



IBT

Industrial Bank of Taiwan



ANNUAL REPORT
2013



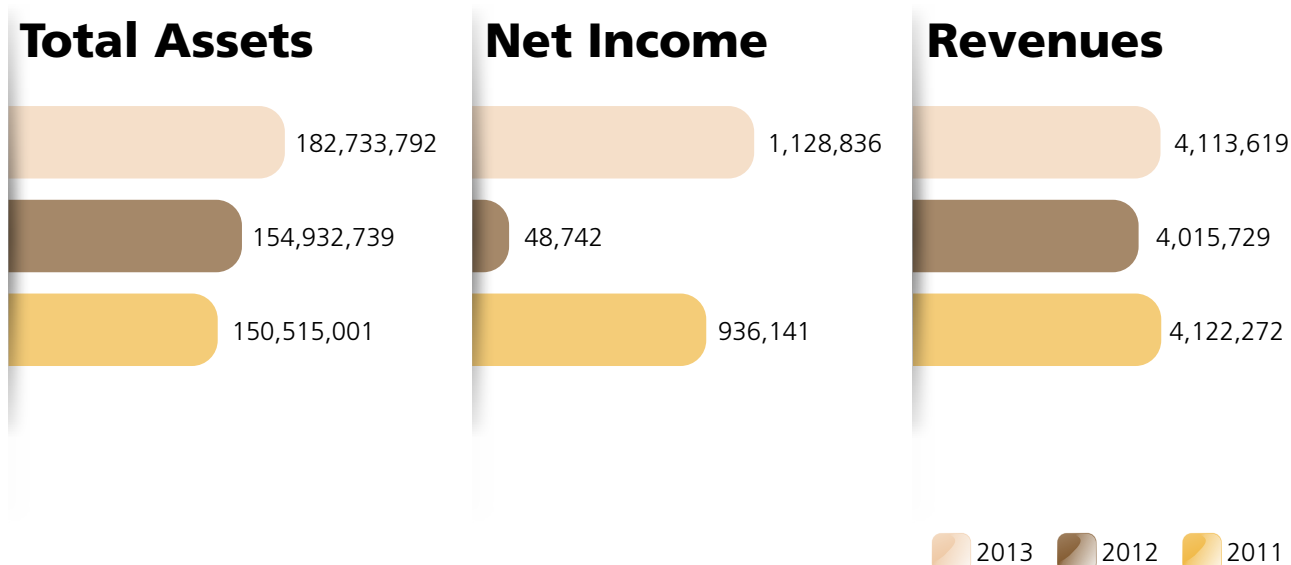
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Financial Highlights

	2013 Thousands of NT dollars	2012 Thousands of NT dollars	2011 Thousands of NT dollars	2013 Thousands of US Dollars(*)
Total Assets	182,733,792	154,932,739	150,515,001	6,101,295
Net Worth	26,742,073	26,201,151	26,470,484	892,891
Investments Outstanding	32,626,888	28,480,881	26,563,534	1,089,379
Loans Outstanding	104,609,635	80,957,093	72,268,817	3,492,809
Guarantees Outstanding	3,803,833	4,957,115	3,912,612	127,006
Revenues	4,113,619	4,015,729	4,122,272	137,350
Net Income	1,128,836	48,742	936,141	37,691
Return on Assets	0.67%	0.03%	0.68%	0.67%
Return on Equity	4.26%	0.19%	3.57%	4.26%
BIS Ratio	13.33%	14.45%	14.59%	13.33%
Non Performing Assets Ratio	0.50%	0.67%	0.34%	0.50%

* U.S. Dollars amounts are converted at the prevailing exchange rate on Dec.31, 2013 of NT\$29.95=US\$1





Message from the Chairman & CEO

In 2013, the recovery of global economy was not as strong as expected due to many negative impacts such as fiscal tightening and the high unemployment rate in Europe and the United States, as well as the beginning of Mainland China to restructure their economy which has caused their growth rate to slow down. According to the International Monetary Fund (IMF), global economic growth rate slipped to 3% in 2013. The slow recovery of the global economy reduced Taiwan exports. Another area of Taiwan economy that suffered was the private consumption rate, which was suppressed due to food safety incidents and stagnating wages. All of these factors contributed to GDP growth rate to be up by only 2.11% in 2013, and that was only a bit better than the growth rate in 2012 of 1.48% according to estimates announced by the Executive Yuan.

Despite the economic environment instability from both domestic and international environment, domestic banks benefited from loan restructuring and massive expansion of overseas branches. They also saw profits increase, the pre-tax profit amounted to NT \$ 257.6 billion for the entire country, which was a record for the fourth consecutive year. In terms of asset quality, the NPL ratio was 0.38% and Loan Loss Coverage ratio was 319% for domestic banks, which outpaced the asset quality in previous years.

Industrial Bank of Taiwan (IBT) benefited from the gradual stability in financial environment of Taiwan. IBT aggressively carried out action plan that provided a stable source of income, leading to a ramp of the whole year's assets and profits. At the end of 2013, IBT's total assets amounted to NT\$ 182.7 billion, recording a growth of 18.5% over 2012. Its capital adequacy ratio was 13.33%, while after-tax income for 2013 was NT\$ 1.13 billion. Its EPS was NT\$ 0.47. The financial structure was sound and prudent. In July 2013, Taiwan Ratings granted IBT 'twA' and 'twA-1' ratings for the bank's long-term and short-term credit. The overall outlook for IBT was rated 'stable'. For the 2013 fiscal year, IBT successfully accomplished the following two important strategic objectives:

Establishing a regional financial service platform to aggressively expand overseas operating units

IBT Leasing Co. Ltd., a subsidiary of IBT established IBT International Leasing Corp. (IBTIL) in Suzhou, Mainland China in 2011, and it further set up a second leasing company—IBT Tianjin International Leasing Co. Ltd. in Tianjin in July, 2013, which immediately gained great support from the majority of local banks in obtaining financing credit amounted to over CNY\$ 1 billion. The performance of IBTIL was particularly outstanding, with its base rapidly accumulating to nearly CNY\$ 1 billion. The overall profit of IBTIL in 2013 reached NT\$ 50 million, reflecting effective management achievements. The bank expects to catch the fast-growing business opportunities in Mainland China through the platform of leasing companies, combined with the bank's representative office in Tianjin, which is to be upgraded to a branch, and the Hong Kong Branch. Both units will better serve Taiwanese enterprises located in Northern and Southern China respectively, and they construct cooperative businesses and provide a complementary team role within the IBT Group. In addition, with the bank's Hong Kong Branch growing in assets, and its subsidiary in the U.S.— EverTrust Bank maintaining a steady growth in profit, the strategy to build a financial service platform for Taiwanese enterprises extending to three shores and four places, "the U.S., China, Taiwan, and Hong Kong" is about to be complete.

Concretely implementing action plans to enhance growth energy in operation

In 2013, we aggressively carried out our action plan to develop quality clients, increase sources of stable income, and reduce concentration on loans to single and group clients. The results were impressive. In 2013, the bank's net interest income amounted over NT\$ 1 billion, representing a substantial growth of 38% over the previous year; the total fee income was as high as 40%. In addition, the amount of dollar credit extension at the end of last year was higher than NT\$ 100 billion for the first time. IBT will continue to grow using its solid base and increase the proportion of "source of stable profitability" from businesses in terms of loans, TMU, trust, guarantee fees, brokerage fees, financing and leasing.

The prospects for 2014, as the economic recovery gets stronger in Europe and the U.S., exports from Taiwan will therefore improve. Nevertheless, the economy in Mainland China remains the highlight of global economy for the coming year. International

competitiveness of the Taiwan finance industry will be enhanced if the service trade pack is approved. IBT further expects to promote the energy of its profitability following complete openness in business of its offshore banking unit (OBU), and the financial exchange of cross-straits will be more intense.

Since the bank was founded 15 years ago, IBT has been striving to develop its businesses, plan for group growth, and pursue sustainable operations. In the meantime, through the IBT Education Foundation, group resources have been combined, the bank commits itself to serve the social community and actively care for minorities. In 2011, the bank was awarded the 9th National Civic Service Award for our involvement in social and charitable work. In 2012, the bank received the Golden Quality Award, representing high recognition in the area of our risk management from the Joint Credit Information Center.

Lastly the bank will continue to uphold its core values of 'honor, integrity, teamwork, professionalism, innovation' to provide quality services, create shareholder value and fulfill corporate social responsibility. We believe that through joint efforts of all colleagues and associates, the bank will create better results. The support and guidance from our shareholders is highly appreciated.



Kenneth C.M. Lo / Chairman & CEO



Perspective of the President

In view of the improving global economy, IBT will continue to be prudent in business expansion and to gradually expand the scale of its group assets and market share. Our 2014 business development strategies focus on the following:

1. Cultivate quality clients, implement action plans, and increase source of stable profitability

In 2014, the bank will persist to deeply engage with quality customers, and carry out concrete action plans to increase source of stable income. In addition, IBT will strive to serve conglomerates and customers qualified with government subsidize loan, and continue to grow basis and proportion of "source of stable profitability" from businesses in terms of loans, TMU, trust, guarantee fees, brokerage, financing and leasing. With a specific implementation of action plans, and continual enlargement in trading and finance, account receivable operations, TMU business developed in cross-strait area, start-up of service platform of electronic bank and etc., overall profitability of the bank shall be enhanced.

2. Augment client base and GTS (Global Transaction Service) business

IBT, being a wholesale bank, is mainly targeting medium to large corporate clients due to cost-effective considerations learned over the years, yet IBT is also mindful of the concentration of risk. With SMEs fast becoming the backbone structure of the cross-strait economic framework, an enhancement of financial services for SMEs has been adopted as an important policy for both governments. To serve this sector properly, IBT will expand its business scope and client base. The bank shall endeavor to develop medium-sized clients and persist in expanding its GTS (Global Transaction Service) business, as well to actively develop its internet banking service to attract greater client cash flow and thus increase its share of the trade finance business.

3. Strengthen risk control and post-loan disbursement management to assure asset quality

In 2014, the bank will continue to execute its risk diversification policies first implemented last year to reduce concentration on loans to single and group clients. IBT will also reinforce its post-loan disbursement management to strictly control the quality of assets.

4. Elaborate cooperation among IBT group members to maximize business synergy

Pursuant to presence of IBT group members in China, IBT and its affiliates certainly have a greater ability to penetrate China market jointly. In 2014, IBT will continue to strengthen cooperation among group members by teaming up with affiliates to offer a one-stop-shop financial service to its customers.

5. Focus on IBT core value to construct personnel training blueprint

To be in line with the pace of its overseas business expansion and in this new era of cross-strait enterprises and talent competition, IBT will keep recruiting best talent available through various and efficient means. The recruitment and training of globalized talent continues to be one of the priorities of the bank. Based on its core values, IBT has an action plan that combines both staff development and employee training in one integrated program which provides a constructive employee education and training blueprint for the future. Meanwhile, IBT continues to strive to improve its management leadership required to facilitate its business development and implementation.

6. Promote and implement IBT's corporate culture of "To treat with sincerity, to accompany with loyalty"

It has always been IBT's profoundest belief that management provides leadership with humanity care and values talent. Corporate culture is one of company's main strengths and has been brewed for a long time and is deeply rooted within IBT's corporate system, and this differentiates IBT from its competitors. The bank has put in place a "Corporate Culture Implementation Committee" at end of last year to proactively advocate the ethics of IBT's corporate culture of "To treat with sincerity, to accompany with loyalty." From all levels

of management by promoting the true spirit of corporate culture, we look forward to strengthen group cohesion and enhance consensus within IBT. Through continued building of IBT's corporate culture, we expect to select talent that approves our corporate culture, and for him or her to be proud and honored member of IBT family. Staff at all levels of the corporation will therefore come together and pursue the same goal.

Looking forward, as we endeavor to enhance professionalism and competitiveness to facilitate business growth, the bank shall take care of employees, provide quality services, and create maximum profits for shareholders by maintaining and enhancing its corporate culture. IBT anticipates fulfilling its corporate responsibility in addition to achieving outstanding performances and creating winning results for IBT and all.



Tony C. Y. Yang / President



Business **Review**



The bank's head office is located in Taipei with branches in Hsinchu, Taichung and Kaohsiung. We have also set up corporate finance teams at Taoyuan and Tainan. Through these locations, the bank provides comprehensive financial services to clients around the island. The bank's first overseas branch, Hong Kong branch, was open in April 2009. It extends our service network to Hong Kong and Greater China Area to closely serve industrial clients and Taiwanese enterprises. We expect to deliver a win-win result through a mutually-beneficial and long-term cooperation with our clients.

1. Credit Extension

In retrospect of the year 2013, the bank continued to aggressively develop strong relationships with overseas and inland clients, while diversifying management risk to pursue a steady growth. We continued to take a prudent approach to assure loan asset quality and reasonable yields. The dollar amount of credit extension at the end of 2013 was NT\$ 111.8 billion, with NPL ratio at 0.5% and Loan Loss Coverage ratio at 388.18%. The credit extension business in 2013 recorded a growth of 27% over 2012.

With respect to industry distribution, 18.88% of our loans were extended to electronics industry; 13.43% to construction, cement and real estate; 12.95% to petrochemical and textile industries; 10.93% to investment, leasing, and other finance companies; 8.87% to steel and metals; 7.73% to transportation and equipment; 2.28% to communication systems; and 24.93% went to others.

For loans extended to electronics sector, opto-electronics accounted for 5.57%, followed by semiconductor (4.09%), electronics components (3.92%), information hardware (3.46%), solar energy (0.95%), and channels and other electronic products (0.89%).

Pursuing stable growth and risk diversification, we have been striving to expand our client base and secure medium size enterprises to provide a strong basis for our cross-selling efforts. At the end of 2013, the number of active client accounts was 929.

Since the bank's founding, we have been active in the syndication loan market. As of the end of 2013, the bank has been the lead manager for 286 syndication loans, covering a wide range of industries: electronics, opto-electronics, steel, transportation, electrical engineering, textile, food, chemical, leasing, securities finance and communication. These loans have successfully raised funds for capital expenditures from plant construction and equipment to financial structure enhancement and medium-term operating capital, assisting our clients in sustaining growth and market competitiveness.

In 2013, due to the slowdown in overall global economy, enterprises reduced capital expenditure. Accordingly, the demand for syndication loans dropped as well. It has become more difficult for the bank to secure mandates. However, through the effort of focusing on well-performing clients and cross-selling mechanism at group level, the bank still managed to lead or co-lead 12 syndication loans in 2013. The borrowers are from a wide range of industries, including companies like Hwa Fong Rubber Ind. Co., Ltd., Chung Yo Department Store Co., Ltd., K. Land Holdings Corporation, SinoPac Securities (Cayman) Holdings Ltd., China Jing An Investment Co., Limited, Time On Investment Limited, Via Technologies, Inc., Sun Hui Construction Co., Ltd., Eternal Chemical Co., Ltd., Tair Jiu Enterprise Co., Ltd., Mercuries and Associates, Ltd., and Eastlink International Investment Inc. Total syndication amount was NT\$ 35.8 billion.



2. Deposits

The majority of our bank's funds is used for medium- and long-term purposes. For liquidity and security, we not only take into consideration the duration of our time deposits, but also try to attract more savings deposits. As of the end of 2013, total deposit balance was NT\$ 107.8 billion, a growth of 17% over 2012.

Along with the growth of our foreign currency loans, the bank has also aggressively expanded our foreign currency savings. Despite fierce competition, our foreign currency deposits at the end of 2013 amounted to an equivalent of NT\$ 34.6 billion, up by 75% over 2012.

3. Foreign Exchange and Off Shore Banking

We continued to pursue growth as well as stability in our foreign exchange businesses. Our foreign currency denominated loans reached NT\$ 32 billion as of the end of 2013, recording a growth of 69% over 2012.

To provide services to clients conducting cross-border operations and help them to secure offshore funding, the bank engages in DBU and OBU operations. The bank also assists Taiwanese firms in China to wire back their profits through our value-added services.

To respond to rapidly developed cross-strait economy and improve service quality to Taiwanese enterprises, both our offshore banking unit and Hong Kong branch have started to offer RMB services. Thus, our businesses will be further diversified and more business opportunities may arise.

4. Direct Investment

Under the circumstances of worsening global economy and continued diminishment in domestic demand, economy in Taiwan undoubtedly was affected to decline. All kinds of unfavorable factors emerged, such as decreasing exports, lacking of investment, reducing consumption, declining in economy growth, and economic reformation that cannot be achieved in a short period of time. As a result, we had gradually shifted our focus from high risk/return electronic hardware industries to huge business opportunities that relate to domestic demands from both sides of Taiwan Strait. We intend to capture growth yet minimize our risk exposure to create maximum profit. In 2013 the bank had 6 new investments: Time Watch Investments Limited, Reber Genetic Co., Ltd., TTBio Corporation, ChipMOS TECHNOLOGIES INC., Senhwa Biosciences, Inc., and TaiRx, Inc. Total dollar amount of investments for 2013 was NT\$ 397 million.

To optimize our capital efficiency and strengthen investment management, the bank shall adjust its investment portfolio in opportune time to maximize shareholder value. As of the end of 2013, there were a total of 77 companies in our investment portfolio. Total investment balance was NT\$ 3.24 billion. The companies in our portfolio are from the following industries: electronics, communications, semiconductor, pharmaceuticals/biotechnology, and venture capital. The semiconductor accounted for 15% of the portfolio, followed by pharmaceuticals/ biotechnology (10%).

Investment Portfolio Analysis

Industry	Number of Invested Companies	Investment Amount (NT\$ Million)	Percentage (%)
Semiconductor	15	480	14.83
Pharmaceuticals/Biotechnology	8	325	10.03
Machinery & Instrument	7	254	7.84
Opto-electronics	11	234	7.24
Chemical Materials	1	228	7.02
Wholesale and Retail	4	179	5.52
Transportation and Equipment	2	115	3.56
Electronic Components	4	53	1.64
Solar Energy	1	51	1.56
Information (software)	5	46	1.42
Information(hardware)	4	44	1.35
Vehicles and components	2	42	1.29
Internet & Multimedia	3	20	0.60
Channels and other Electronic Products	1	6	0.18
Communication Device	1	4	0.12
Venture Capital Funds	8	1,161	35.82
Total	77	3,240	100

The bank continues to strengthen its risk control in investment management by closely tracking and evaluating the performances and operation of the companies in our portfolio in order to watch for good timing for divestment. Through the utilization of network rigidly constructed within portfolio companies, the bank has devoted to resource integration to optimize synergy as to create profit for those companies and reform industry segmentation. We further assist enterprises with business development advice and seek for new development trends with our long-term professionalism and experience in industry analysis and financial planning.

5. Financial Products Trading

The bank engages in financial products trading and marketing. The bank trades foreign exchange, interest rate products and their derivatives, fund dispatching and fixed income investment. With regard to marketing, our Treasury Marketing Unit (TMU) provides diversified financial services and hedging in addition to professional consultation to our corporate clients.

Based on the premise that IBT obtained increasing clients in credit extension and offered diversified financial services, we had actively engaged in financial product trading in 2013 to manage interest rate and foreign exchange risks and achieved excellent performances.

6. Securities Trading

In 2013, world-wide Central Banks made efforts in keeping low interest rates and quantitative easement to maintain stable economy. There were signs of gradual recovery in major economies such like the U.S. and Europe. Major U.S. and European stocks rose over 20% to 30% in average last year with the removal of systematic risks, ample global funds, and reforms of enterprise profit. Among the Asian stocks, the Nikkei 225 ramped about 56.7% by the aggressive stimulus policies adopted by Japanese government ; whereas economy in China was affected by the slowdown in growth pace, and the Shanghai composite index ended with a decline of 6.7% over last year. Korean stocks rose a bit of 0.7%. The TWSE index climbed to a high of 8623 points and closed at 8611 points at the end of 2013, rising by 11.8% within a year.

In 2013, the index on TWSE continued to move in a narrow range and even there was any uptrend, the market volume and gains were limited. Our traders adopted prudent principles to minimize their holdings of stock to reduce possible financial loss. As of the end of 2013, the dollar amount of equities held by the bank was NT\$ 190 million, with a realized gain of NT\$ 61 million. Net profit margin in investment was 3.32%.





7. Project Finance

Project finance is the long term financing of infrastructure, industrial and public service projects based upon the projected cash flows of the project rather than the balance sheet of the project sponsors. Project finance usually adopts a non-recourse or limited recourse financial structure where project debt and equity used to finance the project are paid back from the cash flow generated by the project.

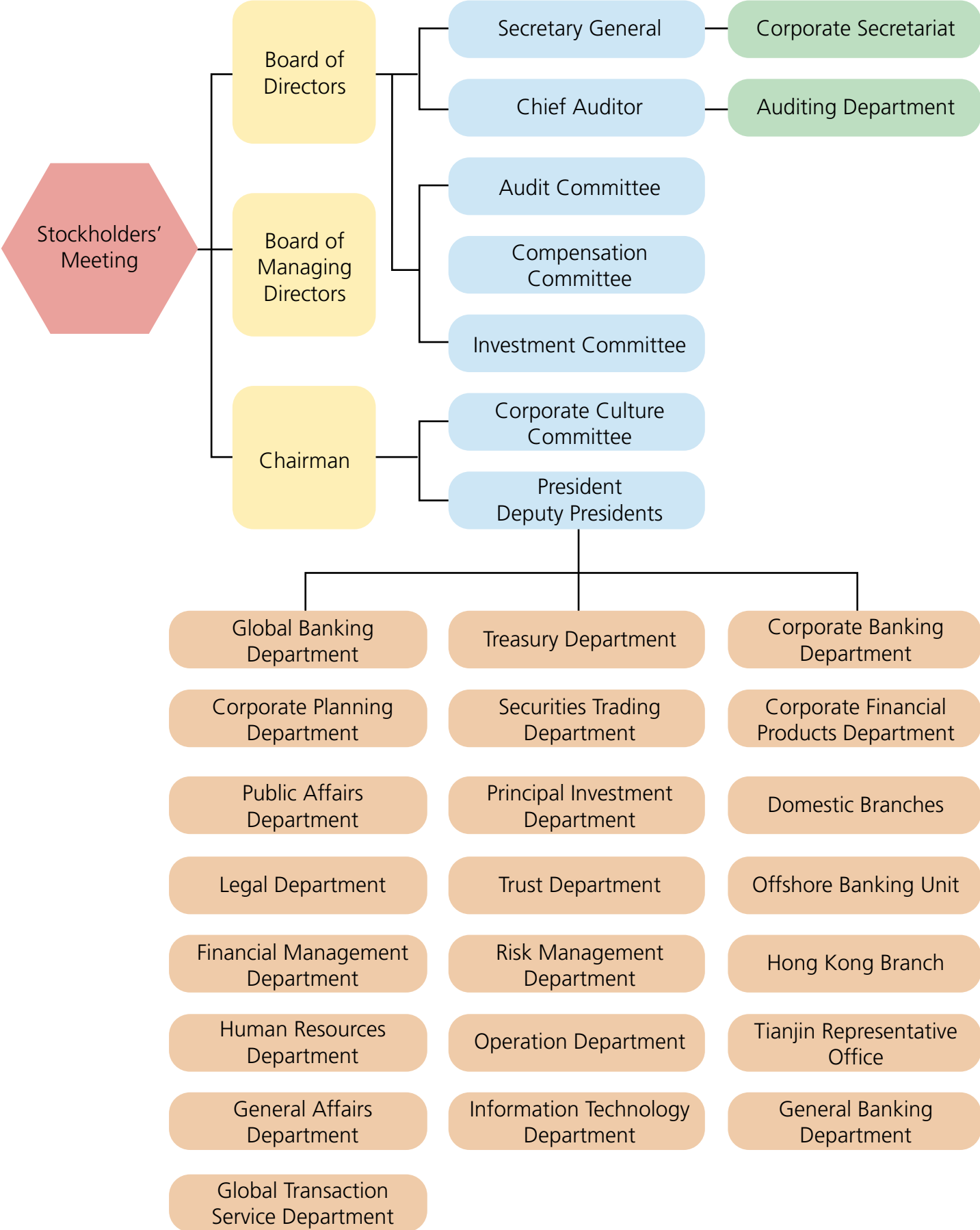
Infrastructure projects in relation to transportation, energy and environmental protection, construction of business/educational facilities or commercial real estate are possible targets for project finance. To project sponsors or corporations, the bank can provide comprehensive advisory services on financial planning, feasibility study, structuring a syndicated loan, agreement negotiation, and searching equity investors. The bank itself may participate in a project as an investor or a lender. The bank may further provide customized advisory services, e.g. M&A, corporate restructuring, private placement, leveraged buy-out and tax planning.

8. Trust Business

With respect to trust business, the bank mainly engages in trust development, securitization, and asset management. Trust business includes 'money trust' and 'real estate trust.' The bank strives to develop a variety of different types of securitized products, as well to help clients in asset allocation.

With construction completed in real estate trust and return on property trust, as of the end of 2013, total dollar amount of property trust was NT\$ 5.53 billion, a decline of 55.29% over last year. Custodian service for marketable securities valued at NT\$ 1.68 billion, down by 26.89% than 2012. Besides, the bank also engages in 'real estate transaction trust' and 'syndication loan related trust.'

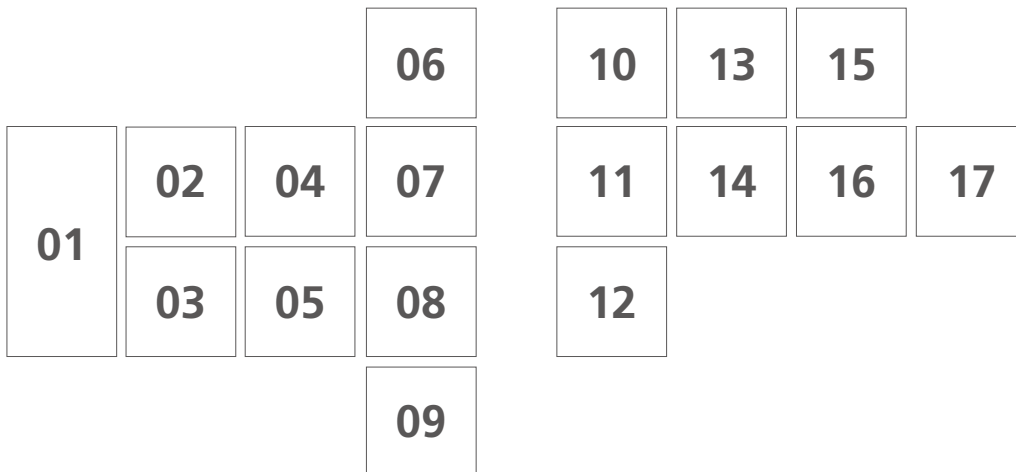
Organization Chart

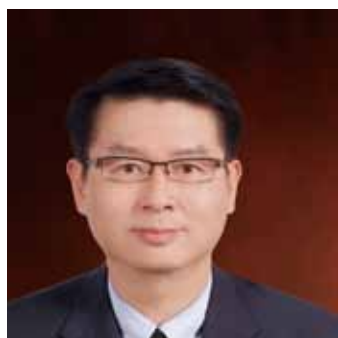


Board of **Directors**

Chairman	Kenneth C.M. Lo	Chairman & CEO, Industrial Bank of Taiwan
Managing Directors	Leslie Koo	Chairman, Taiwan Cement Corp.
	Gordon W. C. Lin	Chairman, IBT Securities Co., Ltd.
	Tina Y. Lo	Deputy President and Chief Strategy Officer, Industrial Bank of Taiwan
Independent Managing Director	Chen Sun	Chairman, NTU Economic Research Foundation
Directors	Shih-tze Chen	Chairman, Ming Shan Investment Co., Ltd.
	Bobby Sheng	Chairman & CEO, Bora Pharmaceuticals Co., Ltd.
	Chung-Ming Cheng	Chairman, San Ho Plastics Fabrication Co., Ltd.
	Mark Lee	General Manager, Heng Kuo Co., Ltd.
	Nina Lo	Chief Executive Officer, Industrial Bank of Taiwan Education Foundation
	Tony C.Y. Yang	President , Industrial Bank of Taiwan
	Eddie Huang	Managing Director, Glory Pacific Shipping(S) Pte.Ltd.
	Jimmy Wu	Director , Hung Yung Construction Co., Ltd.
Independent Directors	Hou-Sheng Chan	Chairman, Cross-Straits Common Market Foundation
	Thomas Yue	C.P.A., Tien-Yeh Accounting Firm

The Management Team





01. Tony Yang
President

02. Tina Y. Lo
Deputy President & Chief Strategy Officer
Supervising Global Banking, Corporate Planning, Public Affairs Departments, and Overseas Representative Office

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

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

05. Elton F.Y. Lee
Senior Executive Vice President
Hong Kong Branch

06. Nancy S.F. Liu
Senior Executive Vice President, Chief Compliance Officer
Supervising Legal Department

07. Roger Y.F. Lin
Senior Executive Vice President & Acting Chief Corporate Banking Officer
Supervising Corporate Banking, Corporate Financial Products, Trust, General Banking Departments, Offshore Banking Unit, and Domestic Branches

08. Chih Ming Chien
Senior Executive Vice President & Chief Risk Management Officer
Supervising Risk Management Department

09. Jonathan C.H. Wei
Senior Executive Vice President
Corporate Planning Department

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

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

12. Paul C.H. Jen
Executive Vice President
Taipei Region I, Corporate Banking Department

13. Brian Y.L. Lin
Executive Vice President
Taipei Region II, Corporate Banking Department

14. Joseph L.J. Lai
Executive Vice President
Taichung Branch

15. Grace W.S. Tang
Executive Vice President
Principal Investment Department

16. Walter S.W. Chang
Executive Vice President
Tianjin Representative Office

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



**EXPAND
HORIZONS**







Business Plans





1. Short Term Plans

•Cultivate quality clients, carry out action plans, and increase source of stable profitability

The bank will persist to maintain strong relationships with quality customers, while it also carries out concrete action plans to increase source of stable income. In addition to strive to serve conglomerates and customers qualified with government subsidize loan, we continue to grow basis and proportion of "source of stable profitability" from businesses in terms of loans, TMU, trust, guarantee fees, brokerage, financing and leasing. With a specific implementation of action plans, and continual enlargement in trading and finance, account receivable operations, TMU business developed in cross-strait area, start-up of service platform of electronic bank and etc., IBT aims to enhance overall profitability of the bank.

•Expand client base and GTS (Global Transaction Service) business

As a wholesale bank, IBT is mainly targeting medium to large corporate clients due to cost-effective consideration in the past, yet IBT is also mindful of the concentration of risk. With an overview that SMEs to be the backbone structure of cross-strait economic framework, to enhance financial services for SMEs has been adopted as an important policy for both governments. In order to expand business scope and client base, the bank shall endeavor to develop medium-sized clients, keep on expanding GTS (Global Transaction Service) business, and to actively develop internet banking to attract client cash inflow and trade finance business.

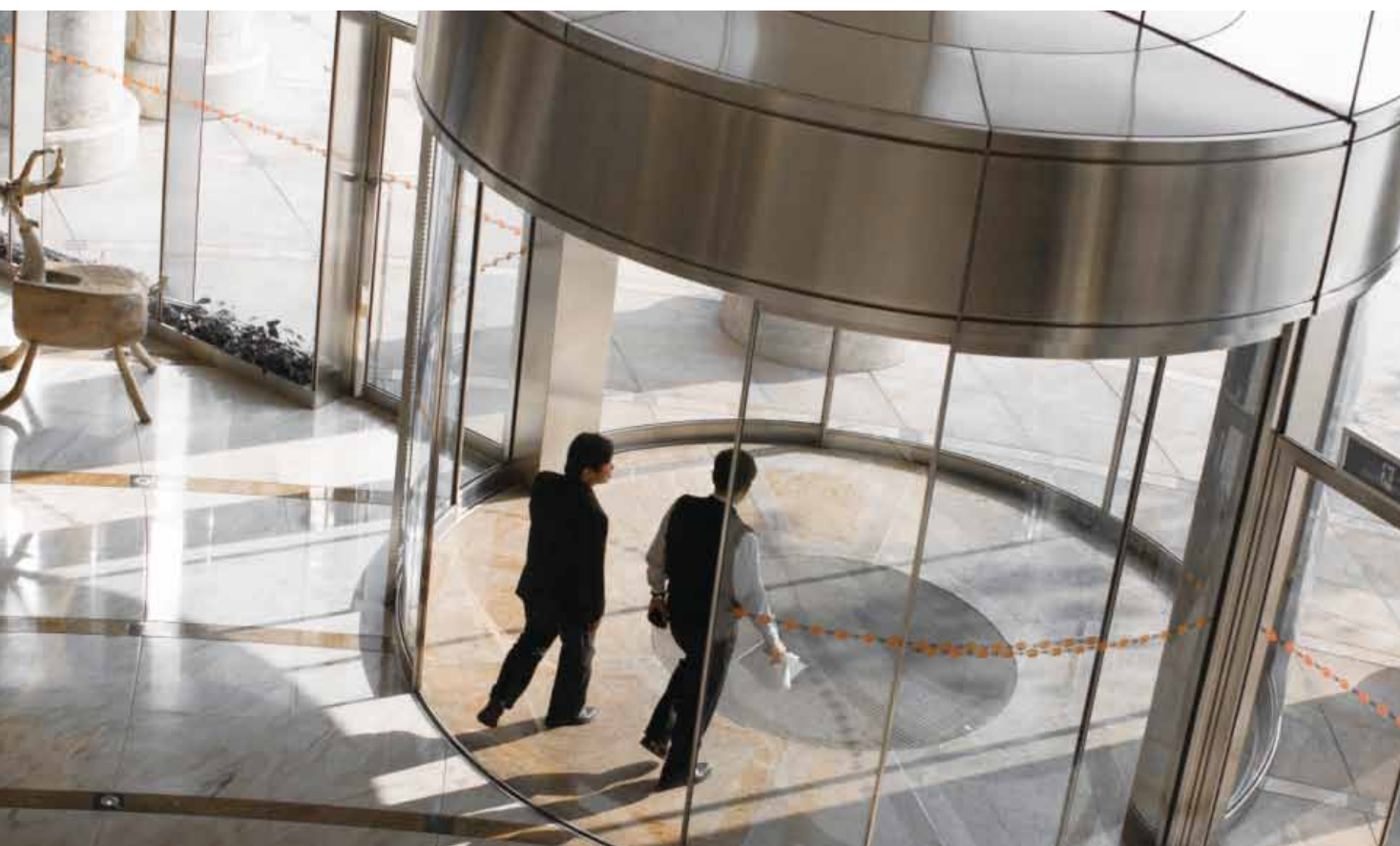
•Reinforce risk control and post-loan disbursement management to assure asset quality

IBT shall continue to execute risk diversification policies first implemented last year to reduce concentration on loans to single and group clients. We will also adhere to post-loan disbursement management to strictly control asset quality.

•Stimulate cooperation among IBT group members to maximize business synergy

Pursuant to presence of IBT group members in China, IBT and its affiliates certainly have a greater ability to penetrate China market jointly. In year 2014, we continue to strengthen cooperation among group members by teaming up with affiliates to offer a one-stop-shop of complete financial services for clients.





2. Medium and Long Term Plans

•Emphasize on IBT core value to construct personnel training outline

To catch up with the pace of overseas business expansion, and confront new era of cross-strait enterprises and talent competition, we keep recruiting best talent through various and efficient manners. The recruitment and training of globalized talent continues to be the priorities of the bank. Based on its core values, IBT has an action plan that combines both staff development and employee training in one integrated program, which provides a constructive employee education and training blueprint for the future. Meanwhile, we improve management leadership required to facilitate business development and implementation.

•Promote and implement IBT's corporate culture of " To treat with sincerity, to accompany with loyalty"

It has always been our profoundest belief in management to support employees with humanity care and value talent. Corporate culture is one of company's main strengths and has been brewed for a long time and is deeply rooted in the corporate system, and this differentiates IBT from its competitors. We have put in place a "Corporate Culture Implementation Committee" at end of last year to proactively advocate the ethics of IBT's corporate culture of "To treat with sincerity, to accompany with loyalty." With management promoting the true spirit of corporate culture, we shall strengthen group cohesion and enhance consensus of each other.

•Enhance our competitiveness in Taiwan to build a sound foundation for overseas expansion

In addition to extend overseas layout, it is equally important for IBT to strengthen our competitiveness in Taiwan. Except for self-improvement of each business unit and subsidiary of IBT, we shall continue seeking for external growth through merger & acquisition in Taiwan to accomplish the ultimate mission of strategic transformation in business. Thus, the market position of IBT will be firmed and strength to expand overseas business will be advanced.





FINANCIAL REPORT



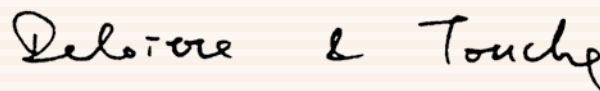
INDEPENDENT AUDITORS' REPORT

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, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. 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, 2013, December 31, 2012 and January 1, 2012, and the results of their operations and their cash flows for the years ended December 31, 2013 and 2012, 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.



March 26, 2014

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

(In Thousands of New Taiwan Dollar)

	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
ASSETS						
CASH AND CASH EQUIVALENTS	\$ 5,219,249	1	\$ 2,631,296	1	\$ 1,830,114	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	9,202,531	2	7,174,806	2	8,090,221	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	146,282,464	37	125,673,051	36	139,919,851	42
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	1,358,800	-	2,142,065	1	450,000	-
RECEIVABLES, NET	14,918,975	4	11,342,545	3	5,233,954	2
CURRENT TAX ASSETS	148,287	-	157,690	-	124,934	-
DISCOUNTS AND LOANS, NET	115,354,251	30	88,305,749	25	79,680,155	24
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET	86,838,448	22	89,477,958	26	77,239,703	23
HELD-TO-MATURITY FINANCIAL ASSETS	2,293,502	1	10,222,214	3	8,699,080	3
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD	394,431	-	404,533	-	473,788	-
RESTRICTED ASSETS	462,193	-	404,160	-	344,089	-
OTHER FINANCIAL ASSETS, NET	2,664,823	1	2,961,251	1	4,307,231	1
PROPERTIES	2,776,274	1	2,746,881	1	2,788,513	1
INTANGIBLE ASSETS	1,210,533	-	1,179,812	-	1,239,981	-
DEFERRED TAX ASSETS	539,048	-	541,646	-	448,932	-
OTHER ASSETS	<u>3,365,724</u>	<u>1</u>	<u>3,331,623</u>	<u>1</u>	<u>3,389,396</u>	<u>1</u>
TOTAL	<u>\$ 393,029,533</u>	<u>100</u>	<u>\$ 348,697,280</u>	<u>100</u>	<u>\$ 334,259,942</u>	<u>100</u>

	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
LIABILITIES AND EQUITY						
LIABILITIES						
Due to the central bank and other banks	\$ 44,990,370	11	\$32,481,329	9	\$ 33,765,585	10
Financial liabilities at fair value through profit or loss	2,399,922	1	1,860,459	1	1,399,293	1
Securities sold under agreement to repurchase	152,552,307	39	146,953,665	42	147,240,323	44
Accounts payable	3,405,538	1	3,982,411	1	2,310,706	1
Current tax liabilities	142,647	-	63,234	-	24,476	-
Deposits	120,881,706	31	102,862,833	30	93,498,341	28
Bank debentures	11,480,000	3	9,680,000	3	8,030,000	2
Other financial liabilities	11,437,995	3	6,197,020	2	2,674,541	1
Provisions	1,486,399	-	1,464,009	-	1,304,720	-
Deferred tax liabilities	81,576	-	91,773	-	26,062	-
Other liabilities	1,275,367	-	606,571	-	846,622	-
Total liabilities	<u>350,133,827</u>	<u>89</u>	<u>306,243,304</u>	<u>88</u>	<u>291,120,669</u>	<u>87</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK						
Capital stock	<u>23,905,063</u>	<u>6</u>	<u>23,905,063</u>	<u>7</u>	<u>23,905,063</u>	<u>7</u>
Retained earnings						
Legal reserve	1,125,327	1	1,107,558	-	826,720	-
Special reserve	847,328	-	1,283,969	-	1,106,780	1
Unappropriated earnings	<u>754,839</u>	<u>-</u>	<u>(329,727)</u>	<u>-</u>	<u>568,317</u>	<u>-</u>
Total retained earnings	<u>2,727,494</u>	<u>1</u>	<u>2,061,800</u>	<u>-</u>	<u>2,501,817</u>	<u>1</u>
Other equity	<u>160,136</u>	<u>-</u>	<u>234,288</u>	<u>-</u>	<u>(163,401)</u>	<u>-</u>
Treasury stock	<u>(50,620)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity attributable to owners of the bank	26,742,073	7	26,201,151	7	26,243,479	8
NON-CONTROLLING INTERESTS						
Total equity	<u>42,895,706</u>	<u>11</u>	<u>42,453,976</u>	<u>12</u>	<u>43,139,273</u>	<u>13</u>
TOTAL	<u>\$ 393,029,533</u>	<u>100</u>	<u>\$ 348,697,280</u>	<u>100</u>	<u>\$ 334,259,942</u>	<u>100</u>

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Year Ended December 31				Percentage Increase (Decrease) %
	2013		2012		
	Amount	%	Amount	%	
NET INTEREST					
Interest revenues	\$ 4,674,425	79	\$ 3,839,282	80	22
Interest expenses	2,539,975	43	2,495,793	52	2
Net interest	2,134,450	36	1,343,489	28	59
NET REVENUES OTHER THAN INTEREST					
Commissions and fee revenues, net	1,235,604	21	905,800	19	36
Gain on financial assets and liabilities at fair value through profit or loss	2,213,133	37	1,847,308	38	20
Realized income from available-for-sale financial assets	725,342	12	203,450	4	257
Realized income from held-to-maturity financial assets	-	-	74	-	(100)
Foreign exchange gain (loss), net	(417,640)	(7)	509,959	11	(182)
Loss from asset impairment	(213,993)	(4)	(541,564)	(11)	(60)
Investment income (loss) recognized under equity method	3,393	-	(34,532)	(1)	110
Realized income from financial assets carried at cost	3,879	-	332,161	7	(99)
Consulting revenue	34,267	1	44,161	1	(22)
Other non-interest net gains	236,939	4	210,657	4	12
Net revenues other than interest	3,820,924	64	3,477,474	72	10
TOTAL NET REVENUES	5,955,374	100	4,820,963	100	24
PROVISIONS	202,292	3	761,146	16	(73)
OPERATING EXPENSES					
Personnel expenses	1,725,625	29	1,491,500	31	16
Depreciation and amortization	174,123	3	166,456	3	5
Others	1,083,308	18	904,391	19	20
Total operating expenses	2,983,056	50	2,562,347	53	16

(Continued)

	For the Year Ended December 31				Percentage Increase (Decrease)
	2013		2012		
	Amount	%	Amount	%	
INCOME BEFORE INCOME TAX	\$ 2,770,026	47	\$ 1,497,470	31	85
INCOME TAX EXPENSE	<u>593,717</u>	<u>10</u>	<u>535,003</u>	<u>11</u>	11
CONSOLIDATED NET INCOME	<u>2,176,309</u>	<u>37</u>	<u>962,467</u>	<u>20</u>	126
OTHER COMPREHENSIVE INCOME (LOSS)					
Exchange differences on translating foreign operations	176,233	3	(192,441)	(4)	192
Unrealized gain(loss) on available-for-sale financial assets	(459,019)	(8)	611,280	13	(175)
Actuarial gain and loss arising from defined benefit plans	20,391	-	(20,779)	(1)	198
Share of the other comprehensive income of associates and joint ventures	30,945	1	16,067	-	93
Income tax relating to the components of other comprehensive income	<u>10,460</u>	<u>-</u>	<u>27,619</u>	<u>1</u>	(62)
Other comprehensive income (loss) for the period, net of income tax	<u>(220,990)</u>	<u>(4)</u>	<u>441,746</u>	<u>9</u>	(150)
TOTAL COMPREHENSIVE INCOME	<u>\$ 1,955,319</u>	<u>33</u>	<u>\$ 1,404,213</u>	<u>29</u>	39
NET PROFIT ATTRIBUTABLE TO:					
Owners of the Bank	\$ 1,128,836	19	\$ 48,742	1	2,216
Non-controlling interests	<u>1,047,473</u>	<u>18</u>	<u>913,725</u>	<u>19</u>	15
	<u>\$ 2,176,309</u>	<u>37</u>	<u>\$ 962,467</u>	<u>20</u>	126
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	\$ 1,069,643	18	\$ 438,773	9	144
Non-controlling interests	<u>885,676</u>	<u>15</u>	<u>968,440</u>	<u>20</u>	(9)
	<u>\$ 1,955,319</u>	<u>33</u>	<u>\$ 1,407,213</u>	<u>29</u>	39
EARNINGS PER SHARE					
Basic	<u>\$ 0.47</u>		<u>\$ 0.02</u>		

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

	Equity Attributable				
	Capital Stock		Retained Earnings		
	Shares (Thousands)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings
BALANCE AT JANUARY 1, 2012	2,390,506	\$ 23,905,063	\$ 826,720	\$ 1,106,780	\$ 568,317
Appropriation of 2011 earnings					
Legal reserve	-	-	280,838	-	(280,838)
Special reserve	-	-	-	177,189	(177,189)
Cash dividends distributed by the Bank	-	-	-	-	(478,101)
Cash dividends distributed by subsidiaries	-	-	-	-	-
Net income for the year ended December 31, 2012	-	-	-	-	48,742
Other comprehensive income for the year ended December 31, 2012	-	-	-	-	(10,658)
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	38,084
Capital reduction for cash received by non-controlling interest of subsidiaries	-	-	-	-	-
BALANCE AT DECEMBER 31, 2012	2,390,506	23,905,063	1,107,558	1,283,969	(329,727)
Appropriation of 2012 earnings					
Legal reserve	-	-	17,769	-	(17,769)
Special reserve	-	-	-	(436,641)	436,641
Cash dividends distributed by the Bank	-	-	-	-	(478,101)
Cash dividends distributed by subsidiaries	-	-	-	-	-
Net income for the year ended December 31, 2013	-	-	-	-	1,128,836
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	14,959
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	1,143,795
Buy-back of ordinary shares - 7,774 thousand shares	-	-	-	-	-
Capital reduction for cash received by non-controlling interest of subsidiaries	-	-	-	-	-
BALANCE AT DECEMBER 31, 2013	2,390,506	\$ 23,905,063	\$ 1,125,327	\$ 847,328	\$ 754,839

to Owner of the Bank

Total	Other Equity			Treasury Shares	Total	Noncontrolling Interests	Total Equity
	Exchange Differences on Translating Foreign Operation	Unrealized Gain (Loss) on Available-for-sale Financial Assets					
\$ 2,501,817	\$ 1	\$ (163,402)	\$ -	\$ 26,243,479	\$ 16,895,794	\$ 43,139,273	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
(478,101)	-	-	-	(478,101)	-	(478,101)	
-	-	-	-	-	(1,440,409)	(1,440,409)	
48,742	-	-	-	48,742	913,725	962,467	
(10,658)	(149,184)	546,873	-	387,031	54,715	441,746	
38,084	(149,184)	546,873	-	435,773	968,440	1,404,213	
-	-	-	-	-	(171,000)	(171,000)	
2,061,800	(149,183)	383,471	-	26,201,151	16,252,825	42,453,976	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
(478,101)	-	-	-	(478,101)	-	(478,101)	
-	-	-	-	-	(770,668)	(770,668)	
1,128,836	-	-	-	1,128,836	1,047,473	2,176,309	
14,959	139,771	(213,923)	-	(59,193)	(161,797)	(220,990)	
1,143,795	139,771	(213,923)	-	1,069,643	885,676	1,955,319	
-	-	-	(50,620)	(50,620)	-	(50,620)	
-	-	-	-	-	(214,200)	(214,200)	
<u>\$ 2,727,494</u>	<u>\$ (9,412)</u>	<u>\$ 169,548</u>	<u>\$ (50,620)</u>	<u>\$ 26,742,073</u>	<u>\$ 16,153,633</u>	<u>\$ 42,895,706</u>	

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,770,026	\$ 1,497,470
Adjustments for:		
Depreciation expenses	133,374	127,188
Amortization expenses	40,749	39,268
Recognition of provisions	202,292	761,146
Net loss (gain) on disposal of financial assets designated as at fair value through profit or loss	(74,367)	(235,108)
Interest revenues	(4,674,425)	(3,839,282)
Interest expenses	2,539,975	2,495,793
Dividend income	(108,565)	(122,880)
Unrealized loss (gain) on the transactions with associates and joint ventures	(3,393)	34,532
Gain on disposal of properties	(1,240)	(603)
Gain on disposal of collaterals	(47,656)	(19,067)
Impairment loss recognized on financial assets	213,993	541,564
Gain on disposal of investments	(729,251)	(420,883)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	865,897	(1,991,335)
Financial assets at fair value through profit or loss	(22,594,167)	14,370,316
Receivables	(3,647,905)	(5,391,958)
Discounts and loans	(27,482,518)	(10,084,244)
Due to the Central Bank and other banks	12,509,041	(1,284,256)
Financial liabilities at fair value through profit or loss	539,463	461,166
Accounts payable	(681,417)	1,675,084
Deposits	18,018,873	9,364,492
Provisions	(16,728)	43,405
Cash generated from operations	(22,227,949)	8,021,808
Interest received	4,396,273	3,638,414
Interest paid	(2,435,431)	(2,499,172)
Dividends received	108,565	122,880
Income tax paid	(502,040)	(528,385)
Net cash generated from (used in) operating activities	(20,660,582)	8,755,545
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets designated as at fair value through profit or loss	(3,746,660)	(4,277,765)
Proceeds on sale of financial assets designated as at fair value through profit or loss	5,951,911	4,202,365
Purchase of available-for-sale financial assets	(70,331,475)	(62,760,540)
Proceeds on sale available-for-sale financial assets	73,982,804	51,361,316
Purchase of held-to-maturity financial assets	-	(13,148,100)

(Continued)

**For the Years Ended
December 31**

	2013	2012
Proceeds on sale of held-to-maturity financial assets	\$ 7,319,400	\$ 11,507,179
Receive principal of held-to-maturity financial assets	748,745	-
Purchase of financial assets measured at cost	(326,773)	(305,409)
Proceeds on sale of financial assets carried at cost	279,744	680,507
Other dividend received	1,691	1,818
Received principal of investments under equity method	42,750	48,970
Payments for properties	(164,460)	(92,785)
Proceeds from disposal of properties	2,572	5,651
Decrease (increase) in refundable deposits	(334,341)	39,859
Proceeds from disposal of collaterals	389,921	143,711
Payments for collaterals	(27,217)	-
Payments for intangible assets	(28,195)	(22,275)
Decrease (increase) in other financial assets	96,955	595,512
Decrease (increase) in other assets	(80,371)	53,336
Net cash generated from (used in) investing activities	<u>13,777,001</u>	<u>(11,966,650)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	2,779,460	1,093,906
Increase (decrease) in commercial paper	(779,832)	1,234,656
Proceeds from issue bank debentures	2,300,000	1,650,000
Repayments of bank debenture	(500,000)	-
Proceeds from long-term borrowings	3,206,733	-
Increase (decrease) in securities sold under agreement to repurchase	5,598,642	(286,658)
Payments for buy-back of ordinary shares	(50,620)	-
Capital reduction for cash received by non-controlling interest of subsidiaries	(214,200)	(171,000)
Decrease in other financial liabilities	34,614	1,193,917
Dividends paid to ownership of the Bank	(478,101)	(478,101)
Dividends paid to non-controlling interest	(770,668)	(1,440,409)
Increase in other liabilities	689,187	(304,280)
Net cash generated from financing activities	<u>11,815,215</u>	<u>2,492,031</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(233,324)</u>	<u>305,571</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,698,310	(413,503)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>7,930,057</u>	<u>8,343,560</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 12,628,367</u>	<u>\$ 7,930,057</u>

(Continued)

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2013 and 2012:

	December 31	
	2013	2012
Cash and cash equivalents in consolidated balance sheets	\$ 5,219,249	\$ 2,631,296
Due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents in IAS 7	6,050,318	3,156,696
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	<u>1,358,800</u>	<u>2,142,065</u>
Cash and cash equivalents in consolidated statements of cash flow	<u>\$ 12,628,367</u>	<u>\$ 7,930,057</u>

Head Office

No. 99, Sec. 2, Tiding Blvd., Neihu District, Taipei,
Taiwan, R.O.C.
Tel: 886-2-8752-7000 Fax: 886-2-2798-5337
<http://www.ibt.com.tw>

Taoyuan Region

17F-1, No. 207, Fusing Rd., Taoyuan City,
Taiwan, R.O.C.
Tel: 886-3-336-0909 Fax: 886-3-335-0303

Tainan Region

14F-1, No. 457, Chenggong Rd., Tainan City,
Taiwan, R.O.C.
Tel: 886-6-211-1099 Fax: 886-6-211-2099

Hsinchu Science-Based Industrial Park Branch

3F, No. 2, King-Shan St., Hsinchu City,
Taiwan, R.O.C.
Tel: 886-3-563-5666 Fax: 886-3-563-5000

Taichung Branch

8F-1, No. 489, Sec. 2, Taiwan Blvd., Taichung City,
Taiwan, R.O.C.
Tel: 886-4-2326-5500 Fax: 886-4-2326-5505

Kaohsiung Branch

12F, No. 55, Chung-Cheng 3 Rd., Kaohsiung,
Taiwan, R.O.C.
Tel: 886-7-225-0212 Fax: 886-7-225-0221

HongKong Branch

Bank of America Tower, Office No. 705 7F,
12, Harcourt Rd., Central, Hong Kong
Tel: 852-3165-8899 Fax: 852-3165-8871

Tianjin Representative Office

RM4510, Tianjin World Financial Center,
2 Dagubei Road, Heping District, Tianjin, P.R. China
Post code: 300020
Tel: 86-22-5830-8000 Fax: 86-22-5830-8130



99, Sec. 2, Tiding Blvd., Neihu District,
Taipei Taiwan

<http://www.ibt.com.tw>