



IBT Group

Industrial Bank of Taiwan (IBT)

2015

ANNUAL REPORT





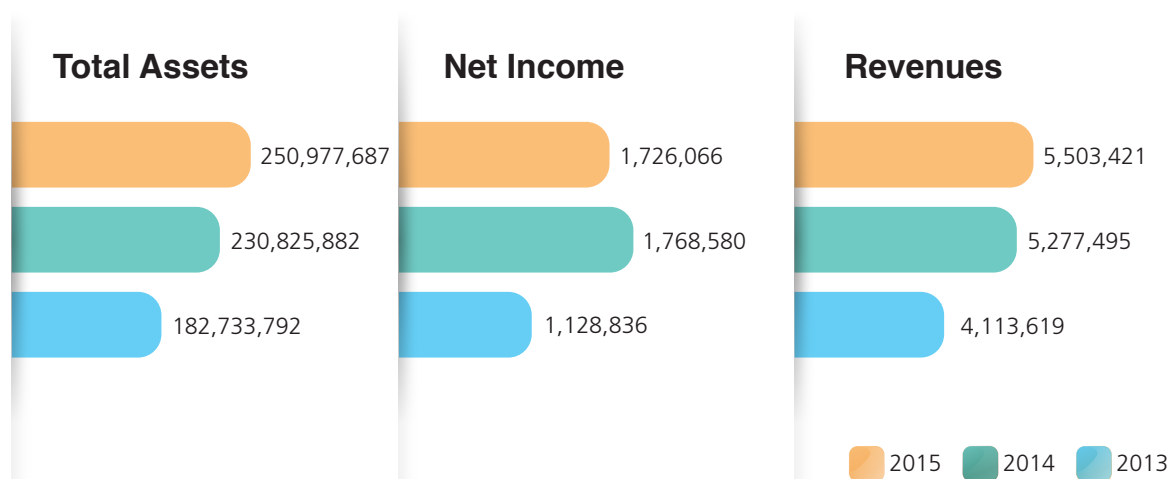
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Financial Highlights

	2015 Thousands of NT dollars	2014 Thousands of NT dollars	2013 Thousands of NT dollars	2015 Thousands of US Dollars (*)
Total Assets	250,977,687	230,825,882	182,733,792	7,590,204
Net Worth	29,678,133	28,671,261	26,742,073	897,542
Investments Outstanding	56,559,008	42,864,962	32,626,888	1,710,488
Loans Outstanding	129,518,749	118,275,261	107,043,529	3,916,977
Guarantees Outstanding	6,205,860	4,831,446	3,803,833	187,681
Revenues	5,503,421	5,277,495	4,113,619	166,437
Net Income	1,726,066	1,768,580	1,128,836	52,201
Return on Assets	0.72%	0.86%	0.67%	0.72%
Return on Equity	5.92%	6.38%	4.26%	5.92%
BIS Ratio	14.12%	14.93%	13.33%	14.12%
Non Performing Assets Ratio	0.28%	0.34%	0.50%	0.28%

* U.S. Dollars amounts are converted at the prevailing exchange rate on Dec.31, 2015 of NT\$33.066=US\$1



Message from the Chairman and CEO

Global economic growth momentum declined slightly in 2015 from the previous year. 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. According to the International Monetary Fund, global economic growth was slightly below the previous year at 3.1%. The Taiwan economy was impacted by weak global demand, causing a major 10.6% decline in exports for the year, hitting its lowest point since the 2009 financial crisis. Domestic demand was lower than expected as well. According to the Directorate General of Budget, Accounting, and Statistics (DGBAS), Taiwan's economic growth in 2015 dropped sharply from 3.74% in the previous year to 0.75%, reaching a six-year low.

Affected by a slowing global economy, a weak domestic economy, Renminbi foreign exchange losses, and additional provisions for credit extended in mainland China and for real estate, pretax profit for the domestic banking industry was NT\$319.6 billion, a small decline from the previous year. Profits of overseas banking units were NT\$71.39 billion, down by 16.3%. Despite poor domestic and international economic conditions, IBT's total assets reached NT\$251.0 billion, increasing 8.73% from the previous year, thanks to the efforts of the entire IBT team. At the same time, the capital adequacy ratio was maintained at 14.12%. In 2015, pretax profit was NT\$2 billion, up by 4.84% from a year earlier, while net profit was NT\$1.7 billion and earnings per share was NT\$0.72.

Looking forward to 2016, global economic growth is expected to remain flat with the previous year, but under the unfavorable conditions of continued export decline and weak consumer spending, the DGBAS estimates Taiwan's full-year economic growth will be only 1.47%. As international and domestic economic growth continues to decelerate, IBT will persist in operating in a prudent and stable fashion. Our plans for business development in 2016 are as follows:

1. Complete the Plan to Restructure to Commercial Bank

After gaining FSC approval at end-2015 to restructure into a commercial bank, we have devoted ourselves to setting a number of transition plans, including future branch locations, business scope, hardware and software infrastructure, product planning and sales models. We have also established a retail banking business unit, recruited a broad variety of talent, and phased in the establishment of core IT systems and related subsystems for commercial



banking. In addition, we will adjust the proportion of our direct investment and subsidiary businesses according to the timetable set by regulators to meet the requirements set for non-core business of commercial banks, so that we may officially begin business as O-Bank according to the schedule set by regulatory authorities.

2.Leverage Digital Finance Technology to Create Competitive Strength

As social media and mobile devices proliferate, consumer behavior is gradually changing, leading to a new wave of digital finance and financial innovation around the World. IBT will use a new digital banking mindset, utilize advanced technology, take advantage of business opportunities in Internet finance, and develop Taiwan's first digital bank centered around virtual channels. We will leverage cost advantages and create good customer experiences to provide more convenient and friendly banking services that meet the requirements of the new generation.

3.Execute our “Careful Cultivation” Strategy and Develop Niche Services

Over the past three years, IBT has made “boutique banking” its goal, and has striven to raise shareholder returns. We are now among the top third of domestic banks in terms of shareholder returns.

Looking forward, IBT's original corporate banking business will continue its “careful cultivation” strategy, pursue excellence, and keep abreast of financial market developments to appropriately launch niche services such as securitized products to maximize growth opportunities.

4.Maintain Profitability, Prepare for IPO and M&A

Once IBT restructures into a commercial bank, we will begin preparing for an initial public offering and for a planned merger with China Bills Finance. Therefore, as we continue to invest resources into the restructuring, we will do our utmost to maintain profitability in the expectation that it will create better conditions for IPO and add additional fundraising channels. In addition, we do not rule out

any appropriate opportunities for M&A to quickly increase our asset scale and business scope. We will also continue preparing for a future merger with China Bills Finance and carry out consolidation within the Group.

5.Promote Corporate Culture and Carry Out our Corporate Social Responsibilities

In the 17 years since IBT's founding, we have not only striven to develop all our businesses and charted a course for the growth of our Group, but have also promoted social welfare and given back to society via the IBT Education Foundation through the themes of “innovation and entrepreneurship, humanities and arts”. In early 2015, we also established a “Corporate Social Responsibility Committee” composed of the top management team and led by Vice Chairman Tina Y. Lo. This committee will carry out our corporate culture of “Always Sincere, Always Here”, towards our employees, clients, shareholders, the public, and all stakeholders. In the year since the committee was founded, we have made the outstanding achievement of completing nearly one hundred improvement projects in the areas of corporate governance, employee care, customer relations, environmental protection, and social participation. In the future, we will continue pressing forward with initiatives that fulfill our corporate social responsibility. With sustainable management as our goal, we will carry out the “wangdao” spirit of “self fulfillment through altruism”, and achieve our vision of prospering with employees, profiting with clients and shareholders, co-existing with the environment, and benefiting with society.

Looking forward, I believe that with the combined efforts of all our colleagues, our Bank can continue to reach new achievements in every aspect of our business, and we hope for continued guidance and support from our shareholders.



Kenneth C.M. Lo / Chairman & CEO

Mission of the Vice Chairman

Since IBT's founding, the Bank has been managed along the principles of sustainable operations and has spared no effort in meeting our corporate social responsibilities in the five dimensions of employee care, customer service, corporate governance, environmental protection, and social welfare. We strive to fulfill our responsibilities and protect the rights of all stakeholders.

In employee care, we continue to provide courses to improve employee competitiveness each year, developing internal lecturers and establishing e-learning platforms. The IBT Group also holds family fun activities for employees as well. In customer service, we ensure compliance and implement all official regulations, effectively protect client privacy and enforce transaction safety, and provide clients with convenient and timely physical and electronic services. In corporate governance, our information is open and transparent, and we have established an audit committee and independent members of the Board of Directors to effectively monitor company operations. In addition, we have established internal whistle-blowing procedures and set anti-corruption and anti-fraud policies, and have implanted our concept of "management with integrity" in every corner of the company with training and promotional campaigns. In environmental protection, we advocate energy conservation and carbon reduction, and we carry out water recycling and waste reduction. In social welfare, we adhere to our belief in humaneness and participate in diverse social care and philanthropic activities. In addition to caring for the disadvantaged in our society, we also invest in art education as well as lead and encourage our employees to devote themselves to public welfare.

In January 2015, we followed through on these ideas and established the "Corporate Social Responsibility Committee" with myself as Chairperson, the President as the Vice Chairperson, and the top executives of the relevant departments as committee members, reporting directly to the Board of Directors. After a year's effort, the Corporate Social Responsibility Committee has completed nearly 100 concrete improvement plans in the



five areas of corporate governance, employee care, customer relations, environmental protection, and social participation, an outstanding achievement. This year, we plan to move ahead of legal regulations and publish our first Corporate Social Responsibility Report to share our efforts and achievements with all of our stakeholders.

Among these, in social welfare, we are moving forward in the two directions of caring for students in underdeveloped areas and promoting social enterprises. To support students in underdeveloped areas, we collected more than 700 secondhand books for Chi-Chen Elementary School, Jiufen Elementary School, Shuangxi Elementary School, and donated used computers to Mudan Elementary School, encouraging schoolchildren in remote areas to read and learn. We have also invested efforts in providing guidance in both education and life for students in remote areas. These include providing scholarships to outstanding students, celebrating holidays with schoolchildren, as well as financial education. We also established the Volunteer Club in mid-2015, providing in-depth care to underdeveloped schools with a large proportion of children of new immigrants. More than 20 volunteers regularly hold videoconferences with students at Chi-Chen Elementary School, caring for their life and academic work and spending time with them as they grow up.

In the promotion of social enterprises, we have seen that they have been a developing trend in recent years, gradually becoming a force for innovation in society. In November 2015, we worked with the Chinese National Association of Industry and Commerce (CNAIC), Taiwan to hold

a seminar on “Prospering with Social Enterprises” attended by almost 150 people from CNAIC and social enterprises. This seminar served to build a platform for exchange to discuss development trends in social enterprises to promote sustainable development and mutual prosperity. In addition, we also collaborated with the Sunshine Social Welfare Foundation Sheltered Workshop, with IBT providing space for the Sunshine Foundation to operate a car wash for our employees. At the same time, we have also arranged farmers’ markets and group purchases to support high-quality social enterprises through direct action.

This year, we are intensively preparing for our transformation into a commercial bank, and will open our doors to consumers as “O-Bank” early next year. We believe that with our wider customer base in retail banking and our more digitized and convenient service model we can create win-win outcomes for all our stakeholders. We will continue to promote measures that fulfill our corporate social responsibility. With sustainable management as our goal, we will continue innovating and carry out the “wangdao” spirit of finding fulfillment in helping others to achieve our vision of prospering with employees, profiting with clients and shareholders, co-existing with the environment, and benefiting with society.



Tina Y. Lo / Vice Chairman

Perspective of the President

In 2015, despite poor domestic and international economic conditions, IBT's total assets reached NT\$251.0 billion, increasing 8.73% from the previous year. At the same time, the capital adequacy ratio was maintained at 14.12%. In 2015, pretax profit was NT\$2 billion, up by 4.84% from a year earlier, while net profit was NT\$1.7 billion and earnings per share was NT\$0.72. Taiwan Ratings issued "twA" and "twA-1" ratings for our long and short term credit ratings respectively in July 2015 with an outlook of "stable".

In 2015, IBT achieved the following key strategic goals:

1. Gained Approval to Restructure to a Commercial Bank

In accordance with the regulations set for IBT by the Banking Act and the "Regulations Governing the Establishment Criteria and Administration of the Industrial Bank", our primary business has been corporate finance and direct investment, among others. However, as financial holding companies have been allowed to make direct investments through venture capital subsidiaries, the direct investment business is no longer unique to industrial banks. Compared to commercial banks that can cover both corporate and retail business, it is increasingly difficult for industrial banks to compete due to limitations on business expansion and sources of deposits. Therefore, IBT petitioned regulators in early 2015 to review related regulations and consider feasibility for industrial banks to switch to commercial banks. Regulatory approval was gained in March 2015, allowing IBT to apply for restructuring. IBT immediately began drafting a restructuring strategy and related plans, and both the Board of Directors and an extraordinary shareholder meeting approved the restructuring as well as a change of registration to the name "O-Bank". In December 2015, we obtained official regulatory approval to proceed with restructuring into a commercial bank.





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 2015. To pursue stable growth while diversifying operational risk, we persisted with a conservative and stable approach, carefully maintaining both loan asset quality and reasonable returns. As of end-2015, the Bank's total credit extension, including domestic and foreign currency, was NT\$141.3 billion, with a non-performing loan ratio of only 0.28%. Credit extensions grew 10.22% from end-2014, and the loan loss coverage ratio was 613.61%.

By industry, investment, leasing, and other financial companies made up the largest proportion of the Bank's loans, making up 15.93% of credit extended. Other industries included: Electronics at 12.94%, construction, cement, and real estate at 12.80%, petrochemicals and textiles at 12.16%, steel and metal manufacturing at 9.38%, transportation and equipment at 7.65%, and communications at 1.08%. Other sectors made up 28.06%.

Out of the electronics industry, the electronic components sector was the largest borrower at 3.96% of credit extended, information hardware received 3.43%, the semiconductor sector was 2.70%, opto-electronics was 1.44%, solar energy was 0.84%, and channels and other electronics products made up 0.57%.

IBT is actively developing overseas and domestic customers, and extended credit to 944 active clients as of end-2015. To pursue stable growth and diversification of operating risks, we are not only securing our customer base, but also working to enter the medium-sized enterprise market segment, which will serve as an important foundation for our cross-selling efforts.





The primary focus of our credit extension business is syndicated loans. The Bank maintains a Structured Finance Division under the Corporate Finance Department which is adept at quickly and accurately providing custom-made financial solutions for customers to resolve key issues. As of end-2015, the Bank has been lead manager for 305 syndicated loans, successfully raising funds for clients encompassing industries including electronics, opto-electronics, steel, transportation, electrical machinery, textiles, foods, petrochemicals, leasing, construction, securities finance, and communications and broadcasting. These loans have funded factory construction, equipment purchases and other capital spending, and medium-term operating capital to improve financial structure. They have helped enterprises continue to grow, as well as improved their market competitiveness.

Many businesses reduced capital spending in 2015 due to moderating global and domestic economic growth, and lower demand for syndicated loans led to difficult 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 8 syndicated loans in 2015 totaling NT\$7.1 billion, in industries including real estate, leasing, and others. In particular, IBT overcame challenging conditions to lead two syndicated loans for Chinese companies 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 2015, IBT's total domestic and foreign currency deposits totaled NT\$155.5 billion, up 10.2% from end-2014.

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 13.49% year-on-year to NT\$53.0 billion by end-2015.

3. Foreign Exchange and Offshore Banking

In 2015, IBT continued to expand its foreign currency operations and pursued a business strategy of expanding lending spreads. By the end of the year, export-import business was US\$1.135 billion, and foreign currency lending totaled NT\$41.8 billion, growing 22.9% from a year earlier. By December 2015, U.S. dollar lending spreads were up 0.36% from a year earlier to 1.98%.

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

After receiving Financial Supervisory Commission permission to restructure to commercial banking in March 2015, the Bank has halted new direct investments due to regulations regarding the business scope of commercial banks. Therefore, before March 2015 IBT added only one new direct investment, Superior Plating Technology Co. Combined with capital increases in previous investments, total investments reached NT\$6 million.

At the end of 2015, IBT held 66 foreign and domestic direct investments totaling NT\$2.75 billion. In addition to venture capital, the overall portfolio includes pharmaceuticals and biotechnology, chemical materials manufacturing, and electronics and semiconductors. Pharmaceuticals and biotechnology occupied the largest portion of the portfolio at approximately 15%, followed by 13% for chemical materials manufacturing.

Investment Portfolio Analysis

Industry	Number of Invested Companies	Investment Amount (NT\$ Million)	Percentage (%)
Pharmaceuticals/Biotechnology	9	411	14.93
Chemical Materials	3	351	12.75
Semiconductor	9	258	9.38
Machinery & Instrument	6	225	8.18
Wholesale and Retail	4	189	6.87
Opto-electronics	8	132	4.81
Solar Energy	2	78	2.82
Electronic Components	4	51	1.86
Transportation and Equipment	1	40	1.44
Information (software)	3	38	1.40
Vehicles and Components	2	36	1.31
Information(hardware)	4	28	1.03
Internet & Multimedia	3	19	0.70
Channels and other Electronic Products	1	6	0.22
Venture Capital Funds	7	888	32.30
Total	66	2,750	100

5. Financial Product Trading

IBT's financial product trading business includes both the trading and the 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 2015, the Bank adapted to international financial market volatility, and continued to strengthen risk management of overall positions, monitored market pricing, and strengthened education and training of sales staff. Fixed income made a respectable performance under loose monetary policy by the European and Japanese central banks and two unexpected rate cuts by the central bank of Taiwan.

6. Securities Trading

In 2015, the U.S. economy was the only major economy to show relatively stable growth. Growth in the Chinese economy cooled, while the Euro zone and major Asian economies repeatedly lowered growth estimates. Global equities markets showed major volatility, and Taiwan stocks ended the year at 8338 points, falling 10.4% over the year after facing continued export declines due to global economic weakness and competition from the "red supply chain", as well as cuts to economic growth rates.

IBT's traders carefully evaluate risk and operate on conservative principles, taking advantage of upside opportunities to maintain stable profitability. The Bank's trading profits for the year totaled NT\$19 million, and total equity holdings were NT\$155 million.





7. Project Finance

Project finance encompasses both project funding and financial advising. Project funding is the provision of diverse financing and project development services to enterprises and government for projects such as major public construction including transportation, energy, and environmental infrastructure, as well as commercial facilities, educational facilities, commercial real estate development, and urban renewal. The Bank can provide comprehensive project financial planning, investment feasibility estimates, syndicated loan structure design, transfer of trust beneficiary rights, negotiation strategy, and support in attracting funding and equity investment. The Bank's financial advising services provide clients with custom-made solutions including debt arrangement, mergers and acquisitions, corporate restructuring, fundraising, M&A financing, tax planning, and other consulting services.

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 securitized products. The asset management business chiefly assists clients with asset allocation.

At end-2015, net assets in trust were NT\$10.7 billion, increasing 30.59% from a year earlier due to real estate and money trust business. Total assets in trust were NT\$880 million, down 24.34% from a year earlier due to client capital reduction.

9. Cash Management and e-Banking

IBT's corporate Internet banking system officially went online on June 1, 2015, providing clients with diverse channels for transactions. Clients can complete a number of integrated collections and payments operations on an electronic platform, and receive account information and account transaction reports in real time, further reducing their financial costs and improving capital efficiency. The stable, secure, and efficient services provided by these systems improve customer loyalty and lead them to choose IBT as their primary bank.

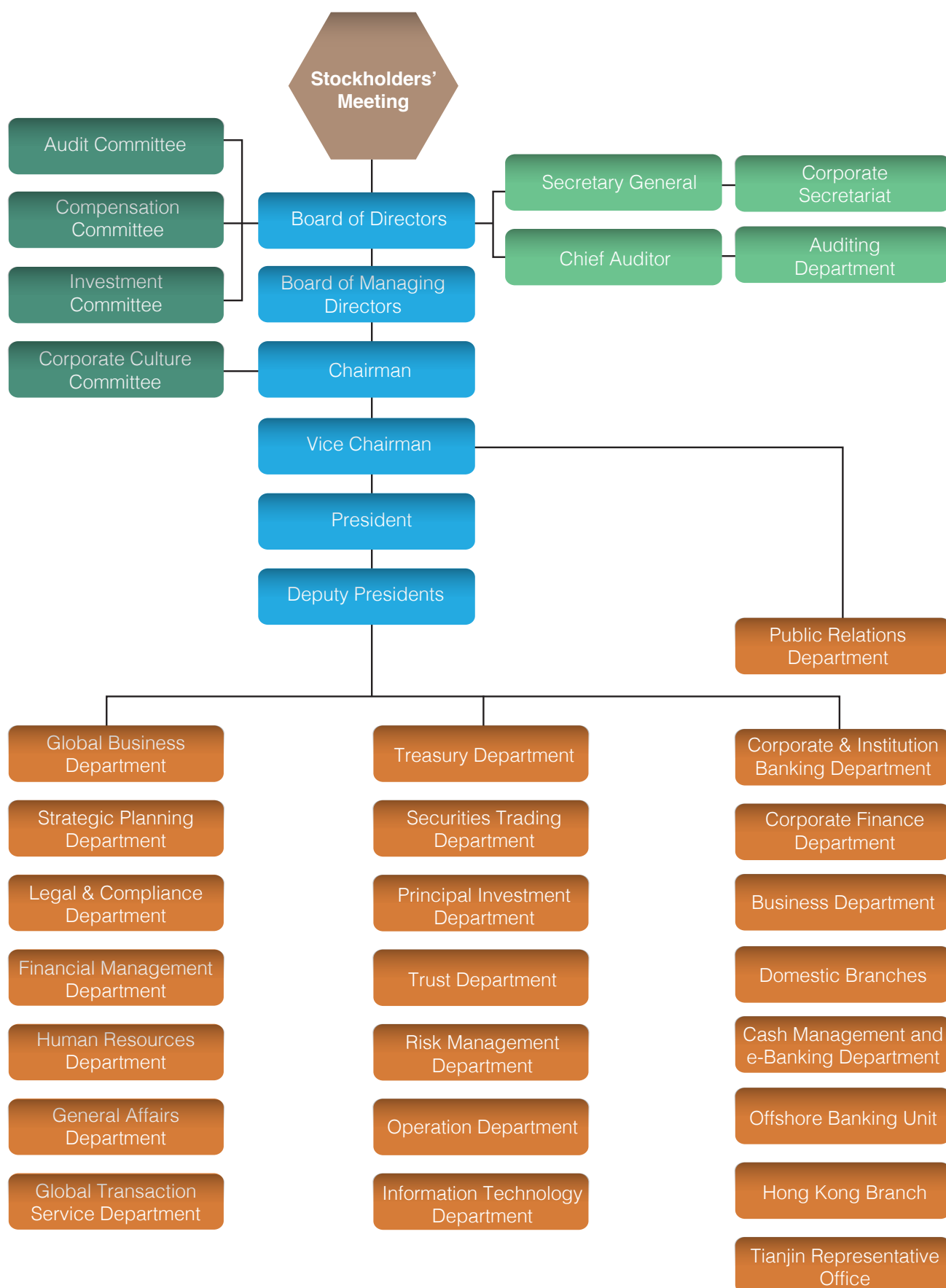
In addition, automated transaction platforms lower the costs and trading risk related to manual operations, improving the Bank's internal trading security and efficiency.



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.
Independent Managing Director	Hou-Sheng Chan	Chairman , Cross-Straits Common Market Foundation
Directors	Shih-Tze Chen	Chairman , Ming Shan Investment Co., Ltd.
	George Tcheng	General Manager , 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

Tony Yang
President

1



David C.C. Chang
**Deputy President
& Chief Administration Officer**
Supervising Financial
Management, General Affairs,
and Information Technology
Departments

2



Elton F.Y. Lee
Deputy President
Hong Kong Branch

3



Tessie Y.H. Chen
**Senior Executive Vice President
& Chief Financial Markets Officer**
Supervising Treasury and
Securities Trading Departments

4



Nancy S.F. Liu
**Senior Executive Vice President
& Chief Compliance Officer**
Supervising Legal and
Compliance Department

5



Roger Y.F. Lin
**Senior Executive Vice President
& Chief Corporate Banking
Officer**
Supervising Business, Corporate
Finance, Global Transaction
Service, Cash Management and
e-Banking, Trust, Corporate and
Institution Banking Departments,
Offshore Banking Unit, and
Domestic Branches

6



Jonathan C.H. Wei
**Senior Executive Vice President
& Chief Strategy Officer**
Supervising Global Business,
Strategic Planning Departments,
and Overseas Representative
Office

7





Sophia Y.C. Chung
**Executive Vice President
& Chief Auditor**
Supervising Auditing
Department

8



Angela T.C. Wang
**Executive Vice President
& Chief Human Resources Officer**
Supervising Human Resources
Department

9



Brian Y.L. Lin
Executive Vice President
Taipei Region IV,
Business Department

10



Teddy Y.T. Chin
Executive Vice President
Taipei Region III,
Business Department

11



Joseph L.J. Lai
Executive Vice President
Taichung Branch

12



Paul C.H. Jen
Executive Vice President
Kaohsiung Branch

13



Sherry H.Y. Yeh
Executive Vice President
Corporate Finance
Department

14



Wen W.C. Shao
Executive Vice President
Tianjin Representative Office

15



Tony M.H. Wu
Executive Vice President
Information Technology
Department

16



Expand Horizons





BUSINESS PLANS



Following evaluation of current domestic and foreign economic and political conditions, as well as positive and negative factors for IBT's development, the Bank is actively pursuing growth and has set the following short, medium, and long term development plans.

1. Short Term Business Development Plans

(1) Complete transition to commercial banking and create a competitive digital bank

In December 2015, IBT gained regulatory approval for restructuring and change the Bank's name to O-Bank to become a new entrant in commercial banking. In order to stand out in a highly competitive market, IBT will begin a pioneering business strategy. As social media and mobile devices proliferate, the Bank will adopt a new digital banking mindset to revolutionize traditional banking, centering ourselves around virtual channels to provide consumers with more convenient and user-friendly financial services.

As IBT does not have the legacy IT systems burden of traditional banks, IBT's IT system structure will leverage open cloud-based service platforms using the most advanced cloud computing technologies to achieve our concept of digital banking. The mobile devices at everyone's fingertips (e.g. mobile phones) will be one of the Bank's primary channels. At the





same time, all aspects of financial products, including planning, procedures, interfaces, and customer interactions, will take “mobile phones” as their starting point, creating a native mobile bank to provide clients with innovative customized services to meet the needs of the Bank’s future mainstream customers, lower the entry barriers for financial products, and provide banking services with value for the general public.

(2) Execute our strategy of “careful cultivation” and develop niche services

IBT will continue its strategic direction of “careful cultivation” to seek a breakthrough. Firstly, the Bank has effectively lowered capital costs after implementing a number of action plans, and will continue to widen spreads this year. Secondly, the Bank will continue to leverage its advantage as a group of companies by consolidating group resources, bringing in customers through group companies, and maximizing synergies to create more business achievements. In addition, the Bank will continue to keep abreast of developments in financial markets and develop niche services such as securitized products to build on the solid foundation of business it has accumulated.





2. Medium and Long Term Business Development Plans

(1) Build cross-industry alliances and cooperative opportunities with Fin-Tech to create a unique banking service experience

As IBT plans to expand its customer base in retail banking, the Bank will also actively pursue strategic cooperation with other industries, such as e-commerce and gaming, to connect usage scenarios for a variety of financial services, and create value across a number of industries. By seizing business opportunities from related cash flows and payments, IBT can provide financial services throughout a consumer's daily life, further improving the smoothness of the transaction experience and raising the bank's permeation and stickiness from each client.

(2) Take O-Bank public and seek M&A opportunities

After IBT's transitions to commercial banking, the Bank will immediately begin moving forward with plans for an initial public offering and a merger with China Bills Finance. The Bank will require continuous investment of resources into the restructuring while maintaining profitability to create better conditions for going public, attracting talented personnel, and adding diverse fundraising channels. At the same time, we do not rule out any appropriate opportunities for M&A to quickly expand asset scale and business scope, and will continue to prepare for the merger with China Bills Finance to carry out consolidation within the Group.



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, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. 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, 2015 and 2014, and the results of their operations and their cash flows for the years ended December 31, 2015 and 2014, 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.

Deloitte & Touche

March 25, 2016

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, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

	2015		2014 (Audited after Restated)	
	Amount	%	Amount	%
ASSETS				
Cash and cash equivalents	\$ 7,850,486	2	\$ 8,481,873	2
Due from the Central Bank and call loans to banks	9,028,597	2	18,711,447	4
Financial assets at fair value through profit or loss	159,501,055	33	138,404,925	32
Securities purchased under agreements to resell	4,100,000	1	1,750,739	1
Receivables, net	19,936,931	4	16,292,701	4
Current tax assets	207,351	-	208,147	-
Discounts and loans, net	146,443,247	30	131,025,730	31
Available-for-sale financial assets	115,841,981	24	95,063,691	22
Held-to-maturity financial assets	9,849,587	2	4,884,679	1
Investments accounted for using equity method	170,642	-	268,834	-
Restricted assets	450,649	-	465,909	-
Other financial assets	1,837,635	-	2,746,204	1
Properties, net	3,017,250	1	2,943,946	1
Investment properties	8,157	-	8,283	-
Intangible assets, net	1,408,773	-	1,283,828	-
Deferred tax assets	554,623	-	539,317	-
Other assets	<u>5,779,178</u>	<u>1</u>	<u>4,983,247</u>	<u>1</u>
TOTAL	<u>\$ 485,986,142</u>	<u>100</u>	<u>\$ 428,063,500</u>	<u>100</u>

	2015		2014 (Audited after Restated)	
	Amount	%	Amount	%
LIABILITIES AND EQUITY				
LIABILITIES				
Due to the central bank and other banks	\$ 47,840,792	10	\$ 43,586,167	10
Financial liabilities at fair value through profit or loss	6,277,074	1	5,795,508	1
Securities sold under agreement to repurchase	171,238,096	35	136,519,486	32
Accounts payable	4,489,083	1	2,857,519	1
Current tax liabilities	55,409	-	85,506	-
Deposits	172,776,282	36	156,516,082	37
Bank debentures	14,950,000	3	14,980,000	3
Other financial liabilities	18,317,578	4	19,457,077	5
Provisions	1,741,005	-	1,672,612	-
Deferred tax liabilities	230,434	-	156,281	-
Other liabilities	<u>1,789,099</u>	<u>-</u>	<u>1,454,596</u>	<u>-</u>
Total liabilities	<u>439,704,852</u>	<u>90</u>	<u>383,080,834</u>	<u>89</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Capital stock	<u>23,905,063</u>	<u>5</u>	<u>23,905,063</u>	<u>6</u>
Capital surplus	<u>1,773</u>	<u>-</u>	<u>-</u>	<u>-</u>
Retained earnings				
Legal reserve	1,880,726	1	1,351,779	-
Special reserve	1,178,307	-	899,153	-
Unappropriated earnings	<u>1,700,341</u>	<u>-</u>	<u>1,753,003</u>	<u>1</u>
Total retained earnings	<u>4,759,374</u>	<u>1</u>	<u>4,003,935</u>	<u>1</u>
Other equity	<u>1,030,616</u>	<u>-</u>	<u>812,883</u>	<u>-</u>
Treasury stock	<u>(18,693)</u>	<u>-</u>	<u>(50,620)</u>	<u>-</u>
Total equity attributable to owners of the bank	29,678,133	6	28,671,261	7
NON-CONTROLLING INTERESTS	<u>16,603,157</u>	<u>4</u>	<u>16,311,405</u>	<u>4</u>
Total equity	<u>46,281,290</u>	<u>10</u>	<u>44,982,666</u>	<u>11</u>
TOTAL	<u>\$ 485,986,142</u>	<u>100</u>	<u>\$ 428,063,500</u>	<u>100</u>

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

	2015		2014		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
NET INTEREST					
Interest revenues	\$ 6,368,437	84	\$ 5,564,810	80	14
Interest expenses	<u>(2,915,107)</u>	<u>(38)</u>	<u>(2,859,696)</u>	<u>(41)</u>	2
Net interest	<u>3,453,330</u>	<u>46</u>	<u>2,705,114</u>	<u>39</u>	28
NET REVENUES OTHER THAN INTEREST					
Commissions and fee revenues, net	1,694,943	22	1,453,343	21	17
Gain on financial assets and liabilities at fair value through profit or loss	1,807,277	24	1,735,457	25	4
Realized income from available-for-sale financial assets	426,905	6	338,146	5	26
Realized income from held-to-maturity financial assets	-	-	402	-	(100)
Foreign exchange gain (loss), net	95,924	1	758,429	11	(87)
Loss from asset impairment	(141,028)	(2)	(219,111)	(3)	(36)
Investment income (loss) recognized under equity method	1,515	-	13,303	-	(89)
Realized income from financial assets carried at cost	64,518	1	37,963	1	70
Consulting revenue	31,504	-	32,712	-	(4)
Other non-interest net gains	<u>144,716</u>	<u>2</u>	<u>65,884</u>	<u>1</u>	120
Net revenues other than interest	<u>4,126,274</u>	<u>54</u>	<u>4,216,528</u>	<u>61</u>	(2)
TOTAL NET REVENUES	<u>7,579,604</u>	<u>100</u>	<u>6,921,642</u>	<u>100</u>	10
PROVISIONS	<u>(401,890)</u>	<u>(5)</u>	<u>(270,359)</u>	<u>(4)</u>	49
OPERATING EXPENSES					
Personnel expenses	2,102,288	28	1,911,264	27	10
Depreciation and amortization	193,366	2	181,589	3	6
Others	<u>1,269,123</u>	<u>17</u>	<u>1,180,551</u>	<u>17</u>	8

(Continued)

	2015		2014		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Total operating expenses	<u>3,564,777</u>	<u>47</u>	<u>3,273,404</u>	<u>47</u>	9
INCOME BEFORE INCOME TAX	<u>3,612,937</u>	<u>48</u>	<u>3,377,879</u>	<u>49</u>	7
INCOME TAX EXPENSE	<u>692,187</u>	<u>9</u>	<u>624,196</u>	<u>9</u>	11
CONSOLIDATED NET INCOME	<u>2,920,750</u>	<u>39</u>	<u>2,753,683</u>	<u>40</u>	6
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	(26,931)	(1)	(8,290)	-	225
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	205,608	3	309,798	4	(34)
Unrealized gain (loss) on available-for-sale financial assets	290,695	4	459,074	7	(37)
Share of the other comprehensive income of associates and joint ventures	(24,815)	-	23,464	-	(206)
Income tax relating to the components of other comprehensive income	<u>(28,060)</u>	<u>(1)</u>	<u>(66,448)</u>	<u>(1)</u>	(58)
Other comprehensive income (loss) for the year, net of income tax	<u>416,497</u>	<u>5</u>	<u>717,598</u>	<u>10</u>	(42)
TOTAL COMPREHENSIVE INCOME	<u>\$ 3,337,247</u>	<u>44</u>	<u>\$ 3,471,281</u>	<u>50</u>	(4)
NET PROFIT ATTRIBUTABLE TO:					
Owners of the Bank	\$ 1,726,066	23	\$ 1,768,580	26	(2)
Non-controlling interests	<u>1,194,684</u>	<u>16</u>	<u>985,103</u>	<u>14</u>	21
	<u>\$ 2,920,750</u>	<u>39</u>	<u>\$ 2,753,683</u>	<u>40</u>	6
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	\$ 1,928,227	25	\$ 2,417,364	35	(20)
Non-controlling interests	<u>1,409,020</u>	<u>19</u>	<u>1,053,917</u>	<u>15</u>	34
	<u>\$ 3,337,247</u>	<u>44</u>	<u>\$ 3,471,281</u>	<u>50</u>	(4)
EARNINGS PER SHARE					
Basic	<u>\$ 0.72</u>		<u>\$ 0.74</u>		

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

	Equity Attributable				
	Capital Stock		Capital Surplus	Retained	
	Shares (Thousands)	Amount		Legal Reserve	Special Reserve
BALANCE AT JANUARY 1, 2014	2,390,506	\$ 23,905,063	\$ -	\$ 1,125,327	\$ 847,328
Effect of retrospective application and retrospective restatement	-	-	-	-	-
BALANCE AT JANUARY 1, 2014 AS RESTATED	2,390,506	23,905,063	-	1,125,327	847,328
Appropriation of 2013 earnings					
Legal reserve	-	-	-	226,452	-
Special reserve	-	-	-	-	51,840
Cash dividends distributed by the Bank	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-
Actual disposal of interest in subsidiaries	-	-	-	-	(15)
Net income for the year ended December 31, 2014	-	-	-	-	-
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-
Capital reduction for cash received by non-controlling interest of subsidiaries	-	-	-	-	-
BALANCE AT DECEMBER 31, 2014	2,390,506	23,905,063	-	1,351,779	899,153
Appropriation of 2014 earnings					
Legal reserve	-	-	-	528,947	-
Special reserve	-	-	-	-	279,154
Cash dividends distributed by the Bank	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-
Disposal of subsidiaries	-	-	-	-	-
Net income for the year ended December 31, 2015	-	-	-	-	-
Other comprehensive income for the year ended December 31, 2015	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-
Capital reduction for cash received by non-controlling interest of subsidiaries	-	-	-	-	-
Transmission of treasury stock	-	-	1,773	-	-
BALANCE AT DECEMBER 31, 2015	2,390,506	\$ 23,905,063	\$ 1,773	\$ 1,880,726	\$ 1,178,307

to Owner of the Bank

Earnings		Other Equity		Treasury Shares	Owner of the Bank	Non-controlling Interests	Total Equity
		Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available -for-sale Financial Assets				
Unappropriated Earnings	Total						
\$ 754,839	\$ 2,727,494	\$ (9,412)	\$ 169,548	\$ (50,620)	\$ 26,742,073	\$ 16,153,633	\$ 42,895,706
(10,573)	(10,573)	-	-	-	(10,573)	(14)	(10,587)
744,266	2,716,921	(9,412)	169,548	(50,620)	26,731,500	16,153,619	42,885,119
(226,452)	-	-	-	-	-	-	-
(51,840)	-	-	-	-	-	-	-
(476,546)	(476,546)	-	-	-	(476,546)	-	(476,546)
-	-	-	-	-	-	(673,385)	(673,385)
(831)	(846)	-	(211)	-	(1,057)	(10,175)	(11,232)
1,768,580	1,768,580	-	-	-	1,768,580	985,103	2,753,683
(4,174)	(4,174)	257,254	395,704	-	648,784	68,814	717,598
1,764,406	1,764,406	257,254	395,704	-	2,417,364	1,053,917	3,471,281
-	-	-	-	-	-	(212,571)	(212,571)
1,753,003	4,003,935	247,842	565,041	(50,620)	28,671,261	16,311,405	44,982,666
(528,947)	-	-	-	-	-	-	-
(279,154)	-	-	-	-	-	-	-
(955,055)	(955,055)	-	-	-	(955,055)	-	(955,055)
-	-	-	-	-	-	(692,625)	(692,625)
-	-	-	-	-	-	(334,628)	(334,628)
1,726,066	1,726,066	-	-	-	1,726,066	1,194,684	2,920,750
(15,572)	(15,572)	158,198	59,535	-	202,161	214,336	416,497
1,710,494	1,710,494	158,198	59,535	-	1,928,227	1,409,020	3,337,247
-	-	-	-	-	-	(90,015)	(90,015)
-	-	-	-	31,927	33,700	-	33,700
<u>\$ 1,700,341</u>	<u>\$ 4,759,374</u>	<u>\$ 406,040</u>	<u>\$ 624,576</u>	<u>\$ (18,693)</u>	<u>\$ 29,678,133</u>	<u>\$ 16,603,157</u>	<u>\$ 46,281,290</u>

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,612,937	\$ 3,377,879
Adjustments for:		
Depreciation expenses	152,643	145,504
Amortization expenses	40,723	36,085
Recognition of provisions	401,890	270,359
Net gain on disposal of financial assets at fair value through profit or loss	(1,807,277)	(1,735,457)
Interest revenues	(6,368,437)	(5,564,810)
Interest expenses	2,915,107	2,859,696
Dividend income	(101,673)	(56,636)
Realized gain on the transactions with associates and joint ventures	(1,515)	(13,303)
Gain on disposal of properties	(702)	(964)
Loss on disposal of intangible assets	-	1,681
Impairment loss recognized on financial assets	141,028	219,111
Gain on disposal of investments	(389,750)	(319,875)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(403,669)	538,936
Financial assets at fair value through profit or loss	(18,985,969)	8,344,118
Receivables	(2,811,619)	(3,920,905)
Discounts and loans	(15,553,740)	(13,455,227)
Due to the Central Bank and other banks	4,254,625	(1,404,203)
Financial liabilities at fair value through profit or loss	481,566	3,395,586
Accounts payable	1,705,520	(648,393)
Deposits	16,260,200	35,634,376
Provisions	32,948	149,823
Cash generated from (used in) operations	(16,425,164)	27,853,381
Interest received	5,058,668	5,442,936
Interest paid	(2,989,063)	(2,759,322)
Dividends received	124,036	104,290
Income tax paid	(787,738)	(709,130)
Net cash generated from (used in) operating activities	(15,019,261)	29,932,155

(Continued)

	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets designated as at fair value through profit or loss	(2,527,818)	(3,298,522)
Proceeds on sale of financial assets designated as at fair value through profit or loss	2,263,977	4,590,368
Purchase of available-for-sale financial assets	(168,080,165)	(112,425,303)
Proceeds on sale available-for-sale financial assets	148,866,811	106,329,421
Purchase of held-to-maturity financial assets	(5,350,000)	(4,499,462)
Receive principal of held-to-maturity financial assets	382,800	1,943,270
Purchase of financial assets measured at cost	(45,927)	(706,846)
Proceeds on sale of financial assets carried at cost	68,034	157,356
Receive principal of financial assets carried at cost	83,027	64,102
Other dividend received	2,656	2,308
Received principal of investments under equity method	44,937	160,056
Payments for properties	(325,696)	(317,326)
Proceeds from disposal of properties	5,008	7,355
Increase in refundable deposits	(726,094)	(1,549,457)
Payments for intangible assets	(30,735)	(31,873)
Decrease in other financial assets	210,932	50,223
Decrease (increase) in other assets	94,426	(219,795)
Net cash used in investing activities	(25,063,827)	(9,744,125)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,310,854	4,042,225
Increase (decrease) in commercial paper	(1,814,665)	1,274,873
Proceeds from issue bank debentures	1,000,000	4,400,000
Repayments of bank debenture	(1,030,000)	(900,000)
Proceeds from (repayments of) long-term borrowings	876,156	(3,824,947)
Increase (decrease) in securities sold under agreement to repurchase	34,718,610	(16,032,821)
Payments for buy-back of ordinary shares	33,700	-
Capital reduction for cash received by non-controlling interest of subsidiaries	(90,015)	(212,571)
Partial disposal of interests in subsidiaries	-	19,140
Increase (decrease) in other financial liabilities	(1,511,843)	6,526,930
Dividends paid to ownership of the Bank	(955,055)	(476,546)
Dividends paid to non-controlling interest	(692,625)	(673,385)
Increase in other liabilities	312,286	167,031
Net cash generated from (used in) financing activities	32,157,403	(5,690,071)
		(Continued)

	2015	2014
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(442,960)</u>	<u>(795,544)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,368,645)	13,702,415
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>26,330,782</u>	<u>12,628,367</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 17,962,137</u>	<u>\$ 26,330,782</u>

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2015 and 2014:

	December 31	
	2015	2014
Cash and cash equivalents in consolidated balance sheets	\$ 7,850,486	\$ 8,481,873
Due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents in IAS 7	6,011,651	16,098,170
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	<u>4,100,000</u>	<u>1,750,739</u>
Cash and cash equivalents in consolidated statements of cash flow	<u>\$ 17,962,137</u>	<u>\$ 26,330,782</u>

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