

IBT  Industrial Bank of Taiwan

2010 ANNUAL REPORT



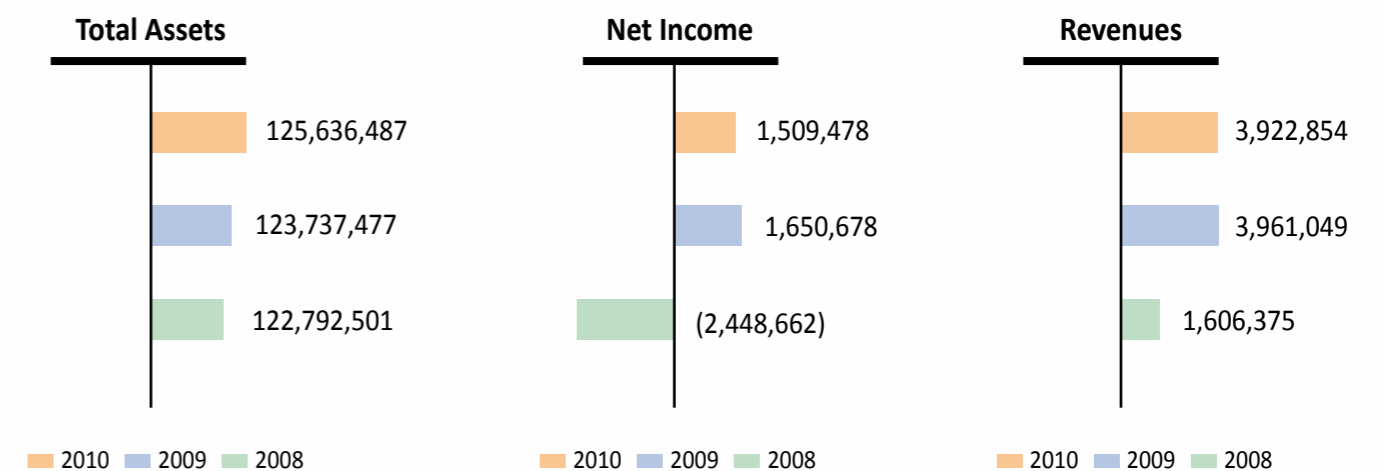
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Financial Highlights

	2010 Thousands of NT dollars	2009 Thousands of NT dollars	2008 Thousands of NT dollars	2010 Thousands of US Dollars (*)
Total Assets	125,636,487	123,737,477	122,792,501	4,309,704
Net Worth	26,028,404	25,548,295	23,462,169	892,851
Investments Outstanding	22,653,159	25,778,537	26,487,612	777,070
Loans Outstanding	66,506,811	59,673,891	67,623,027	2,281,381
Guarantees Outstanding	5,408,659	7,679,004	8,736,426	185,533
Revenues	3,922,854	3,961,049	1,606,375	134,566
Net Income	1,509,478	1,650,678	(2,448,662)	51,780
Return on Assets	1.21%	1.34%	-2.05%	1.21%
Return on Equity	5.85%	6.74%	-9.58%	5.85%
BIS Ratio	17.05%	15.11%	12.73%	17.05%
Non Performing Assets Ratio	0.41%	0.78%	0.84%	0.41%

* U.S. Dollars amounts are converted at the prevailing exchange rate on Dec.31, 2010 of NT\$29.152=US\$1



(Unit: NT\$ Thousand)



Message from the Chairman & CEO

Large scale economic stimulus measures and loose monetary policies have gradually pushed the world economy in 2010 out of the abyss of the financial tsunami. According to IMF, the world GDP in 2010 is 5%, a pre-tsunami level, up from -0.6% in 2009. Contrast to the slowing down of the U.S. and European economies, emerging Asian economies have demonstrated strong growth, which benefited Taiwan by boosting its export, domestic demand and private sector investment. Taiwan

recorded a GDP growth of 10.88% in 2010 relative to -1.93% in 2009.

Facing improving domestic economy, our business development and profit momentum were back to normal in 2010. However, tight monetary policies of Asian Central Banks, European sovereign debt crisis and rising volatility of global financial markets during the second half of 2010 have substantially increased the market risks banks were facing and the difficulty

of trading financial products. Fortunately, our bank managed to secure after tax earnings of NT\$ 1.509 billion and an EPS of NT\$ 0.63 in 2010. Our bank is financially sound given our total asset of NT\$ 125.6 billion and capital adequacy ratio of 17.05% at the end of 2010.

The bank also made important progress in establishing overseas presence and expanding business scope in 2010. Cross-strait financial exchanges have entered into a new milestone after the MOU on financial supervision and the ECFA were signed last year. The bank was active in making entry into China as well. Given our expertise in corporate banking and direct investment, we placed initial focus on banking, leasing, trust and investment. The bank first set foot in Tianjin and Suzhou.

First Stop at Tianjin near Bohai Gulf

Binhai New Area of Tianjin is one of the key economic development areas in China. Tianjin Government endeavors to build the New Area to be a financial center in Bohai Gulf Area. I was invited to be the Financial Innovation Advisor and Economic Advisor to the New Area to help promote financial innovation and economic development in Tianjin. Given Tianjin's great potential and financial reform, the bank decided to set up its representative office in Tianjin and has obtained approval from Taiwan's Financial Supervisory Commission in Sept. 2010. In Nov. 2010, the bank also signed an MOU with Tianjin Trust Co., Ltd. to co-explore cross-strait business opportunities by sharing operating strategies business experience and co-developing new financial products.

Engaging in Leasing Business in Yangtze River Delta Area to Offer Diversified Funding Channels

China's 12th Five-Year Plan intends to convert the country from a 'World Factory' to a 'World Market.' Supporting small and medium enterprises (SME) is thus a major task for the Chinese government in order to create wealth for the people and achieve inclusive growth.

Given our strength in funding SME, we have lately established a 100% owned financial leasing company

(IBT International Leasing Corp.) in Suzhou, Jiangsu Province. The bank is the first one among Taiwanese banks to set up leasing companies in China. The leasing company is to open in mid 2011 to serve Taiwanese enterprises and local clients in Yangtze River Delta Area. Being able to provide RMB services right at the beginning, the new company is expected to bring another wave of business growth to the bank by taking deep roots into SME market.

Building Networks in Central China by Allying with Anhui Guoyuan Group

Strengthening presence in Central China, the bank signed an MOU with Anhui Guoyuan Trust Co., Ltd. in March 2011 to seek cooperation in trust and asset management items. Anhui Guoyuan Group is a financial holding company and it is the 3rd largest state owned company in Anhui Province. Its scope of business is similar to that of ours. Anhui Province is located at a geographically strategic position. Within 500 km radius of Hefei, Anhui's capital city, reside 500 million people, presenting great business potential. IBT is the first Taiwanese financial group to enter into Anhui and expects to bring vitality to its financial innovation.

Entering 2011, we are facing threats from weak global economy, inflationary pressures from rising raw materials prices and Asian currencies' appreciation. These challenges shall cause businesses to be very prudent in taking the next step. However, opportunities come with challenges. The launching of the 12th Five-Year Plan and the ECFA generate good opportunities, which warrant our continued pursuit of expansion in China with our expertise in innovation and management so as to construct a golden decade for the IBT Group.

Kenneth C.M. Lo / Chairman & CEO

Perspective of the President

The world economy in 2010 has recovered gradually relative to the economic recession in 2009. However, financial risks faced by many nations have not been completely eliminated. European sovereign debt crisis, weaker U.S. economy, and Quantitative Easing policies have caused international hot money to flood into emerging economies, causing asset prices to rise substantially. Meanwhile, China outgrew Japan economically and became the world's second largest economy. The Asian emerging markets with China as the center have become the primary growth engine to the world economy. Over all, 2010 is a year of mild economic growth.

The strong recovery of Asian markets and growing domestic demand have pushed the bank's business and profit in 2010 back to a normal level with yearly after-tax earnings of NT\$ 1.509 billion and several operating results:

- **Continued growth in loan business to create stable revenue:**

We continued to enlarge our client base in Taiwan and Hong Kong with prudent risk control system to assure asset quality. There is no addition of new NPL in 2010. As of the end of 2010, NPL ratio was merely 0.4% and NPL coverage ratio exceeded 220%. Both figures outperformed those of peer banks.

- **Increasing core competency by selling out equity stake in IBT Asset Management:**

Investment trust market in Taiwan has been diminishing over the years. Medium and small size investment trust companies are simply not competitive enough. After due evaluation, the bank has sold out its equity stake in IBT Asset Management by the end of 2010 in order to make

the best use of our limited resources and increase capital returns.

- **Initiating entry into China amid improved cross-strait relations:**

In response to cross-strait financial de-regulation, the bank is seeking to build presence in China based on the recommendation by our China Strategy Group. The bank has submitted applications for the establishment of representative offices and leasing companies in China.

The economic expansion of the world is expected to continue in 2011, but it will be overshadowed by uncertainties caused by high unemployment of debt-ridden developed countries, Middle East/Northern Africa political turmoil, and highly volatile financial markets due to nuclear disaster and disruption of global supply chains following the March 11 earthquake in Japan. Despite threats from slowing economy in Taiwan, improving employment condition will revive domestic demand to sustain a stable economic growth. Executive Yuan announced an expected GDP of 5.06% for 2011.

Amid a promising economic outlook, the bank plans to take the following measures in 2011 to seek asset growth and increase market share:

- **Expanding scale of earning assets to generate more stable profits:**

Serving clients in Taiwan, Hong Kong, China and the U.S. through our business platform, we will continue to expand fee-income based businesses by securing more mandates for syndication loans or cross-border transactions to ultimately adjust our profit structure.



- **Engaging in leasing business to enlarge business scope:**

Providing financial services to small and medium enterprises (SME) has been our primary business. Given our expertise in serving SME, the bank is in a good position to engage in leasing business and SME market in both Taiwan and China. The bank is now establishing IBT Leasing Co., Ltd. in Taiwan and IBT International Leasing Corp. in Suzhou, Jiangsu Province. These efforts will help enlarge our scope of business and client base.

- **Re-launching merger effort with China Bills Finance Corp:**

To promote resource integration within the IBT Group, the bank will re-consider merger with China Bills Finance Corp. at opportune time. Through this

merger, we hope to further consolidate our various resources within the Group and expand our operating scale. We also hope to build up our capabilities for our overseas ventures.

Looking forward, the bank shall continue to hold on to our core values, i.e. 'honor, sincerity, teamwork, innovation, professionalism and meritocracy.' We will also strive to enhance employees' professionalism and competitiveness while seeking profit growth. Through our joint efforts, the bank will achieve better financial results.

Henry W. Peng / President



Venturing into a Golden Future in Times of Great Changes

To both sides of Taiwan Strait, 2010 is an important year of economic development. In addition to paving the way for economic exchange, the signing of the cross-strait MOU on financial supervision and the ECFA (Economic Cooperation Framework Agreement) is especially beneficial to the banking industry in Taiwan, which will be allowed to enter into the highly potential financial market in China for new growth momentum and opportunities while struggling out of the current 'over banking' dilemma.

The MOU covers the areas of information exchange, information confidentiality, financial examination and continuous contacts between the two sides' financial regulatory authorities. The MOU makes it possible for banks of both sides to enter into each other's market. Properly executed, the MOU will offer

a platform for the financial regulators of the two sides to hold regular dialogue and communication, thus reducing the supervisory costs and policy uncertainties for the banking sector.

The ECFA Has Laid Foundation for Cross-strait Economic Cooperation

The ECFA provides a framework for regulating the economic activities of both sides of Taiwan Strait in compliance with the spirit of the WTO. Our government has been striving to include banking sector in the 'early harvest' list for tariff concessions or market access as it plays a key role in economic development. In the meantime, mainland China is our largest trade partner and it is the region where we have made the most foreign investments. Being the second largest economy in the World, mainland China is also

a market where banks of the world want to access. Allowing Taiwan banks to access into mainland China will hopefully enhance the overall performance of Taiwan's banking industry and its international competitiveness as a whole.

When we made our commitments for accession to the WTO, we adopted the standards of developed countries, which are higher than the commitments made by China in its accession to the WTO. Thus, the foreign banks engaging in NT dollar business in Taiwan are subject to the same rules and regulations governing the local banks. However, mainland China still set multiple restrictions on foreign banks doing business in China while protecting its local banks. Through the ECFA, Taiwan banks will be given preferential treatment and more favorable terms

than what China's WTO commitments offer. Under such circumstances, Taiwan banks will receive more favorable terms in investing and operating in China than banks from other WTO member countries such as Korea, Japan, Europe and the U.S. For example, it will take only 1 year for Taiwan banks to be upgraded to branches from representative offices. But it will take 2 years for other foreign banks to do the same.

Strengths in Building Presence in China for Taiwan's Banking Sector

In addition to the afore-mentioned favorable macro environments, Taiwan's banking industry also has other strengths. Firstly, the two sides of Taiwan Strait have common language and culture, which is our greatest strength as we compete with other foreign competitors. Secondly, Taiwanese enterprises have



made substantial investments and conducted a wide range of businesses in mainland China. More than 40,000 Taiwanese enterprises established production sites, branch offices, or subsidiaries in China. Taiwanese banks should be able to attract Taiwanese enterprises to be their customers after getting into China. As Taiwanese banks are more familiar with Taiwanese enterprises, Taiwanese banks are supposed to be more competitive than other foreign banks.

Nevertheless, there are challenges ahead. The opening of cross-strait financial markets is not immediate, but gradual. Banking industry is a highly regulated industry in all countries as its stability will affect national economic development. The Financial Supervisory Commission (FSC) in Taiwan has been prudent in allowing Taiwanese banks to enter into China because of the concern over risks arising from overseas exposure. To prevent such risks from affecting the parent entities of banking institutions, FSC adopts a conservative attitude in its supervision. In the meantime, banking institutions in China are mostly large in size and scale. The market capitalization of Industrial and Commercial Bank of China is larger than the sum of market capitalizations of all banks in Taiwan. Therefore, the impact from Chinese banks conducting business in Taiwan on Taiwanese banks should not be ignored.

IBT's Multi-pronged Approach in Building Presence in China

Taiwanese banks are more competitive than banks in China in the fields of foreign exchange, consumer banking, financial derivatives, and wealth management. Banks in Taiwan are superior in financial innovation and service efficiency to the counterparts in China. Already in a highly competitive market, Taiwan banking industry may be strong enough to face impacts from Chinese banks conducting business in Taiwan. The signing of the MOU and the ECFA may allow Taiwanese banks to establish presence in China or upgrade their offices to branches, but relative to HSBC, Standard Charter Bank and Chinese banks,

Taiwanese banks only operate in very few locations and with a limited business scope in China.

After taking the above circumstances into consideration, Industrial Bank of Taiwan (IBT) determines to focus on leasing business in addition to setting up a representative office in Tianjin and engaging in strategic cooperation for trust business.

Trial Run in Tianjin for Banking Business

Taiwan's FSC has approved IBT to set up a representative office in Tianjin in Sept. 2010. The Binhai New Area of Tianjin is a key economic development area and an important commercial and trade center in Northern China. Many large international financial institutions have set foot in the New Area. The banking industry in Tianjin features financial innovation and trial runs of financial products. Tianjin's financial industry is a pioneer and model in launching equities trading, industry-led funds, private equity funds, and leasing. IBT's representative office in Tianjin will focus on financial innovation and supporting small and medium enterprises initially.

Seeking Partnership via Trust Business

Trust companies in China are non-bank financial institutions governed by China Banking Regulatory Commission (CBRC). These companies can engage in loans, funds, retirement funds, private equity funds, asset securitization, QDII and equities investment. In recent years, the financial market in China has undergone a lot of changes and innovations. There is a strong interest in the development of financial and real estate asset securitization. CBRC has been encouraging trust companies to seek strategic investors or business cooperation with foreign financial institutions in order to enhance their risk management and product development. As the threshold for investing in Chinese banks is higher, it makes sense for Taiwanese banks to pursue partnership with trust companies which are smaller in terms of capitalization and have a wider scope of businesses.

Commanding a leading position in asset securitization in Taiwan, IBT has now signed MOU for cooperation with Tianjin Trust Co., Ltd. and Anhui Guoyuan Trust Co., Ltd. IBT will share its expertise in asset securitization with the two partners in co-developing asset securitization market in China and assisting the transformation of traditional trust companies into financial platforms with financial innovation capabilities.

Creating Next Wave of Growth Momentum with Leasing Business

In Sept. 2010, FSC started to approve Taiwan banking institutions to conduct financial leasing business in China. In its entry to China, IBT plans to set its initial focus on financial leasing companies based on

two observations. Firstly, the requirements for upgrading bank representative offices to branches are quite demanding and IBT may not be able to meet the requirements at the beginning. Secondly, China's 12th five-year plan has made it a priority to support the development of small and medium enterprises (SME). Thus, the funding needs of SME are expected to grow, which provides opportunities for leasing business. In choosing the locations to start out, IBT has sent delegates to conduct survey in areas where leasing businesses are more mature. Suzhou of Jiangsu Province was chosen as the site for headquarters of IBT International Leasing Corp.

In proximity to Wuxi and Kunshan, Suzhou is located at the center of Yangtze River Delta Area. According

to Taiwan Affairs Office of the State Council, there are about 9,500 Taiwanese enterprises in Suzhou, which is the largest cluster of Taiwanese enterprises in China. The majority of companies in Yangtze River Delta Area are privately owned. This Area features car, IT, electronics and machinery industries, which have strong demand for equipments, benefitting leasing business and fitting the profile of IBT target customers for its leasing segment.

Venturing into a Golden Future

To sum up, the signings of the MOU on financial supervision and the ECFA have caused great expectations of banks in Taiwan and China for the interaction and development of financial markets of the two sides. For Taiwanese banks, opportunities arise for

exploring the large market in China and capturing growth momentum. However, the challenges of facing the gap in operating scale also come with the opportunities. It is important for Taiwanese banks to take into consideration the size and scale of operation, expertise, and China's national development strategies when formulating their strategies for moving westward (into China).

In the midst of relatively stable cross-strait relations, IBT has also marched towards China with a focus on leasing segment supporting SME in addition to working with trust companies in China for cooperation in asset securitization. The growth opportunities in China offer IBT a great chance to grow with enhanced competitiveness into a Golden Future.



Business Review

A major mission of industrial banks is to offer professional investment banking service for national economic development projects.

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 mutual-beneficial and long-term cooperation with our clients.

1. Credit Extension

Overshadowed by the debt crisis in Europe and threats from continued economic recession, the world economy in 2010, however, experienced a steady and mild recovery after the US and European governments continued their quantitative easing monetary policies. Nevertheless, potential risks such as rising commodity prices, subsequent removal of economy boosting measures, deteriorating fiscal conditions of industrial countries (Europe and US) and imbalanced economic recoveries of the world are still posing threats.

As Asian countries enjoyed a relatively stronger recovery, international short term funds started to flood in. Asian currencies were thus pushed higher, further triggering exchange rate conflicts among nations. Facing highly volatile and competitive environments, our bank continued to take a prudent approach to assure loan asset quality and reasonable yields. Total balance of credit extension at the end of 2010 was NT\$ 72.5 billion including NT\$ 66.5 and NT\$ 300 million of acceptance/factoring receivable, billion of loans, NT\$ 5.7 billion of guarantee, recording an overall growth of 6.6% over 2009.

With respect to industry distribution, 38.54% of our loans were extended to electronics industry; 14.07% to petrochemical and textile industries; 9.69% to transportation and equipment; 9.56% to finance and investment companies; 5.5% to communication systems; 4.14% to construction, cement and real estate; 3.91% to steel and metals; and 14.59% went to others.

For loans extended to electronics sector, opto-electronics accounted for 15.41%, followed by semiconductor (10.50%), information hardware (4.67%),

electronics components (4.23%), solar energy (1.57%) and channels and other electronic products (1.89%) .

Pursuing stable growth and risk diversification, we have been striving to expand our client base and secure medium size enterprises to provide a good basis for our cross-selling efforts. At the end of 2010, the number of active client accounts was 648, with an increase of 104 accounts at a rate of 19%.

Since the bank's founding, we have been active in the syndication loan market. As of the end of 2010, the bank has been the lead manager for 232 syndication loans, covering a wide range of industries: electronics, opto-electronics, steel, transportation, electrical engineering, textile, food, petrochemical leasing, securities finance and communication. These loans have successfully raised funds for capital expenditures (plant construction, equipment), financial structure enhancement and medium-term operating capital, assisting our clients to grow bigger and stronger.

The domestic economic recovery and the signing of the ECFA have resulted in an increase in investments

by private sector, capital expenditures of enterprises, and demand for operating funds, further boosting the growth of syndication loan market. However, fierce competition in the syndication market has made it harder to secure mandates. The bank managed to lead or co-lead 32 syndication loans in 2010. The borrowers are from a wide range of industries, including companies like Waterland Securities Co., Ltd., Brighton-Best International Inc., Yonyu Plastics Co., Ltd., Topoint Technology Co., Ltd., Fair Friend Enterprise Co., Ltd., Shih Wei Navigation Co., Ltd., Gigastorage Corp., Tex-Ray Industrial Co., Ltd., High-Tek Harness Enterprise Co., Ltd., Wintek Corp., Advanced Connectek Inc., Yageo Corp., Ta Ching Securities Co., Ltd., Advance Materials Corp., CDC Finance & Leasing Corp., Chailease Finance (BVI) Co., Ltd., AECO Technology Co., Ltd., Eternal Chemical Co., Ltd., Qisda Corp., Jui Li Enterprise Co., Ltd., Taiwan Video System, Sino Materials Enterprise Co., Ltd., Hannstar Display Corp., Wah Hong Industrial Corp., Chipsip Technology Co., Ltd., Taisun Enterprise Co., Ltd., Hannstar Board Corp., Achem Technology Corp., China Network Systems Co., Ltd., Chailease Consumer Finance Co., Ltd., Taiwan Hopax Chemicals Manufacturing Co., Ltd., and Wah Lee Industrial Corp. Total syndication



Solar energy industry is a major target of investment for IBT.

amount was NT\$ 99.545 billion, a 188% growth over 2009.

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 2010, the deposits balance was NT\$ 67.7 billion.

Along with the growth of our foreign currency loans, the bank has also aggressively expanded our foreign currency deposits. Despite fierce competition, our foreign currency deposits at the end of 2010 amounted to an equivalent of NT\$ 9.1 billion.

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\$ 10.6 billion as of the

end of 2010, recording a growth of 15.2% over 2009.

To provide services to clients conducting cross-border operations and help them to secure off shore 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.

In April 2010, our Hong Kong branch started to engage in RMB services, providing Taiwanese enterprises across the Strait with more convenient and prompt financial services. Deposits and loans for Hong Kong branch grew by 182% and 110% respectively in 2010.

4. Direct Investment

Our direct investment focuses on investing in productive enterprises. By properly adjusting our investment portfolio, we expect to improve our operating efficiency and strengthen investment management. Our investment portfolio reflects the development

trends of domestic and overseas industries. Meanwhile, in response to changes in our country's industrial structure from capital and technology intensive to knowledge economics, we have increased our investment in key components and IC design. We have also tried to capture the development direction of the emerging industries to create more growth for our bank. In 2010 the bank had 7 new investments: Dio Investment Ltd., Enterex International Limited, Jochu Technology Co., Ltd., Jetbest Corporation, Ultra Fine Optical Technology Co., Ltd., Chia Chang Co., Ltd., and China Taisan Technology Group Holdings Ltd. Total amount of new investments was NT\$ 216 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 2010, there were a total of 81 companies in our investment portfolio. Total investment balance was NT\$ 4.33 billion. The companies in our portfolio are from the following industries: electronics, communications, semiconductor, banking, biotechnology, and venture capital. The semiconductor accounted for 10% of the portfolio, followed by solar energy (7%).

The bank continues to strengthen its investment management by closely tracking and evaluating the performances and operation of the companies in our portfolio and by watching for good timing for divestment. In addition to providing medium and long term funds to the portfolio companies, the bank capitalizes on its networking and resources to

Investment Portfolio Analysis

Industry	Number of Invested Companies	Investment Amount (NT\$ Million)	Percentage (%)
Semiconductor	13	416	9.62
Solar Energy	1	288	6.66
Transportation and Equipment	2	276	6.37
Wholesale and Retail	8	273	6.30
Machinery & Instrument	7	269	6.21
Opto-electronics	11	265	6.12
Chemical Materials	2	163	3.76
Information(hardware)	5	114	2.63
Vehicles and Components	1	81	1.87
Information (software)	6	75	1.73
Pharmaceuticals & Biotechnology	1	63	1.45
Electronic Components	5	45	1.04
Communication Device	3	32	0.74
Internet & Multimedia	2	10	0.23
Channels and other Electronic Products	1	6	0.14
Venture Capital Funds	13	1,954	45.13
Total	81	4,330	100.00

assist portfolio companies to grow and to seek new development trends.

5. Financial Products Trading

The bank engages in financial products trading and marketing. The bank trades foreign exchange, interest rate products and their derivatives. With regard to marketing, our Treasury Marketing Unit (TMU) provides professional consultation to our corporate clients to hedge their interest rate and foreign exchange risks.

Taking into consideration safety, liquidity and profitability, we have actively engaged in financial product trading in 2010 and have had excellent performance in funding & gapping and bond trading.

6. Securities Trading

Taiwan's capital market in 2010 was very volatile. The debt crisis in Europe and the suppression of real estate speculation in China have caused a meltdown of 1000 points of TSE index. During the second half of 2010, however, the stock market has seen an upward momentum due to stabilization of world economy, ECFA signing and inflow of funds. The NT dollar appreciation and slow down of the economic recovery in Europe and U.S. have ultimately suppressed the price performance of high tech shares and closed the TSE index at 8972, rising by 9.58% over the end of 2009.

Despite the 2 meltdowns of the stock market in 2010, our traders presented their visionary and professional abilities in stock selection while containing good risk control. As of the end of 2010, the dollar amount of equities held by the bank was NT\$ 335 million, and the total realized gain was NT\$ 151 million.

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. Our government has been encouraging private sectors to participate in the public infrastructure and metropolitan renewal projects in order to bring in private funds and creativity.

To project sponsors or corporations, the bank can provide 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

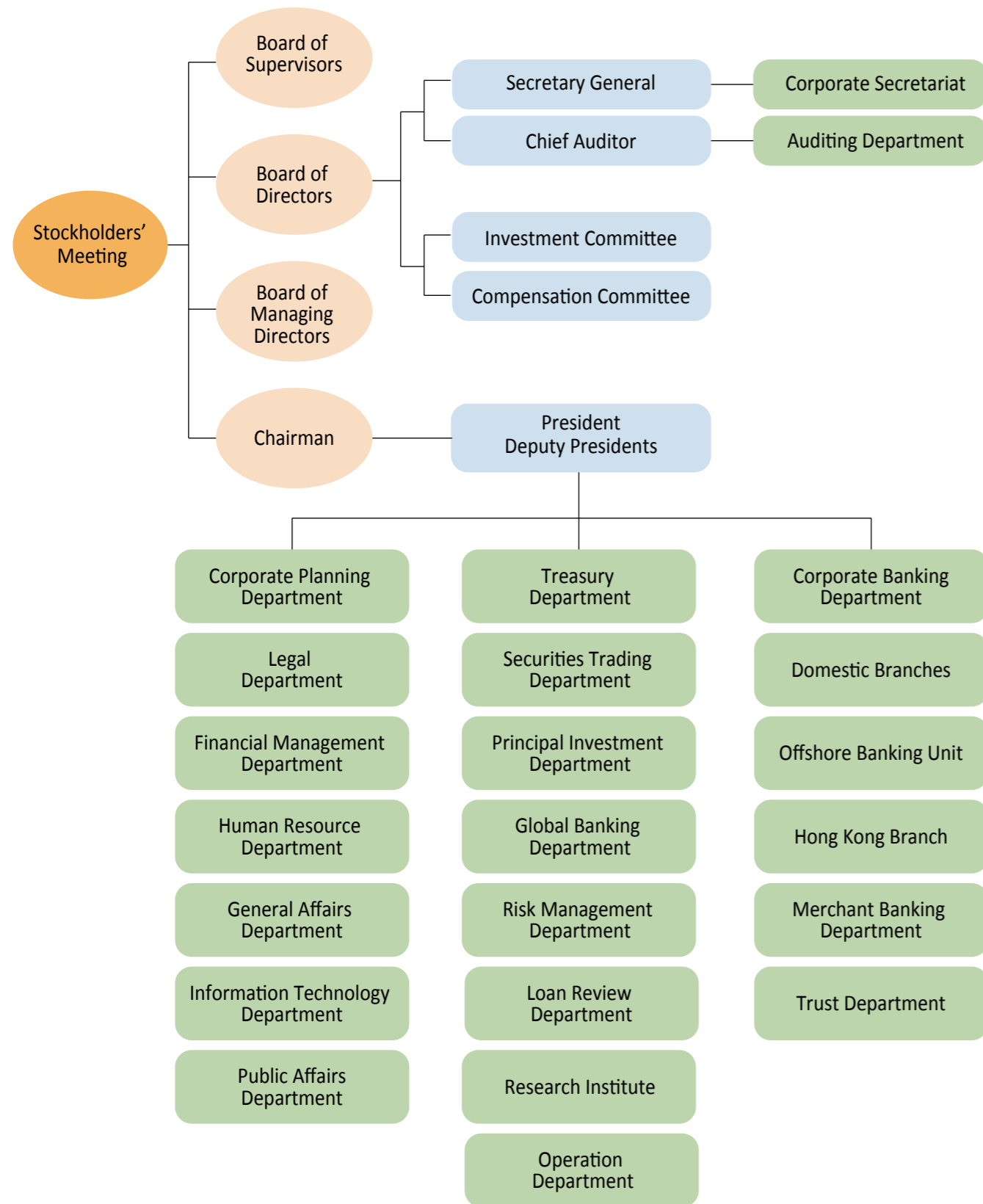
Via its Trust Department, the bank provides money trust service, financial advisory service on asset securitization, and custodian service for marketable securities.

With regard to money trust service, the bank engages in 'money trust with designated investment in foreign marketable securities', 'advance payment trust', and 'real estate transaction trust'. The clients for our money trust business are mainly institutional investors or corporations. As of the end of 2010, total dollar amount of money trust for investing in foreign marketable securities reached NT\$ 2.127 billion, while advance payment trust reached NT\$ 4.27 billion. The bank then provided custodian service for marketable securities valued at NT\$ 31.63 billion.



For projects in relation to energy and transportation etc, IBT provides project finance service to enterprises and governments.

Organization Chart



Directors and Supervisors

Chairman	Kenneth C.M. Lo	Chairman & CEO, Industrial Bank of Taiwan
Managing Directors	Leslie Koo	Chairman, Taiwan Cement Corp.
	Henry W. Peng	President, Industrial Bank of Taiwan
	Tina Y. Lo	Senior Executive Vice President and Head of China Strategy, Industrial Bank of Taiwan
Independent Managing Director	Chen Sun	Chairman, NTU Economic Research Foundation
Directors	Shih-tze Chen	Chairman, Ming Shan Investment Co., Ltd.
	Wu Ru-yueh, Kuo	Special Assistant to Chairman of Shin Kong Construction Development Co., Ltd.
	Chung-ming Cheng	Chairman, San Ho Plastics Fabrication Co., Ltd.
	T.K. Tseng	President, Heng Tong Auto Parts Inc.
	Y. T. Chen	Chairman, Aurora Corp.
	Yuh-yeh Chen	Director, Hon Nan Enterprise Co., Ltd.
	Gordon W. C. Lin	Chairman, IBT Securities Co., Ltd.
Independent Directors	Shu-chun Liao	Chairman & CEO, Pan Overseas Corporation
	Paul Hsu	Chairman, PHYCOS International Co., Ltd.
Supervisors	Hou-sheng Chan	Chairman, Cross-Straits Common Market Foundation
	Bill M.H. Huang	Chairman, Glory Navigation Co., Ltd.
	Tung-rung Huang	C.P.A., YHC & Co., CPAs
	Philip Wu	Senior Executive Vice President, Chung Kwan Investment Co., Ltd.

The Management



Henry W. Peng
President



Dennis J.D. Tseng
Chief Auditor
Auditing Department



Nancy S.F. Liu
Executive Vice President
Legal Department



Vance Y.C. Chin
Deputy President
Supervising Bussiness Units



Sabrina L. Wang
Deputy President
Supervising Corporate Secretariat



Charles M.C. Chuang
Executive Vice President
Hong Kong Branch



Roger Y.F. Lin
Executive Vice President
Merchant Banking Department
and Offshore Banking Unit



Roy J.Y. Yeh
Senior Executive Vice President
Supervising Risk Management,
Loan Review,
Operation Departments,
and Research Institute



David C.C. Chang
Senior Executive Vice President
Supervising Financial Management,
Human Resource and Information
Technology Departments



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



Steven H.P. Wang
Executive Vice President
Risk Management Department



Tina Y. Lo
*Senior Executive Vice President
and Head of China Strategy*
Supervising Corporate Planning,
Global Banking Departments
and Overseas Branches



Tessie Y.H. Chen
Senior Executive Vice President
Treasury Department



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



Fred M.H. Chen
Executive Vice President
General Affairs Department





Business Plans

Concert Hall, located at 1st floor of the IBT Headquarters, holds concerts and other activities regularly to serve the public

1. Short Term Plans

(1) Expanding our loan assets, client base and businesses that generate stable income

Our businesses and profits have gradually moved back to a normal track in 2010. As the worldwide markets are on the path of recovery, it is the bank's primary goal for 2011 to minimize the volatility of the bank's profits by increasing fee income based revenue from loans, TMU, trust and guarantee businesses.

The loan market in Taiwan is highly competitive and offers thin spread, but Hong Kong, being a financial center in Asia, is exposed to more business opportunities in international syndication loans and financing needs of Taiwanese enterprises in China. To expand our interest rate spread and reduce concentration risk of our loan portfolio, we shall focus on developing small and medium enterprises and Taiwanese enter-

prises in China via Hong Kong branch to further diversify the geographical distribution of the bank's clients. Meanwhile, we will promote import / export trade finance and TMU business to increase fee income based revenue.

(2) Planning aggressive establishment of the bank's presence in China in response to the opening of cross-strait financial businesses

The bank has been striving to develop international businesses over the past five years. Internationalization will continue to be the bank's top priority in the next five years. In the next decade, the growth momentum of the world economy is expected to come from Asia. China, being the second largest economy and export country in the world, is considered an important profit engine for Taiwanese enterprises and Taiwan-based banks. To capture this emerging growth, the bank established its Hong Kong

branch in 2009 to serve clients in Hong Kong and southern China. The client base and deposits / loans scale of the Hong Kong branch have been growing steadily. Following the signing of the ECFA, the bank is taking a multi-pronged approach in establishing presence in China while capitalizing on its existing strengths. Taiwan's Financial Supervisory Commission has approved the establishment of the bank's representative office in Tianjin. Meanwhile, the bank is establishing a financial leasing company in Suzhou, China, to serve Taiwanese enterprises in Yangtze River Delta Area.

(3) Re-initiating efforts to merge with China Bills Finance (CBF) to enlarge our operating scale and to integrate resources

In the midst of severe competition of domestic financial industry and increasing operating scale of financial institutions, the bank is seeking to increase our business

scale and scope via merger and acquisition. This move is expected to diversify our operating risks and expand our product lines to ultimately enhance our overall competitiveness. Therefore, in addition to studying the M&A opportunities both in and outside Taiwan, the bank will initiate merger effort with CBF at opportune time in order to integrate our resources within the group and strengthen our position for overseas expansion.

2. Long Term Plans

(1) Seeking maximum returns on capital

Following the implementation of Basel II requirements, Taiwan's Financial Supervisory Commission has been very strict in supervising a bank's BIS ratio. In addition to pursuing business growth, the bank shall also place emphasis on 'returns on capital' in its product pricing and capital allocation. In the future, the bank's capital will be allocated primarily to

businesses that generate higher returns in order to maximize our shareholder value.

(2) Developing international talents

Subsequent to the cross-strait financial de-regulation and the establishment of our representative office in Tianjin and leasing company in Suzhou, it is on the top of our agenda to recruit and develop human talents to meet the needs. Training program will be designed to include middle and back office personnel as well so as to enhance our overall competitiveness and expedite our entry into China.

(3) Strengthening our competitiveness in Taiwan

In addition to making entry into China, it is equally important for IBT to strengthen our competitiveness in Taiwan. IBT will continue developing its expertise in financial innovation and product R&D to seek internal growth. However, seeking external growth through merger & acquisition in Taiwan will not be excluded. Through enhanced competitiveness, the bank will strengthen its position in Taiwan's banking industry so as to provide a solid foundation for our overseas business development.



With its prudent operating strategies, IBT is marching towards a golden future with well calculated steps.

(4) Pursuing overseas expansion

The bank initiated its internationalization plan in 2006 to explore more business opportunities abroad and to expand the operating scale of the IBT group. IBT Securities, the bank's subsidiary, first established IBTS Asia (HK) Limited and IBTS Financial (HK) Limited in Hong Kong to engage in wealth management, securities brokerage and equity offerings. To meet financial needs of our clients in the U.S. market, the bank acquired EverTrust Bank in the west coast of the U.S. EverTrust Bank has a stable operation through its 6 branches in L.A. and Silicon Valley. It is planning to expand its service network to other cities in the region and contributes greatly to the bank's bottom line.

To serve Taiwanese enterprises in the Greater China Area, the bank set up its Hong Kong Branch in 2009 as

a bridgehead to explore into the Greater China market. Following the de-regulation of cross-strait financial industry, the bank took a multi-pronged approach in establishing presence in China. In addition to setting up a Representative Office in Tianjin, the bank is establishing a 100% owned financial leasing company in Suzhou. In compliance with our government policy, we have set a long term development plan in China and will continue to seek opportunities in other countries. For our overseas expansion, we will also look into South East Asian countries (e.g. Vietnam, Singapore, Indonesia and India), East Coast of the U.S., and even Europe. For the long run, we are not only pursuing expansion, but we will also strive to enhance our service quality to customers and to capture every opportunity to maximize shareholder value.

Financial Report



INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Industrial Bank of Taiwan

We have audited the accompanying balance sheets of Industrial Bank of Taiwan as of December 31, 2010 and 2009, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of Industrial Bank of Taiwan as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with the Criteria Governing the Preparation of Financial Reports by Public Banks, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of Industrial Bank of Taiwan and its subsidiaries as of and for the years ended December 31, 2010 and 2009 and have issued our unqualified and modified unqualified opinion, respectively, thereon.

Deloitte & Touche

February 22, 2011

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations 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 financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying 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 auditors' report and financial statements shall prevail.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010	2009	Change
	Amount	Amount	%
NET INTEREST			
Interest revenues	\$ 1,633,804	\$ 1,813,717	(10)
Interest expenses	633,591	784,409	(19)
Net interest	<u>1,000,213</u>	<u>1,029,308</u>	(3)
NET REVENUES OTHER THAN INTEREST			
Commissions and fee revenues, net	273,079	267,888	2
Gains from financial assets and liabilities at fair value through profit or loss	807,719	341,501	137
Realized income from available-for-sale financial assets	206,635	503,163	(59)
Gain from equity investments - equity method	749,441	700,871	7
Foreign exchange gain (loss), net	(461,150)	123,644	(473)
Loss from asset impairment	(311,561)	(347,090)	(10)
Realized income from financial assets carried at cost	158,222	90,619	75
Other non-interest net revenues	93,954	119,646	(21)
Net revenues other than interest	<u>1,516,339</u>	<u>1,800,242</u>	(16)
TOTAL NET REVENUES	<u>2,516,552</u>	<u>2,829,550</u>	(11)
PROVISION	-	206,977	(100)
OPERATING EXPENSES			
Personnel expenses	583,953	592,965	(2)
Depreciation and amortization	97,319	91,059	7
Others	305,630	305,330	-
Total operating expenses	<u>986,902</u>	<u>989,354</u>	-
INCOME BEFORE INCOME TAX	1,529,650	1,633,219	(6)
INCOME TAX EXPENSE (BENEFIT)	20,172	(17,459)	216
NET INCOME	<u>\$ 1,509,478</u>	<u>\$ 1,650,678</u>	(9)

	2010		2009	
	Pretax	After Tax	Pretax	After Tax
EARNINGS PER SHARE				
Basic	<u>\$ 0.64</u>	<u>\$ 0.63</u>	<u>\$ 0.68</u>	<u>\$ 0.69</u>

BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Par Value)

	2010 Amount	2009 Amount	Change %		2010 Amount	2009 Amount	Change %
ASSETS				LIABILITIES AND STOCKHOLDERS' EQUITY			
CASH AND CASH EQUIVALENTS	\$ 547,827	\$ 412,667	(25)	DUE TO THE CENTRAL BANK AND OTHER BANKS	\$ 19,063,734	\$ 20,725,166	9
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	20,524,571	30,132,399	47	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	2,134,478	558,972	(74)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	12,443,450	5,010,510	(60)	SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE	761,487	2,254,865	196
BONDS PURCHASED UNDER RESELL AGREEMENTS	-	52,672	-	ACCOUNTS PAYABLE	807,434	940,133	16
RECEIVABLES, NET	636,148	456,790	(28)	DEPOSITS	66,279,516	65,125,152	(2)
DISCOUNTS AND LOANS, NET	65,906,758	58,922,270	(11)	BANK DEBENTURES	9,880,000	8,150,000	(18)
AVAILABLE-FOR-SALE FINANCIAL ASSETS	4,843,288	8,231,534	70	OTHER FINANCIAL LIABILITIES	316,846	91,780	(71)
HELD TO MATURITY ASSETS	1,668,052	-	(100)	OTHER LIABILITIES			
EQUITY INVESTMENTS - EQUITY METHOD	13,763,351	14,464,810	5	Receipts in advance	109,183	183,401	68
OTHER FINANCIAL ASSETS, NET				Deferred tax liabilities	2,975	23,575	692
Financial assets carried at cost	2,378,468	3,065,422	29	Others	252,430	136,138	(46)
Bond investments with no active market	-	16,771	-	Total other liabilities	364,588	343,114	(6)
Others	-	9,450	-	Total liabilities	99,608,083	98,189,182	(1)
Other financial assets, net	2,378,468	3,091,643	30	STOCKHOLDERS' EQUITY			
PROPERTIES				Capital stock, \$10 par value			
Cost				Authorized: 2,601,706 thousand shares			
Land	698,633	698,633	-	Issued: 2,390,506 thousand shares	23,905,063	23,905,063	-
Buildings	1,907,303	1,862,249	(2)	Capital surplus - from equity-method investee	29,708	30,494	3
Machinery and computer equipment	185,992	180,174	(3)	Retained earnings			
Transportation equipment	41,662	34,024	(18)	Legal reserve	373,876	-	(100)
Miscellaneous equipment	109,464	109,013	-	Special reserve	394,277	-	(100)
Leasehold improvements	48,582	49,830	3	Unappropriated earnings (accumulated deficit)	1,509,478	1,246,254	(17)
Total cost	2,991,636	2,933,923	(2)	Total retained earnings	2,277,631	1,246,254	(45)
Accumulated depreciation	403,930	330,231	(18)	Other stockholders' equity			
	2,587,706	2,603,692	1	Cumulative translation adjustments	(477,092)	(88,885)	(81)
Prepayments	16,172	10,202	(37)	Unrealized gain on financial instruments	293,174	455,449	55
Net properties	2,603,878	2,613,894	-	Treasury stock	(80)	(80)	-
INTANGIBLE ASSETS	15,998	29,593	85	Total other stockholders' equity	(183,998)	366,484	299
OTHER ASSETS				Total stockholders' equity	26,028,404	25,548,295	(2)
Refundable deposits	131,884	201,200	53	CONTINGENCIES AND COMMITMENTS			
Deferred tax assets	51,480	-	(100)	TOTAL	\$ 125,636,487	\$ 123,737,477	(2)
Others	121,334	117,495	(3)				
Total other assets	304,698	318,695	5				
TOTAL	\$ 125,636,487	\$ 123,737,477	(2)				

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Dividend Per Share)

	Capital Stock		Capital Surplus - from Equity Investee	Legal Reserve	Retained Earnings			Cumulative Translation Adjustments	Unrealized Gains or Losses on Financial Instruments	Treasury Stock	Total Stockholders' Equity
	Shares (Thousands)	Amount			Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Total				
BALANCE, JANUARY 1, 2009	2,390,506	\$ 23,905,063	\$ 35,415	\$ 1,942,125	\$ 69,965	\$ (2,416,514)	\$ (404,424)	\$ (1,108)	\$ (72,697)	\$ (80)	\$ 23,462,169
Offset of 2008 accumulated deficit											
Legal reserve	-	-	-	(1,942,125)	-	1,942,125	-	-	-	-	-
Special reserve	-	-	-	-	(69,965)	69,965	-	-	-	-	-
Capital surplus arising from treasury stock transaction of equity investee	-	-	(4,921)	-	-	-	-	-	-	-	(4,921)
Cumulative translation adjustment of equity investments under equity method	-	-	-	-	-	-	-	(87,777)	-	-	(87,777)
Changes of unrealized gains or losses on available-for-sale financial assets	-	-	-	-	-	-	-	-	362,210	-	362,210
Unrealized gain or loss on financial instruments of equity investments under equity method	-	-	-	-	-	-	-	-	165,936	-	165,936
Net income in 2009	-	-	-	-	-	1,650,678	1,650,678	-	-	-	1,650,678
BALANCE, DECEMBER 31, 2009	2,390,506	23,905,063	30,494	-	-	1,246,254	1,246,254	(88,885)	455,449	(80)	25,548,295
Appropriation of 2009 earnings											
Legal reserve	-	-	-	373,876	-	(373,876)	-	-	-	-	-
Special reserve	-	-	-	-	394,277	(394,277)	-	-	-	-	-
Cash dividends - \$0.2 per share	-	-	-	-	-	(478,101)	(478,101)	-	-	-	(478,101)
Less: Disposal of IBT Asset Management Co., Ltd.	-	-	(786)	-	-	-	-	-	-	-	(786)
Cumulative translation adjustment of equity investments under equity method	-	-	-	-	-	-	-	(388,207)	-	-	(388,270)
Changes of unrealized gains or losses on available-for-sale financial assets	-	-	-	-	-	-	-	-	(89,717)	-	(89,717)
Unrealized gain or loss on financial instruments of equity investments under equity method	-	-	-	-	-	-	-	-	(72,558)	-	(72,558)
Net income in 2010	-	-	-	-	-	1,509,478	1,509,478	-	-	-	1,509,478
BALANCE, DECEMBER 31, 2010	2,390,506	\$ 23,905,063	\$ 29,708	\$ 373,876	\$ 394,277	\$ 1,509,478	\$ 2,277,631	\$ (477,092)	\$ 293,174	\$ (80)	\$ 26,028,404

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009		2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income	\$ 1,509,478	\$ 1,650,678	Received principal of financial assets carried at cost	\$ 14,116	\$ 23,021
Adjustments: Noncash income items and other adjustments			Received principal of bond investments with no active market	16,986	770,186
Provisions	-	206,977	Proceeds from capital reduction of equity method investee	952,454	150,000
Provision for losses on trading securities	3,480	-	Acquisitions of properties	(75,510)	(259,716)
Gain on disposal of financial assets designated as at fair value through profit or loss	(64,057)	(43,191)	Proceeds from disposal of properties	2,927	1,687
Gain on disposal of available-for-sale financial assets	(184,485)	(480,066)	Decrease in intangible assets	(4,216)	(6,638)
Gain on disposal of financial assets carried at cost	(113,883)	(54,041)	Decrease in other financial assets	9,450	-
Investment income recognized under equity method	(749,441)	(700,871)	Decrease in refundable deposits	69,316	61,041
Cash dividends received from equity method investees	334,394	473,680	Decrease (increase) in other assets	(4,625)	974
Loss (gain) on valuation of financial assets designated as at fair value through profit or loss	10,185	(95,557)	Decrease in bonds purchased under resell agreements	52,672	1,417,328
Loss from asset impairment	311,561	347,090	Net cash provided by (used in) investing activities	5,394,084	(13,907,392)
Depreciation and amortization	97,319	91,059	CASH FLOWS FROM FINANCING ACTIVITIES		
Amortization of debt investments	44,297	35,912	Decrease in due to the Central Bank and other banks	(1,661,432)	(3,287,044)
Gain on disposal of properties	(162)	(135)	Decrease in securities sold under agreement to repurchase	(1,493,378)	(396,211)
Deferred income taxes	(72,080)	(34,905)	Increase in deposits	1,154,364	3,663,659
Net changes in operating assets and liabilities			Issuance of bank debentures	1,830,000	500,000
Financial assets held for trading	(7,466,033)	13,832,439	Repayment of other financial liabilities	(98,684)	(64,978)
Receivables	(179,358)	(24,139)	Repayment of bank debentures	(100,000)	(2,000,000)
Financial liabilities at fair value through profit or loss	1,575,506	47,979	Increase in other financial liabilities	323,750	40,000
Accounts payable	(132,699)	377,847	Increase in other liabilities	38,594	5,385
Net cash provided by (used in) operating activities	(5,075,978)	15,630,756	Cash dividends	(478,101)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Decrease (increase) in due from the Central Bank and call loans to banks	9,607,828	(24,139,917)	Net cash used in financing activities	(484,887)	(1,539,189)
Decrease (increase) in discounts and loans	(6,984,488)	7,904,235	EFFECTS OF EXCHANGE RATE CHANGES	301,941	26,020
Acquisition of financial assets designated as at fair value through profit or loss	(3,825,285)	(2,277,776)	NET INCREASE IN CASH AND CASH EQUIVALENTS	135,160	210,195
Acquisition of available-for-sale financial assets	(929,664)	(3,765,670)	CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	412,667	202,472
Acquisition of held-to-maturity financial assets	(1,796,633)	-	CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 547,827	\$ 412,667
Acquisition of equity investments - equity method	(296,711)	(493,042)	SUPPLEMENTAL INFORMATION		
Acquisition of financial assets carried at cost	(286,013)	(123,443)	Interest paid	\$ 606,584	\$ 922,299
Proceeds from disposal of financial assets designated as at fair value through profit or loss	3,228,212	1,863,789	Income tax paid	\$ 32,833	\$ 81,602
Proceeds from disposal of available-for-sale financial assets	2,757,888	4,275,541			
Proceeds from disposal of financial assets carried at cost	751,189	92,612			
Received principal of financial asset designated as at fair value through profit or loss	558,585	-			
Received principal of available-for-sale financial assets	\$ 1,575,606	\$ 598,396			

(Continued)

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Par Value)

	2010	2009	Change		2010	2009	Change
	Amount	Amount	%		Amount	Amount	%
ASSETS				LIABILITIES AND STOCKHOLDERS' EQUITY			
CASH AND CASH EQUIVALENTS	\$ 1,882,001	\$ 3,262,816	(42)	LIABILITIES			
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	21,078,459	30,602,699	(31)	Due to the central bank and other banks	\$ 26,403,734	\$ 28,305,166	(7)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	111,220,009	85,308,212	30	Short-term borrowings	1,574,980	2,148,632	(27)
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	239,665	359,336	(33)	Commercial paper payable	2,499,292	1,224,851	104
RECEIVABLES, NET	3,995,113	3,518,181	14	Financial liabilities at fair value through profit or loss	3,550,758	1,982,646	79
DISCOUNTS AND LOANS, NET	74,760,690	69,963,498	7	Securities sold under agreement to repurchase	137,326,524	129,866,624	6
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET	67,661,143	81,766,768	(17)	Accounts payable	2,226,946	2,715,221	(18)
HELD-TO-MATURITY FINANCIAL ASSETS	6,903,990	5,661,736	22	Deposits	75,683,783	77,254,827	(2)
EQUITY INVESTMENTS - EQUITY METHOD	551,814	682,161	(19)	Bank debentures	9,880,000	8,150,000	21
OTHER FINANCIAL ASSETS, NET				Other financial liabilities	855,233	723,946	18
Financial assets carried at cost	3,982,976	4,624,853	(14)	Other liabilities			
Bond investments with no active market	-	16,771	(100)	Receipts in advance	109,219	183,467	(40)
Overdue receivables	248,476	378,976	(34)	Deferred income tax liabilities	18,693	30,397	(39)
Restricted assets	383,720	276,927	39	Provision for loss on guarantees	1,032,992	1,013,348	2
Others	812,663	1,047,160	(22)	Others	1,081,080	395,513	173
Other financial assets, net	5,427,835	6,344,687	(14)	Total other liabilities	2,241,984	1,622,725	38
PROPERTIES				Total liabilities	262,243,234	253,994,638	3
Cost				STOCKHOLDERS' EQUITY			
Land	1,407,852	1,407,852	-	Capital stock, \$10 par value			
Buildings	2,245,911	2,200,752	2	Authorized: 2,601,706 thousand shares			
Machinery and computer equipment	272,815	267,934	2	Issued - 2,390,506 thousand shares	23,905,063	23,905,063	-
Transportation equipment	68,954	64,524	7	Capital surplus - from equity-method investee	29,708	30,494	(3)
Miscellaneous equipment	225,523	223,148	1	Retained earnings			
Leasehold improvements	151,112	156,738	(4)	Legal reserve	373,876	-	-
Total cost	4,372,167	4,320,948	1	Special reserve	394,277	-	-
Accumulated impairment	30,000	30,000	-	Unappropriated earnings	1,509,478	1,246,254	21
Accumulated depreciation	792,194	693,287	14	Total retained earnings	2,277,631	1,246,254	83
	3,549,973	3,597,661	(1)	Other stockholders' equity			
Prepayments	26,420	20,890	26	Cumulative translation adjustments	(477,092)	(88,885)	437
Net properties	3,576,393	3,618,551	(1)	Unrealized gain on financial instruments	293,174	455,449	(36)
INTANGIBLE ASSETS	1,180,645	1,323,367	(11)	Treasury stock	(80)	(80)	-
OTHER ASSETS				Total other stockholders' equity	(183,998)	366,484	(150)
Deferred income tax assets	337,165	458,872	(27)	Total stockholders' equity of parent company	26,028,404	25,548,295	2
Refundable deposits	2,994,503	2,777,319	8	Minority interest	14,591,568	16,836,202	(13)
Others	1,053,781	730,932	44	Total stockholders' equity	40,619,972	42,384,497	(4)
Total other assets	4,385,449	3,967,123	11	CONTINGENCIES AND COMMITMENTS			
TOTAL	\$ 302,863,206	\$ 296,379,135	2	TOTAL	\$ 302,863,206	\$ 296,379,135	2

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010	2009	Change
	Amount	Amount	%
NET INTEREST			
Interest revenues	\$ 4,078,912	\$ 4,951,130	(18)
Interest expenses	1,265,511	1,532,836	(17)
Net interest	2,813,401	3,418,294	(18)
NET REVENUES OTHER THAN INTEREST			
Commissions and fee revenues, net	1,045,162	1,298,118	(19)
Gain from financial assets and liabilities at fair value through profit	1,577,542	1,434,030	10
Realized income from available-for-sale financial assets	449,332	884,426	(49)
Income (loss) from equity investments - equity method	(513)	9,232	(106)
Foreign exchange gain (loss), net	(472,753)	118,015	(501)
Loss from asset impairment	(405,439)	(492,937)	(18)
Realized income from financial assets carried at cost	257,179	146,914	75
Administrative fee revenue	120,737	134,321	(10)
Consulting revenue	28,568	48,273	(41)
Other non-interest net gains	542,852	62,701	766
Net revenues other than interest	3,142,667	3,643,093	(14)
TOTAL NET REVENUES	5,956,068	7,061,387	(16)
PROVISION FOR LOAN	146,422	1,345,634	(89)
OPERATING EXPENSES			
Personnel expenses	1,596,817	1,623,944	(2)
Depreciation and amortization	177,331	171,789	3
Others	984,638	984,395	-
Total operating expenses	2,758,786	2,780,128	(1)
INCOME BEFORE INCOME TAX	3,050,860	2,935,625	4
INCOME TAX EXPENSE	433,230	150,292	188
CONSOLIDATED NET INCOME	\$ 2,617,630	\$ 2,785,333	(6)
ATTRIBUTED TO:			
Stockholders of parent company	\$ 1,509,478	\$ 1,650,678	(9)
Minority interest	1,108,152	1,134,655	(2)
	\$ 2,617,630	\$ 2,785,333	(6)
	2010	2009	
EARNINGS PER SHARE	Pretax	Pretax	After Tax
Basic and diluted	\$ 0.64	\$ 0.63	\$ 0.68
	\$ 0.63	\$ 0.68	\$ 0.69

Head Office

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Taichung Branch

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HongKong Branch

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