309	37	26
<b>TOTAL NET REVENUES</b>	<u>6,921,642</u>	<u>100</u>	<u>5,955,374</u>	<u>100</u>	<u>16</u>							
<b>PROVISIONS</b>	<u>(270,359)</u>	<u>(4)</u>	<u>(202,292)</u>	<u>(3)</u>	<u>34</u>							
<b>OPERATING EXPENSES</b>												
Personnel expenses	1,913,366	28	1,725,625	29	11		Owners of the Bank	\$ 2,416,113	35	\$ 1,069,643	18	126
Depreciation and amortization	181,589	2	174,123	3	4		Non-controlling interests	1,053,904	15	885,676	15	19
Others	1,180,551	17	1,083,308	18	9			\$ 3,470,017	50	\$ 1,955,319	33	77
Total operating expenses	3,275,506	47	2,983,056	50	10							

(Continued)

# INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owner of the Bank										
							Other Equity				
	Capital Stock		Retained Earnings				Exchange Differences on Translating Foreign Operation	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Shares	Total	Non-controlling Interests
	Shares (Thousands)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings	Total					
BALANCE AT JANUARY 1, 2013	2,390,506	\$ 23,905,063	\$ 1,107,558	\$ 1,283,969	\$ (329,727)	\$ 2,061,800	\$ (149,183)	\$ 383,471	-	\$ 26,201,151	\$ 16,252,825
Appropriation of 2012 earnings											
Legal reserve	-	-	17,769	-	(17,769)	-	-	-	-	-	-
Special reserve	-	-	-	(436,641)	436,641	-	-	-	-	-	-
Cash dividends distributed by the Bank	-	-	-	-	(478,101)	(478,101)	-	-	-	(478,101)	(478,101)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(770,668)	(770,668)
Net income for the year ended December 31, 2013	-	-	-	-	1,128,836	1,128,836	-	-	-	1,128,836	1,047,473
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	14,959	14,959	139,771	(213,923)	-	(59,193)	(161,797)
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	1,143,795	1,143,795	139,771	(213,923)	-	1,069,643	885,676
Buy-back of ordinary shares - 7,774 thousand shares	-	-	-	-	-	-	-	-	(50,620)	(50,620)	(50,620)
Capital reduction for cash received by non-controlling interest of subsidiaries	-	-	-	-	-	-	-	-	-	(214,200)	(214,200)
BALANCE AT DECEMBER 31, 2013	2,390,506	23,905,063	1,125,327	847,328	754,839	2,727,494	(9,412)	169,548	(50,620)	26,742,073	16,153,633
Appropriation of 2013 earnings											
Legal reserve	-	-	226,452	-	(226,452)	-	-	-	-	-	-
Special reserve	-	-	-	51,840	(51,840)	-	-	-	-	-	-
Cash dividends distributed by the Bank	-	-	-	-	(476,546)	(476,546)	-	-	-	(476,546)	(476,546)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(673,385)	(673,385)
Actual disposal of interest in subsidiaries	-	-	-	(15)	(831)	(846)	-	(211)	-	(1,057)	(10,175)
Net income for the year ended December 31, 2014	-	-	-	-	1,766,526	1,766,526	-	-	-	1,766,526	985,090
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	(3,371)	(3,371)	257,254	395,704	-	649,587	68,814
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	1,763,155	1,763,155	257,254	395,704	-	2,416,113	1,053,904
Capital reduction for cash received by non-controlling interest of subsidiaries	-	-	-	-	-	-	-	-	-	(212,571)	(212,571)
<b>BALANCE AT DECEMBER 31, 2014</b>	<b>2,390,506</b>	<b>\$ 23,905,063</b>	<b>\$ 1,351,779</b>	<b>\$ 899,153</b>	<b>\$ 1,762,325</b>	<b>\$ 4,013,257</b>	<b>\$ 247,842</b>	<b>\$ 565,041</b>	<b>\$ (50,620)</b>	<b>\$ 28,680,583</b>	<b>\$ 16,311,406</b>
											<b>\$ 44,991,989</b>

# INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	<b>2014</b>	<b>2013</b>		<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Income before income tax	\$ 3,375,777	\$ 2,770,026	Proceeds on sale of financial assets carried at cost	\$ 221,458	\$ 279,744
Adjustments for:			Other dividend received	2,308	1,691
Depreciation expenses	145,504	133,374	Received principal of investments under equity method	160,056	42,750
Amortization expenses	36,085	40,749	Payments for properties	(315,613)	(164,460)
Recognition of provisions	270,359	202,292	Proceeds from disposal of properties	7,355	2,572
Net loss (gain) on disposal of financial assets at fair value through profit or loss	(1,735,457)	(2,213,133)	Increase in refundable deposits	(1,549,457)	(334,341)
Interest revenues	(5,564,810)	(4,674,425)	Proceeds from disposal of collaterals	-	389,921
Interest expenses	2,859,696	2,539,975	Payments for collaterals	-	(27,217)
Dividend income	(144,468)	(108,565)	Payments for intangible assets	(31,873)	(28,195)
Realized gain on the transactions with associates and joint ventures	(13,303)	(3,393)	Decrease in other financial assets	50,223	96,955
Gain on disposal of properties	(964)	(1,240)	Increase in other assets	(221,508)	(80,371)
Loss on disposal of intangible assets	1,681	-	Net cash generated from (used in) investing activities	(9,804,705)	13,777,001
Gain on disposal of collaterals	-	(47,656)			
Impairment loss recognized on financial assets	219,111	213,993	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Gain on disposal of investments	(292,785)	(729,251)	Proceeds from short-term borrowings	4,042,225	2,779,460
Changes in operating assets and liabilities			Increase (decrease) in commercial paper	1,274,873	(779,832)
Due from the Central Bank and call loans to banks	538,936	865,897	Proceeds from issue bank debentures	4,400,000	2,300,000
Financial assets at fair value through profit or loss	8,344,118	(20,455,401)	Repayments of bank debenture	(900,000)	(500,000)
Receivables	(3,839,761)	(3,647,905)	Proceeds from (repayments of) long-term borrowings	(3,824,947)	3,206,733
Discounts and loans	(13,455,227)	(27,482,518)	Increase (decrease) in securities sold under agreement to repurchase	(16,032,821)	5,598,642
Due to the Central Bank and other banks	(1,404,203)	12,509,041	Payments for buy-back of ordinary shares	-	(50,620)
Financial liabilities at fair value through profit or loss	3,395,586	539,463	Capital reduction for cash received by non-controlling interest of subsidiaries	(212,571)	(214,200)
Accounts payable	(648,393)	(681,417)	Partial disposal of interests in subsidiaries	19,140	-
Deposits	35,634,376	18,018,873	Decrease in other financial liabilities	6,526,930	34,614
Provisions	151,925	(16,728)	Dividends paid to ownership of the Bank	(476,546)	(478,101)
Cash generated from (used in) operations	27,873,783	(22,227,949)	Dividends paid to non-controlling interest	(673,385)	(770,668)
Interest received	5,442,936	4,396,273	Increase in other liabilities	167,031	689,187
Interest paid	(2,759,322)	(2,435,431)	Net cash generated from (used in) financing activities	(5,690,071)	11,815,215
Dividends received	144,468	108,565	<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
Income tax paid	(709,130)	(502,040)	<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(795,544)	(233,324)
Net cash generated from (used in) operating activities	29,992,735	(20,660,582)	<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	13,702,415	4,698,310
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	12,628,367	7,930,057
Purchase of financial assets designated as at fair value through profit or loss	(3,298,522)	(3,746,660)	<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	\$ 26,330,782	\$ 12,628,367
Proceeds on sale of financial assets designated as at fair value through profit or loss	4,590,368	5,951,911			
Purchase of available-for-sale financial assets	(112,425,303)	(70,331,475)			
Proceeds on sale available-for-sale financial assets	106,265,432	73,982,804			
Purchase of held-to-maturity financial assets	(4,499,462)	-			
Receive principal of held-to-maturity financial assets	1,943,270	8,068,145			
Purchase of financial assets measured at cost	(703,437)	(326,773)			

(Continued)

## INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2014 and 2013:

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Cash and cash equivalents in consolidated balance sheets	\$ 8,481,873	\$ 5,219,249
Due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents in IAS 7	16,098,170	6,050,318
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	<u>1,750,739</u>	<u>1,358,800</u>
Cash and cash equivalents in consolidated statements of cash flow	<u>\$ 26,330,782</u>	<u>\$ 12,628,367</u>

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