



The Export-Import Bank of the Republic of China

Annual Report





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Vision

Strengthen Trade Finance and Assist External Trade

Supporting government economic and trade policies by providing financial services to assist manufacturers in developing foreign trade

Participating in international financial activities and enhancing international economic cooperation so as to promote Eximbank's international visibility

Participating in major domestic economic construction programs in order to facilitate industrial development and increase employment

Website : [http : //www.eximbank.com.tw](http://www.eximbank.com.tw)





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I. Performance Summary

NT\$ Million

Year	FY 2010	FY 2009	FY 2008
Total Operating Revenues	1,757	2,358	3,766
Total Operating Expenses	1,504	1,838	3,234
Net Income Before Tax	253	520	532
Profits per Employee Before Tax	1.25	2.51	2.65
Loans Outstanding (Average)	83,066	78,715	75,497
Guarantees Undertaken	7,012	6,430	6,744
Export Credit Insurance Underwritten	63,957	58,053	38,188
Total Assets	85,980	86,992	84,993
Net Worth	17,978	18,406	18,347
BIS Ratio (%)	31.60	32.66	35.30

*The final accounts of FY 2010 are subject to audit.

**Eximbank's fiscal year runs from January 1 to December 31.



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II. Business Report

1. Mission

The Export-Import Bank of the Republic of China (Eximbank) is a state-owned export credit agency. Eximbank was established in 1979 with the aim of supporting government economic and trade policies by providing financial services to assist local firms in developing International trade and making overseas investment. Eximbank offers short-, medium- and long-term financing and guarantee services to facilitate local firms to export consumer goods and capital goods, undertake overseas construction projects, import precision machinery and equipment and essential raw materials, as well as introduce advanced technology from abroad. Eximbank also provides export credit insurance and overseas investment insurance in order to let local firms have adequate insurance cover against commercial and political risks involved in export and overseas investment. These financial services give local firms necessary support to expand their international businesses.

2. Strategies

(1) Providing favorable financial services to help local firms cope with impacts of the recent global financial crisis

The recent global financial crisis caused unfavorable international economic and financial developments. As a result, global trade decreased significantly and commercial risks increased worldwide. Local commercial banks and foreign insurance companies tended to withdraw from export credit insurance and trade finance. Thus, the Bureau of Foreign Trade of the Ministry of Economic Affairs launched the two-year New Cheng Ho Plan in 2009 to help local firms cope with negative impacts of the global financial crisis. Eximbank in support of the Plan provided exporters with export credit insurance and export loans on better terms and conditions. In 2010, Eximbank continued its favorable financial services to exporters for the second year. Total approved amount of export loans extended by

Eximbank grew 56% in 2010 over the previous year, and total underwritten amount of export credit insurance grew 10%. As the global economy gradually recovered from recession and international trade regained its momentum, the Bureau of Foreign Trade terminated the two-year New Cheng Ho Plan at the end of 2010 as previously scheduled.

(2) Extending relending facilities to more countries so as to help exporters develop new markets

The relending facilities allow Eximbank to provide funds to foreign importers through commercial banks abroad for the purchase of Taiwanese products. In 2010, Eximbank extended relending facilities to four more countries, namely Honduras, Peru, Hungary and Slovakia. The number of cooperating banks for the relending facilities increased by 15. At the end of 2010, Eximbank provided relending facilities to 58 banks in 22 countries, including Brazil, Argentina, Chile, the Dominican Republic, Honduras, Nicaragua, Peru, Egypt, Israel, Russia, Belarus, Ukraine, Hungary, Slovakia, Turkey, Mongolia, India, Indonesia, Malaysia, the Philippines, Thailand and Vietnam. Total approved amount of relending extended by Eximbank grew 24% in 2010 over the previous year. The extension of Eximbank's relending facilities could help exporters develop new markets for their products.



▶▶▶ Chair of the Board of Directors / Yen Chrystal Shih

(3) Promoting the whole turnover policy so as to save its manpower and reduce the problem of anti-selection

Small and medium enterprises account for the majority of Eximbank's export credit insurance policy holders. In 2010, 89% of export credit insurance was attributed to small and medium enterprises. Traditional export credit Insurance policies for D/P, D/A, O/A or L/C are often in small amounts and very labor-intensive in handling. In addition, traditional export credit insurance policies have intrinsic problems of asymmetric information and anti-selections. Therefore, Eximbank introduced its GlobalSure credit insurance policy, a whole turnover policy, in 2005. Eximbank continued to promote its GlobalSure credit insurance policy by

offering efficient and customized services as well as favorable insurance premium rates. In 2010, the underwritten amount of GlobalSure credit insurance grew 107.60%, and its share in total amount of export credit insurance underwritten by Eximbank went up from 20% in 2009 to 38% in 2010.

(4) Using the extensive network of local commercial banks to promote export credit insurance

Since Eximbank only has three branches in Taiwan, it is important for Eximbank to cooperate with local commercial banks in order to use their extensive marketing network to promote its export credit insurance to more potential clients. Under this cooperative scheme, local commercial banks' clients in trade finance, following suggestions of the banks to take out Eximbank's export credit insurance, can cover losses arising from default on export receivables and/or political risk of unrecoverable capital and stock dividends from overseas investments. Cooperating banks can not only receive commissions from Eximbank but also ensure their creditor's rights if their clients get insured by Eximbank. At the end of 2010, there were 10 local commercial banks in cooperation with Eximbank in the promotion of export credit insurance, compared with 6 banks at the previous year-end. Although total amount of export credit insurance transferred by cooperating banks was only NT\$8,900 million in 2010, it was more than the double of the previous year. Extensive network of commercial banks offers good potential for marketing Eximbank's export credit insurance.

(5) Strengthening cooperation with foreign export credit agencies

To strengthen cooperation with foreign export credit agencies, Eximbank actively participates in activities held by the Berne Union, a global association for export credit and investment insurance with 49 members in 42 countries worldwide, in order to exchange views on international trade and investment with counterparts. To further strengthen bilateral cooperation, Eximbank also signed cooperation agreements with the Export-Import Bank of Malaysia Berhad (MEXIM) on July 15, 2010, and with the Eximgarant of Belarus on December 31, 2010, in addition to the eight previously signed export credit agencies, including Poland's Export Credit Insurance Corporation Joint Stock Company (KUKI), the Hungarian Export Credit Insurance Pte. Ltd. (MEHIB), Nippon Export and Investment Insurance (NEXI), the Czech Republic's Export Guarantee and Insurance Corporation (EGAP), Export-Import Bank of the Slovak Republic (EXIMBANKA SR), Export Credit Bank of Turkey (TURK Eximbank), Export-Import Bank of Thailand (Exim Thailand) and the PT. Asuransi Ekspor Indonesia (ASEI). In addition, Eximbank also signed a reinsurance agreement with NEXI on September 8, 2010 to increase its underwriting capacity for local Japanese affiliated firms' risks in exports and overseas investments.



▶▶▶ President / Rueen-Fong Chu

(6) Participating in international syndicated loans to build up ties with major foreign banks and enterprises

By participating in international syndicated loans, Eximbank builds up business ties with major foreign banks and enterprises, and that in turn helps Eximbank develop other businesses opportunities, such as relending and medium-and long-term export credit. It indirectly paves the way for local firms to develop overseas markets, especially the emerging markets. At the end of 2010, total outstanding balance of Eximbank's international syndicated loans reached US\$248 million, lending to foreign banks and enterprises in more than 20 countries across Asia, Latin America, the Middle East, Central and Eastern Europe, South Europe, Africa and Australia.

(7) Providing trade finance to local firms exporting to China and Chinese firms operating in Taiwan

China has been Taiwan's largest exporting market. As the cross-strait relations improved, Eximbank asked for permission to extend credit to Taiwanese firms for export to China or investment in China as well as to Chinese firms operating in Taiwan for export and investment overseas. Eximbank got permission from the Financial Supervision Commission on April 15, 2010. By the end of the year, US\$1.376 million worth of loans extended to Taiwanese firms for their export to China; however, Eximbank's total risk exposure to China was much larger since Eximbank was allowed to provide local firms with export credit insurance for their export to China in December 2007, and the OBU of Eximbank was allowed to extend loans to Taiwanese firms operating in China in December 2008.

(8) Collaborating with strategic partners in organizing promotion seminars and making easier access to its website

Eximbank worked in close collaboration with its strategic partners, including Taiwan External Trade Development Council, Importers and Exporters Association, and Small and Enterprises Association, etc, in organizing trade promotion seminars. In 2010, Eximbank organized 56 seminars in collaboration with its strategic partners, and Eximbank also linked its homepage to websites of Taiwan External Trade Development Council, Trade-Van Information Services and Taiwan Services Trade Information Platform to make easier access for potential clients to its website.

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III. Bank Profile

1. Profile

Eximbank was established on January 11, 1979, under the Export-Import Bank of the Republic of China Act. It is a state-owned bank supervised by the Ministry of Finance. Its mission is to “Promote Export Trade and Develop the Economy” while its vision is to “Strengthen Trade Finance and Assist External Trade.” Eximbank’s main objective is to support government economic and trade policies by providing financing, guarantees and export credit insurance to help enterprises expand external

trade and overseas investments. It also increases international cooperation to ensure the steady and continuous development of Taiwan’s economy.

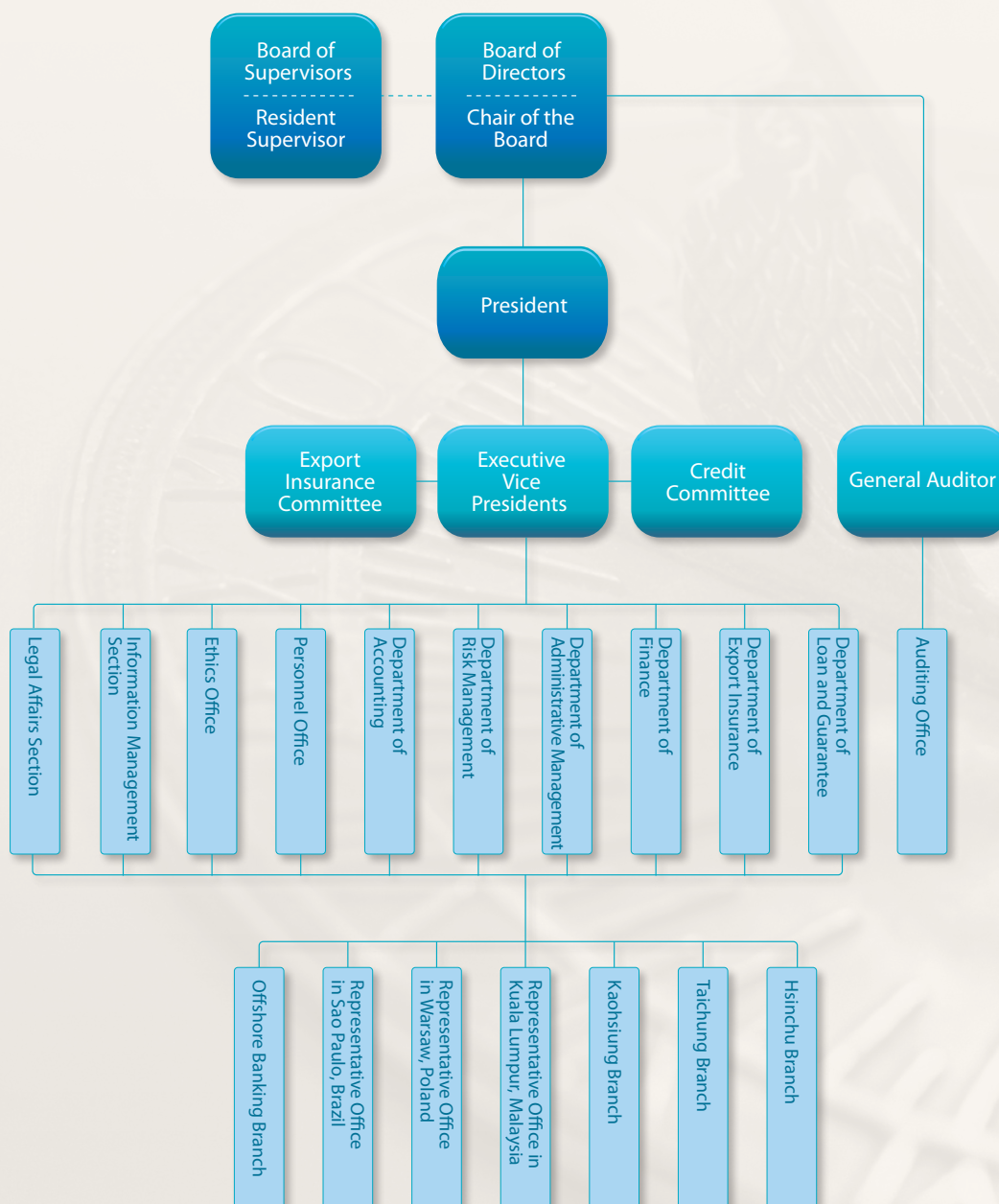
To better serve businesses, Eximbank has established three domestic branches in Kaohsiung, Taichung and Hsinchu as well as three overseas representative offices in Warsaw (of Poland), Sao Paulo (of Brazil) and Kuala Lumpur (of Malaysia) respectively.



▶▶▶ Mr. Ming-Chung Tseng (middle), Administrative Deputy Minister of Ministry of Finance, witnessed the hand-over of Chair of the Board of Directors of this bank. (Photo taken on Jun. 7, 2010) .

2. Organization

(1) Organization Chart



(2) Board of Directors and Supervisors



Chair of the Board of Directors
Yen Chrystal Shih



Managing Director
Rueen-Fong Chu



Managing Director
Hau-Min Chu



Director
Shih-Chao Cho



Director
Sun-Yuan Lin



Director
Ting-Chieh Wang



Director
Hsin-Chung Chen



Resident Supervisor
Chang-Nan Lo



Supervisor
Yu-Jer Sheu



Supervisor
Hui-Mei Chen

Board of Directors		Board of Supervisors	
Yen Chrystal Shih	Chair of the Board of Directors	Chang-Nan Lo	Resident Supervisor
Rueen-Fong Chu	Managing Director	Yu-Jer Sheu	Supervisor
Hau-Min Chu	Managing Director	Hui-Mei Chen	Supervisor
Shih-Chao Cho	Director		
Sun-Yuan Lin	Director		
Ting-Chieh Wang	Director		
Hsin-Chung Chen	Director		

Notes: 1. Chairman Sheng-Yann Li's service term ended on June, 6, 2010.

Yen Chrystal Shih took over as Chair of the Board of Directors.

2. Mr. Shih-Chao Cho became a director on November 10, 2010.

3. Mr. Ting-Chieh Wang became an employee director on July 1, 2010.

(3) Principal Managers and General Auditor

Name	Title
Rueen-Fong Chu	President
Chi-Chung Wang	Executive Vice President
Shui-Yung Lin	Executive Vice President
Kou-Dah Lih	General Auditor
Kou-Chung Chu	Advisor (Senior Officer of Information Management Section and Legal Affairs Section)
Hwa-Yu Mo	Advisor (Senior Officer of Auditing Office)
Chin-Huo Tsai	Senior Vice President and General Manager, Department of Loan and Guarantee
Pei-Jean Liu	Senior Vice President and General Manager, Department of Export Insurance
Chi-San Lin	Senior Vice President and General Manager, Department of Finance and Offshore Banking Branch
Song-Bin Huang	Senior Vice President and General Manager, Department of Administrative Management
Pu-Sheng Tai	Senior Vice President and General Manager, Department of Risk Management
Yu-Huai Wang	Senior Vice President and General Manager, Department of Accounting
Tung-Meng Lin	Senior Vice President and General Manager, Personnel Office
Yun-Hsu Lee	Senior Vice President and General Manager, Ethic Office



Executive Vice President

Shui-Yung Lin

President

Rueen-Fong Chu

Chair of the Board of
Directors

Yen Chrystal Shih

Executive Vice President

Chi-Chung Wang

General Auditor

Kou-Dah Lih

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IV. Operations Overview

1. Business Overview

Highlights of Key Businesses in 2010

NT\$ Million

Item	Amount	Growth Rate
Loans	83,066	5.53%
Guarantees	7,012	9.04%
Export Credit Insurance	63,957	10.17%

(1) Loans

Eximbank offers medium- and long-term export credits, short-term export credits, medium- and long-term import credits, overseas investment credits, overseas construction credits, shipbuilding credits, international syndicated loans, relending facilities and major public construction credits.

In 2010, Eximbank granted an average balance of NT\$83,066 million in loans, for a year-on-year increase of 5.53%.

Eximbank's loan portfolio mainly consists of medium- and long-term loans. In 2010, the average balance of these loans totaled NT\$76,005 million, accounting for 91.5% of total loans.

(2) Guarantees

Guarantee services include overseas construction guarantees, import guarantees, export guarantees and major public construction guarantees.

In 2010, guarantees totaled NT\$7,012 million, for a year-on-year increase of 9.04%.

Eximbank's guarantees are mainly composed of major construction guarantees and import guarantees, which accounted respectively for 59.52% and 33.23% of the total.



▶▶▶ President Rueen-Fong Chu accompanied Minister of Ministry of Finance Sush-der Lee (1st left) on a visit to Slovakia, where they signed a relending facility agreement with Mr. Jozef Barta, Chairman of the Management Board and CEO of UniCredit Bank Slovakia a. s. (Photo taken on Sep. 2, 2010).

(3) Export Credit Insurance

Eximbank's export credit insurance includes comprehensive export credit insurance for document against payment (D/P) and document against acceptance (D/A) transactions, comprehensive export credit insurance for open account (O/A) transactions, export credit insurance for small and medium enterprises, export credit insurance for letter of credit (L/C) transactions, medium- and long-term deferred payment insurance, overseas investment insurance, export credit insurance for offshore accounts receivable and GlobalSure Credit Insurance.

Export credit insurance coverage of 2010 totaled NT\$63,957 million, with a year-on-year increase of 10.17%.

2. “New Cheng Ho Plan - San Pao Project” Achievements

To contribute to the San Pao Project, in 2009 and 2010 Eximbank held 88 seminars around Taiwan. The seminars helped exporters understand government policy for increasing external trade while providing the latest information on development of overseas emerging markets. Representatives from 8,051 companies participated. Progress was made in the areas of export loans, relending and export credit insurance, with details below:

(1) Export Loans Grow by 216.2% Over Two Years

For the San Pao Project, in 2009 and 2010 Eximbank approved 1,682 applications for export loans, with a total value of NT\$28,340 million. The loans helped exporters lower funding costs. By the end of 2010, the outstanding balance of Eximbank's export loans had grown by 216.2% compared to the end of 2008.

(2) Relending Facilities Grow by 144.0% Over Two Years

Also part of its San Pao Project efforts, in 2009 and 2010 Eximbank collaborated with banks around the world to develop relending facilities, with relending banks growing from 33 (in 16 countries) at the end of 2008 to 58 (in 24 countries) at the end of 2010. Over these two years, the relending credit lines granted by Eximbank totaled US\$860 million. As a result, this service encouraged foreign importers to purchase Taiwanese products. At the end of 2010, the outstanding balance of Eximbank's relending facilities had grown by 144.0% compared to the end of 2008.

(3) Export Credit Insurance Grows by 64.3% Over Two Years

Since September 2008, the global financial crisis has raised credit risks abruptly posed by Taiwan's external trading partners, leading to a rapid increase in export credit insurance demands among Taiwanese exporters. The insurance products provided by Eximbank in 2009 and 2010 lowered the cost of evading risk for exporters, leading to considerable growth in the insured amount. In 2009 and 2010, Eximbank approved 28,908 applications for export credit insurance, with an insured amount

of NT\$123,760 million, with growth of 64.3% compared to the amount of 2007 and 2008.

To lower the impact of the global financial crisis on Taiwanese exporters, the San Pao Project provided timely measures such as export loan, relending facility and export credit insurance. Taiwan's export growth rate recovered in 2010, reaching 34.8% in 2010 compared to -20.3% in 2009. With export growth rate revitalized, the San Pao Project accomplished its mission at the end of 2010.

3. Market Overview

(1) Domestic and Global Financial Conditions

As the global financial crisis began winding down in the third quarter of 2009, the global economy started recovering. Emerging and developing market economies recovered quickly while the process was much slower for developed economies.

As the economy improved, Australia took the lead in raising interest rates on October 6, 2009, and in 2010 a number of countries followed, including Turkey, Chile, South Korea, South Africa, Thailand, Brazil and mainland China.

Global trade flows grew considerably in 2010, hitting double digits. Then, in November 2010, the U.S. Federal Reserve launched its second round of quantitative easing. The U.S. dollar abruptly weakened and pushed the price of commodities, such as oil, gold, paper, food, and raw materials higher. Meanwhile, ahead of a G20 summit, mainland China announced it would allow RMB exchange rate more flexibility to placate critics, placing further pressure on Asian currencies to rise.



▶▶▶ Mr. Kenji Gyoten (3rd right), Chief Representative in Hong Kong of the Japan Bank for International Cooperation, visited this bank. (Photo taken on Oct. 15, 2010).

Hot money flooded emerging markets, but lacking support from fundamentals, there was a fear that interest rate reversals could cause asset bubbles to burst, destabilizing the financial environment. Among the 16 countries in the Eurozone, almost half faced financial difficulties, with sovereign debt problems emerging in Greece, Ireland, Spain and Portugal. The situation not only posed a threat to economic growth but also disrupted stock and exchange markets. It even threatened to plunge the global economy back into recession.

In June, October and December 2010, our Central Bank raised the discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral by 0.125% each, bringing the annual interest rates to 1.625%, 2.000% and 3.875%, respectively. For currency exchange, the Central Bank strives to protect the New Taiwan dollar exchange rate, but it faced extensive pressure from the overall environment and hot money inflows. In December 2009, the New Taiwan dollar was traded at NT\$32.03 against the U.S. dollar. By

December 2010 it had gone up 5.47% to be traded at NT\$30.368.

(2) Credit Market Overview

In 2010, countries in Europe and North America plus Japan introduced a series of measures and currency policies to stimulate the economy. These efforts pulled the world out of the global financial crisis and put it on the road to recovery. As the global recovery takes place and emerging markets in Asia grow, in Taiwan the economy is gradually picking up for both enterprises and consumers. The improvement has boosted exports significantly, resulting in an economic growth rate in 2010 of 10.82%, a large rise from the 1.9% contraction in 2009.

The Central Bank decided to use an easy money policy to stimulate domestic demand, but as conditions improved, it gradually returned to a more neutral position. Despite having raised key interest rates twice in the second half of 2010, for a total of a quarter of a percentage point, the rates were still relatively low. With the monetary supply relaxed,

competition among financial institutions remained intense. Eximbank's strategy involved continuing export measures based on the Ministry of Economic Affairs' New Cheng Ho Plan and its San Pao Project. The bank also participated in a number of major domestic public construction and investment plans, strengthening credit for export financing, public infrastructure works, and medium- and long-term export credits. In 2010 its average loans outstanding was NT\$83,066 million, growth of 5.53% over the previous year.

(3) Export Credit Insurance Market Overview

Based on statistics from customs, the amount of Taiwan's external trade reached US\$526.04 billion in 2010. The total export value is US\$274.64 billion, 34.8% higher than the previous year, and the total import value is US\$251.4 billion, 44.2% higher than the previous year. The trade surplus reaches US\$23.25 billion. Export orders showed that Taiwan maintained close relationships with its major trading partners, with 85.56% of all exports amount going to five countries/regions, namely mainland China (including Hong Kong), Association of Southeast Asian Nations (ASEAN) countries, the United States, Europe and Japan. For Eximbank's export credit insurance business in 2010, Asia and Europe were the leading two regions for coverage, while the fastest-growth of coverage rate went to Central and South America (72.05%). The positive reception to Eximbank's export credit insurance shows that the service benefits economic and trade development. By giving enterprises a chance to mitigate trade credit risks, Eximbank can help them expand emerging markets, achieving Taiwan's goals

of deeper penetration and an expanded global presence.

4. Prospects

When the global financial crisis struck in September 2008, Taiwan's external trade volume stagnated. Credit risks of trading counterparties rose suddenly, and private financial institutions became reluctant to lend. Considering its policy-oriented role, Eximbank stepped forward to provide immediate financial assistance to Taiwanese exporters and assume trade risks. Eximbank's various actions demonstrated its function and value.

Looking to the future, competition from globalization will only become more intense. To coordinate with government policy, Eximbank will formulate ways to respond to this challenge as it raises loan volume and export credit insurance coverage rates, thereby supporting enterprises involved in external trade and investments abroad. Eximbank will also strengthen cooperation with commercial banks, bringing different benefits to domestic enterprises with better and more convenient trade and financial services. Eximbank will also participate in international finance activities to advance economic cooperation and raise its profile. Moreover, Eximbank will further expand its business through cooperation with major financial institutions in China. These efforts mean Eximbank can continue to support government external trade policies. By showing its function and professional standing, Eximbank can promote long-term economic growth in Taiwan.

05

V . Financial Statements

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Financial Statements

1. Balance Sheets

NT\$ Thousand

Item	Notes	December 31, 2010	December 31, 2009	Percentage Change (%)
		Amount	Amount	
Assets		85,980,460	86,992,186	-1.16
Cash and Cash Equivalents	Note 3 (1)	241,995	260,221	-7.00
Due from the Central Bank and Call Loans to Other Banks	Note 3 (2)	33,750	117,872	-71.37
Financial Assets at Fair Value through Profit or Loss	Note 3 (3)	324,802	310,941	4.46
Receivables – Net	Note 3 (4)	300,433	355,140	-15.40
Loans and Discounts – Net	Note 3 (5)	81,593,150	82,390,562	-0.97
Held-to-Maturity Financial Assets – Net		2,800,000	2,900,000	-3.45
Other Financial Assets – Net	Note 3 (6)	102,612	102,606	0.01
Fixed Assets – Net	Note 3 (7)	505,204	478,220	5.64
Intangible Assets – Net	Note 3 (8)	20,458	21,639	-5.46
Other Assets – Net	Note 3 (9)	58,056	54,985	5.59
Total Assets		85,980,460	86,992,186	-1.16
Liabilities		68,002,297	68,586,289	-0.85
Due to the Central Bank and Other Banks		22,231,516	27,438,066	-18.98
Borrowed from the Central Bank and Other Banks	Note 3 (10)	19,269,099	21,239,690	-9.28
Financial Liabilities at Fair Value through Profit or Loss	Note 3 (11)	8,583,138	9,566,720	-10.28
Payables	Note 3 (12)	493,924	520,334	-5.08
Financial Debentures Payable		5,750,000	1,750,000	228.57
Accrued Pension Liabilities		36,514	36,262	0.69
Other Financial Liabilities	Note 3 (13)	9,500,683	5,875,472	61.70
Other Liabilities	Note 3 (14)	2,137,423	2,159,745	-1.03
Total Liabilities		68,002,297	68,586,289	-0.85
Equity		17,978,163	18,405,897	-2.32
Capital		12,000,000	12,000,000	
Retained Earnings		5,738,931	5,648,256	1.61
Legal Reserve		5,738,931	5,648,256	1.61
Other Equity		239,232	757,641	-68.42
Unrealized Revaluation Increments		145,041	118,819	22.07
Cumulative Translation Adjustments		94,191	638,822	-85.26
Total Equity		17,978,163	18,405,897	-2.32
Total Liabilities and Equity		85,980,460	86,992,186	-1.16

Notes: 1. The disclosure of major contingencies or commitments:

(1) Loan commitments that customers have yet to draw down totaled NT\$13,826,839 thousand.

(2) Various guarantees totaled NT\$6,303,303 thousand.

2. The 2009 account has been recognized by the Ministry of Audit, R.O.C. The final accounts of 2010 are still subject to audit.



▶▶▶ President Rueen-Fong Chu signed a cooperation agreement with Mr. Yuen-Chuan Chao, President & CEO of the Taiwan External Trade Development Council (Photo taken on Mar. 30, 2010).

2. Income Statements

NT\$ Thousand

Item	Notes	January 1, 2010 – December 31, 2010		January 1, 2009 – December 31, 2009		Percentage Change (%)
		Subtotal	Total	Subtotal	Total	
Interest Revenue		1,056,413		1,531,297		-31.01
Minus: Interest Expenses		465,280		746,878		-37.70
Net Interest Income			591,133		784,419	-24.64
Non-Interest Income			216,152		259,853	-16.82
Net Fees and Commissions	Note 3 (15)	60,722		88,139		-31.11
Gains (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss	Note 3 (16)	180,263		183,349		-1.68
Foreign Exchange Gains (Losses)		-2,098		3,513		-159.72
Other	Note 3 (17)	-22,735		-15,148		-50.09
Net Operating Income			807,285		1,044,272	-22.69
Bad Debt Expense	Note 3 (18)		83,064		29,803	178.71
Operating Expenses			471,644		494,304	-4.58
Personnel Expenses		347,237		364,073		-4.62
Depreciation and Amortization		23,846		25,361		-5.97
Other Business and Administrative Expenses		100,561		104,870		-4.11
Net Income Before Tax			252,577		520,165	-51.44
Income Tax			-25,892		-66,870	61.28
Net Income			226,685		453,295	-49.99

Note: The 2009 account has been recognized by the Ministry of Audit, R.O.C. The final accounts of 2010 are still subject to audit.

3. Statements of Cash Flows

NT\$ Thousand

Item	January 1, 2010 – December 31, 2010		January 1, 2009 – December 31, 2009	
	Subtotal	Total	Subtotal	Total
Cash Flows from Operating Activities:		485,998		852,326
Net Income (Net Loss)		226,685		453,295
Adjustments:		259,313		399,031
Non-cash items included in Net Income		236,516		136,923
Depreciation and Amortization	23,714		25,675	
Bad Debt Expenses	58,146		32,926	
Losses (Gains) on Disposal of Assets	1,522		708	
Other Adjustments	153,134		77,614	
Decrease (Increase) in Operating Assets		40,294		560,394
Decrease (Increase) in Receivables	54,651		333,400	
Decrease (Increase) in Deferred Income Tax Assets	2,116		17,867	
Decrease (Increase) in Financial Assets at Fair Value through Profit or Loss	-13,862		226,522	
Decrease (Increase) in Other Financial Assets	-7		-105	
Decrease (Increase) in Other Assets	-2,604		-17,290	
Increase (Decrease) in Operating Liabilities		-17,497		-298,286
Increase (Decrease) in Payables	-33,358		-41,680	
Increase (Decrease) in Financial Liabilities at Fair Value through Profit or Loss	16,418		-257,106	
Increase (Decrease) in Deferred Income Tax Liabilities	-1,087		1,087	
Increase (Decrease) in Other Liabilities	530		-587	
Net Cash Provided by (Used in) Operating Activities		485,998		852,326
Cash Flows from Investing Activities:		169,089		-4,464,963
Decrease (Increase) in Loans and Discounts	186,697		-4,459,359	
Proceeds from the disposal of Equipment	51		61	
Decrease (Increase) in Other Assets	-17,659		-5,665	
Net Cash Provided by (Used in) Investing Activities		169,089		-4,464,963
Cash Flows from Financing Activities:		-863,569		1,885,324
Increase (Decrease) in Amount Due to the Central Bank and Other Banks	-5,206,551		-17,687	
Increase (Decrease) in Amount Borrowed from the Central Bank and Other Banks	-1,970,591		-2,359,086	
Increase (Decrease) in Financial Debentures Payable	4,000,000			
Increase (Decrease) in Long-Term Liabilities	-636			
Increase (Decrease) in Other Financial Liabilities	2,625,210		4,242,672	
Increase (Decrease) in Other Liabilities	-181,939		300,729	
Cash Dividends	-129,062		-281,304	
Net Cash Provided by (Used in) Financing Activities		-863,569		1,885,324
Effects of Exchange Rate Changes		6,133		-2,388
Increase (Decrease) in Cash and Cash Equivalents		-202,349		-1,729,701
Cash and Cash Equivalents at the Beginning of the Period		3,278,094		5,007,795
Cash and Cash Equivalents at the End of the Period		3,075,745		3,278,094

4. Statements of Changes in Equity

January 1 – December 31, 2009 and 2010

NT\$ Thousand

Item	Capital	Retained Earnings		Equity Adjustments		Total
		Legal Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Unrealized Revaluation Increments	
Balance, January 1, 2009	12,000,000	5,466,938		761,336	118,819	18,347,093
Provision for Legal Reserve		181,318	-181,318			
Cash Dividends Appropriated			-271,977			-271,977
Net Income for FY 2009			453,295			453,295
Changes in Cumulative Translation Adjustments				-122,514		-122,514
Balance, December 31, 2009	12,000,000	5,648,256		638,822	118,819	18,405,897
Provision for Legal Reserve		90,675	-90,675			
Cash Dividends Appropriated			-136,010			-136,010
Net Income for FY 2010			226,685			226,685
Changes in Cumulative Translation Adjustments				-544,631		-544,631
Changes in Unrealized Revaluation Increments					26,222	26,222
Balance, December 31, 2010	12,000,000	5,738,931		94,191	145,041	17,978,163



▶▶▶ Eximbank and the Taiwan External Trade Development Council held the 2010 Global Emerging Markets Trade Opportunities Forum (Photo taken on Mar. 30, 2010).

5. Financial Analysis

NT\$ Thousand; %

Item		2010	2009
Operating Ability	Non-Performing Loan Ratio	0.42%	0.63%
	Ratio of Interest Income to Annual Average Loans	1.27%	1.95%
	Total Asset Turnover (Times)	0.94	1.20
	Average Operating Income per Employee	3,977	5,045
	Average Profit per Employee	1,117	2,190
Profitability	Return on Tier 1 Capital	1.40%	2.86%
	Return on Assets	0.26%	0.53%
	Return on Equity	1.25%	2.47%
	Net Income to Net Operating Income	28.08%	43.41%
	Earnings per Share (NT\$ Dollars)	0.19	0.38
Financial Structure	Ratio of Liabilities to Assets	79.09%	78.84%
	Ratio of Fixed Assets to Equity	2.81%	2.60%
Growth Rate	Asset Growth Rate	-1.16%	2.35%
	Profit Growth Rate	-51.44%	-2.21%
Cash Flow	Cash Flow Ratio	1.55%	2.27%
	Cash Flow Adequacy Ratio	280.65%	236.02%
	Cash Flow Sufficiency Ratio	287.42%	-19.09%
Liquid Reserve Ratio		30.34%	22.04%
Operating Scale	Market Share of Assets	0.26%	0.28%
	Market Shares of Net Worth	0.86%	0.95%
	Market Shares of Loans	0.41%	0.45%

1. The non-performing loan ratio decreased in 2010 because of a focus on handling non-performing loans in 2010.
2. Operating ability ratios decreased in 2010 because of a slump in interest rates in 2010, lowering interest revenue and net interest income. Bad debt expense also increased, lowering net income.
3. Profitability ratios decreased in 2010, mainly due to a decrease in net income.
4. The asset growth rate decreased in 2010, mainly because loans were lower in 2010.
5. The profit growth rate decreased in 2010, mainly due to a huge decrease in interest rates and a drop in net interest income and net income before tax in 2010.
6. The cash flow ratio decreased in 2010, mainly because lower net income in 2010 caused net cash flows from operating activities to fall.
7. The cash flow sufficiency ratio increased in 2010, mainly because lower loans and discounts in 2010 led to an increase in net cash flows from investing activities.

Note: The 2009 account has been recognized by the Ministry of Audit, R.O.C. The final accounts of 2010 are still subject to audit.



▶▶▶ Chair of the Board of Directors Yen Chrystal Shih and NEXI Chairman Takashi Suzuki signed a reinsurance cooperation agreement. (Photo taken on Sep. 8, 2010)

Financial Formulae:

1. Operating Ability

- (1) Non-Performing Loan Ratio = Non-Performing Loans / Total Loans Outstanding
- (2) Ratio of Interest Income to Annual Average Loans = Total Interest Income / Annual Average Loans
- (3) Total Assets Turnover = Net Operating Income / Total Assets
- (4) Average Operating Income per Employee (Note 3) = Net Operating Income / Number of Employees
- (5) Average Profit per Employee = Net Income / Number of Employees

2. Profitability

- (1) Return on Tier 1 Capital = Net Income Before Tax / Average Total Tier 1 Capital
- (2) Return on Assets = Net Income / Average Total Assets
- (3) Return on Equity = Net Income / Average Net Equity
- (4) Net Income to Net Operating Income = Net Income / Net Operating Income
- (5) Earnings per Share = (Net Income – Dividends from Preferred Stocks) / Weighted Average Outstanding Shares (Note 2)

3. Financial Structure

- (1) Ratio of Liabilities to Assets = Total Liabilities / Total Assets
- (2) Ratio of Fixed Assets to Equity = Net Fixed Assets / Net Equity

4. Growth Rate

- (1) Asset Growth Rate = (Total Assets for Current Year – Total Assets for Previous Year) / Total Assets for Previous Year
- (2) Profit Growth Rate = (Net Income Before Tax for Current Year – Net Income Before Tax for Previous Year) / Net Income Before Tax for Previous Year

5. Cash Flows (Note 4)

- (1) Cash Flow Ratio = Net Cash Flows from Operating Activities / (Due to Banks + Commercial Papers Payable + Financial Liabilities at Fair Value through Profit or Loss + Securities Sold Under Agreements to Repurchase + Payables Within One Year)
- (2) Cash Flow Adequacy Ratio = Net Cash Flows from Operating Activities for the Past Five Years / (Capital Expenditures + Cash Dividends) for the Past Five Years
- (3) Cash Flow Sufficiency Ratio = Net Cash Flows from Operating Activities / Net Cash Flows from Investing Activities

6. Liquid Reserve Ratio

Liquid Reserve Ratio = Central Bank Liquid Asset Requirements / Liabilities Requiring the Provision of Liquid Reserves

7. Operating Scale

- (1) Market Share of Assets = Total Assets / Total Assets of All Financial Institutions Available for Deposits and Loans
- (2) Market Share of Net Worth = Net Worth / Total Net Worth of All Financial Institutions Available for Deposits and Loans
- (3) Market Share of Loans = Total Loans / Total Loans of All Financial Institutions Available for Deposits and Loans

Note 1: Liabilities exclude guarantee reserve, reserve for losses from securities trading, reserve for default losses, and reserve for accident losses.

Note 2: Eximbank is a non-company entity. For ease of analysis, the number of shares are calculated based on a hypothetical value of NT\$10 per share.

Note 3: Net operating income refers to the sum of interest income and non-interest income.

Note 4: Comments on cash flow analysis:

1. Net cash flows from operating activities refer to the same item in the statements of cash flows.
2. Capital expenditures refer to cash outflows required for capital investments each year.
3. Cash dividends include cash dividends for common stock and preferred stock.

6. Capital Adequacy

NT\$ Thousand; %

Item			2010	2009
Self-Owned Capital	Tier 1 Capital	Common Equity	12,000,000	12,000,000
		Non-Cumulative Perpetual Preferred Stock		
		Non-Cumulative Perpetual Subordinated Debt		
		Capital Collected in Advance		
		Capital Reserve (Excluding Reserves Arising from Fixed Assets Revaluation)		
		Legal Reserve	5,738,931	5,648,256
		Special Reserve		
		Accumulated Gains or Losses		
		Minority Interest		
		Equity Adjustments	94,191	638,822
		Less: Goodwill		
		Less: Unamortized Losses on Sale of Non-Performing Loans		
		Less: Capital Deductions	51,250	51,250
		Tier 1 Capital	17,781,872	18,235,828
	Tier 2 Capital	Cumulative Perpetual Preferred Stock		
		Cumulative Perpetual Subordinated Debt		
		Reserves Arising from Fixed Assets Revaluation	145,041	118,819
		45% of Unrealized Gains on Available-for-Sale Equities		
		Convertible Bond		
		General Reserves / Loan-Loss Reserves	736,168	728,517
		Long-Term Subordinated Debt		
		Non-Perpetual Preferred Stock		
		Total of Non-Cumulative Perpetual Preferred Stock and Non-Cumulative Perpetual Subordinated Debt Exceeding Tier 1 Capital by 15%		
		Less: Capital Deductions	51,250	51,250
		Tier 2 Capital	829,959	796,086
	Tier 3 Capital	Short-Term Subordinated Debt		
		Non-Perpetual Preferred Stock		
		Tier 3 Capital		
	Self-Owned Capital		18,611,831	19,031,914

The Export-Import Bank
of the Republic of China

Item			2010	2009
Total Risk-Weighted Assets	Credit Risk	Standardized Approach	56,581,768	56,104,367
		Internal Ratings-Based Approach		
		Assets Securitization		
	Operational Risk	The Basic Indicator Approach	2,100,299	2,093,792
		The Standardized Approach / The Alternative Standardized Approach		
		Advanced Measurement Approach		
	Market Risk	Standardized Approach	211,373	83,212
		Internal Models Approach		
	Total Risk-Weighted Assets		58,893,440	58,281,371
Capital Adequacy Ratio			31.60%	32.66%
Tier 1 Risk-Based Capital Ratio			30.19%	31.29%
Tier 2 Risk-Based Capital Ratio			1.41%	1.37%
Tier 3 Risk-Based Capital Ratio				
Common Equity to Total Assets Ratio			13.96%	13.79%

Note: Self-Owned Capital and Total Risk-Weighted Assets have been filled in accordance with "Regulations Governing the Capital Adequacy of Banks" and related instructions for capital adequacy calculations.

Financial Formulas

1. Self-Owned Capital = Tier 1 Capital + Tier 2 Capital + Tier 3 Capital
2. Total Risk-Weighted Assets = Credit Risk-Weighted Assets + (Operational Risk + Market Risk) Capital Requirement $\times 12.5$
3. Capital Adequacy Ratio = Self-Owned Capital / Total Risk-Weighted Assets
4. Tier 1 Risk-Based Capital Ratio = Tier 1 Capital / Total Risk-Weighted Assets
5. Tier 2 Risk-Based Capital Ratio = Tier 2 Capital / Total Risk-Weighted Assets
6. Tier 3 Risk-Based Capital Ratio = Tier 3 Capital / Total Risk-Weighted Assets
7. Common Equity to Total Assets Ratio = Common Equity / Total Assets

7. Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies and Basis of Measurement

(I) Foreign Currency Transactions and Foreign Currency Financial Statements

1. Foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign-currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in earnings. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are revalued at prevailing exchange rates with the resulting gains or loss recognized in earnings. However, any foreign exchange gain or loss arising from foreign currency advances with a long-term investment nature to offshore branches not intended for settlement in the foreseeable future is entered as an owners' equity adjustment item under "Cumulative Translation Adjustment."
2. Translation of foreign currency financial statements into local currency financial statements is based on the Schedule of Foreign Currency Settlement Rates published by the Central Bank of the Republic of China (Taiwan).
3. The US\$/NT\$ exchange rate is based on the domestic interbank spot rate at 10:00 a.m. on December 31, 2010. Conversion rates for the Japanese Yen, Euro, Swiss Franc, Pound Sterling, Australian Dollar, Indonesian Rupee and Malaysian Ringgit are based on the same day US\$ buying rates at 10:00 a.m. in the international foreign exchange market and translated using the above US\$/NT\$ rate.

4. The conversion rates for the Polish Zloty and Brazilian Real are based on the most recent exchange rates (US\$ buying rates) in the international market as quoted on Reuters and converted using the above US\$/NT\$ rate.

(II) Taxes

1. Under the Ministry of Finance Circular No. 68 Tai-Tsai-Shui 37537, Eximbank's income from export credit insurance business is exempt from corporate income tax, business tax and stamp duty.
2. The Alternative Minimum Tax is applicable as of the year of assessment 2006 for filing of business income tax returns. Eximbank's tax-exempt income from its offshore banking branch is included in its basic business income for computation of basic tax amount.

(III) Financial Products

Based on the Financial Product Accounting Policies of the Export-Import Bank of the Republic of China, which were approved by the board of directors, apart from forex spot and financial derivatives trading, which are based on trade-day accounting, other transactions are based on settlement-day accounting.

Eximbank's financial products are divided into the following key categories:

1. Investment in Bills Held To Maturity

Book value as of closing date was NT\$2,800 million. To maintain the CBC Interbank Funds Transfer System's pledge requirement, Eximbank purchased the Central Bank's negotiable

certificate of deposits to be held to maturity. These certificates are recognized at cost and interest is calculated monthly.

2. Long-Term Equity Investments

Eximbank invested NT\$7 million in the Taipei Forex Incorporation, NT\$45.5 million in the Financial Information Service Co., Ltd, and NT\$50 million in Taiwan Asset Management Company. Individually, Eximbank controls less than 20% of all outstanding shares, so it does not exercise significant influence in the companies. As the companies are neither listed in the stock exchange nor over-the-counter, they do not have a quoted market price in an active market and whose fair value cannot be reliably measured, so the investments are classified as financial assets carried at cost. Accounting treatment for subsequent valuation is based on the cost method.

3. Trading of Financial Derivatives

Trading in financial derivatives is used to manage assets and liabilities to raise long-term capital, reduce capital cost and control risks. Subsequent valuation of financial derivatives is based on a valuation model developed by Eximbank. The model adopts methods widely used by market investors such as discounted cash flow model to determine fair values. The positive fair value on the accounts closing day was NT\$324.802 million, and was recognized as a financial asset. The negative fair value on the accounts closing day was Nt\$1.794 million, and was recognized as financial liability. Any change in fair value is recognized as a current period profit or loss.

Trading of derivatives with unexpired maturity on the accounts closing day is detailed as follows:

(1) Interest Rate-Related Contracts

Instrument: Interest Rate Swaps

Purpose: To meet demand for Eximbank's NTD-denominated loans, financial debentures are issued with interest rate swaps agreements to tap floating money as a long-term source of funds.

Notional Principal: NT\$8.25 billion.

Credit Risk: Trading counterparts are financial institutions with good international credit standing. Hence, credit risk is within Eximbank's control.

Market Risk: This is for hedging purposes. Funding costs for financial debentures may be converted into more favorable benchmark rates. Also, financial debentures issued under fixed interest rates may convert positions with substantial risk exposure to floating rate to reduce interest rate risk.

(2) Exchange Rate-Related Contracts

Instrument: Foreign Exchange Swaps

Purpose: To meet the requirements of loan business and to capitalize on the market dynamics of funds of different currencies, foreign exchange swaps are used to reduce the cost of funds.

Swap Principal: US\$1.230 million.

Credit Risk: Trading counterparts are financial institutions with good international credit standing. Hence, credit risk is within Eximbank's control.



▶▶▶ Mr. Ji-an Zhou, Vice President of the China Export & Credit Insurance Corporation, visited Eximbank (Photo taken on Dec. 6, 2010)

Market Risk: Swapped US Dollars for Swiss Francs SF 1.208 million to meet loan demands. Exchange differences from fund operations duly reflect the interest rate differences between the two currencies.

4. Financial Liabilities Designated at Fair Value through Profit or Loss

Although Eximbank's derivatives are traded to provide an economic hedge, they do not fit the definition of hedging instruments in strict terms. Therefore, such transactions are recognized as “non-hedging transactions”. Derivatives that do not meet the criteria for hedge accounting are initially recognized at fair value, with transaction costs expensed as incurred. The derivatives are remeasured at fair value subsequently with changes in fair value recognized in earnings. To reduce inconsistencies during accounting calculation and

recognition, the corresponding financial debentures valued at NT\$8,250 million are recognized as financial liabilities designated at fair value through profit or loss and the changes in fair value shall also be stated in the income statement. Subsequent valuation thereof is based on a model developed by Eximbank. The model adopts the discounted cash flow method, which is widely used by market investors, to determine fair value. (Book value on the day of closing of accounts was NT\$8,581.345 million.) The change in fair value is recognized as a profit or a loss for the current period.

(IV) Valuation and Depreciation of Fixed Assets

Fixed assets include land, buildings, machinery & equipment, transportation vehicles, miscellaneous equipment, and leasehold improvements. Eximbank's land is all carried on the accounts at



▶▶▶ The Vietnam Ministry of Finance's Insurance Supervisory Authority visited Eximbank
(Photo taken on Mar. 29, 2010) .

cost, except for land belonging to the head office, which was revalued in October 2001, July 2005 and March 2010. Valuation of other fixed assets is based on historical cost less accumulated depreciation. Depreciation is calculated using the straight-line depreciation method.

(V) Asset Impairment

As of December 31, 2010, the “book value” of Eximbank’s real estate totaled NT\$473.429 million, while its estimated “fair value” totaled NT\$929.722 million. After deducting the land value-added tax, scrivener fees, stamp duty and other related costs of NT\$33.493 million, the “net fair value” totaled NT\$896.229 million, indicating there was no asset impairment situation as described in the Statement of Financial Accounting Standards No. 35.

(VI) Valuation and Amortization of Intangible Assets

Eximbank’s intangible assets are computer software, amortized using the straight-line depreciation method.

(VII) The Methods of Deferred Asset Valuation Basis and Amortization

Eximbank's deferred assets are “deferred income tax assets” and “other deferred assets,” where other deferred assets are accounted by actual expenditure amount and will be equally amortized within five years. Meanwhile, due to tax effects of temporary differences, deferred income tax assets will be reversed in the upcoming recognized year.

(VIII) Employee Retirement Plan and Pension Cost

The Labor Standards Act became applicable to the financial industry in May 1997. Net pension cost for the head-office and domestic branches was calculated based on the Regulations Governing the Allocation and Management of Labor Pension Fund Contributions and the Statement of Financial Accounting Standards No. 18. Such cost is recognized under the Employee Pension and Redundancy Package and the Accrued Pension Liabilities.

Pension cost is based on total annual salaries (allocation for expatriates is based on local salary scales). Allocation is 10.4% for executive staff and 14.3% for non-executive staff. Contributions to staff are administered by Eximbank's Retirement Fund Supervisory Committee, and contributions for non-executive staff and security guards are deposited under the account of the Eximbank Workers Pension Monitoring Committee in the Bank of Taiwan.

Eximbank contributes an amount equivalent to 6% of employees' salary for employees opting for the new pension schedule. Such contribution is deposited in the employees' personal pension accounts with the Bureau of Labour Insurance. Contributions for local employees of Eximbank's overseas representative offices are included in its Accrued Pension Liabilities as provided by local regulations.

(IX) Income Recognition

Except for financial products stated under part (3) hereof, income is recognized on an accrual basis.

(X) Differentiation of Capital Expenditure and Expenses

Expenditures exceeding NT\$10,000 with a minimum two-year economic life are recognized as assets; otherwise, as expenses.

(XI) Gains and Losses from the Disposal of Fixed Assets

Losses from the disposal of fixed assets due to asset write-offs are treated as non-operating expenses.

(XII) Allowance for Doubtful Accounts and Guarantee Liability Reserve

1. Credit assets are classified into five rating levels and assessed based on the borrower's creditworthiness, availability of collateral security, and likelihood of recovery (divided into Category 1 – zero credit risk; Category 2 – to be monitored; Category 3 – full recovery possible; Category 4 – recovery difficult; Category 5 – recovery impossible), and then provided for doubtful accounts based on the security provided and degree of recovery (2% for Category 2, 10% for Category 3, 50% for Category 4, and 100% for Category 5).
2. The guarantees provided for R.O.C. state-owned enterprises are 0.01% of the outstanding balance, and 0.8% for other guarantees.

(XIII) Provisions for Various Insurance Reserves

Claim reserve, Special Claim Reserve, Unearned Premium Reserve, and Export Credit Insurance Reserve, are provided as set forth by the relevant regulations. Export Credit Insurance Reserve for the current fiscal year includes allocations from the Ministry of Finance and the Bureau of Foreign Trade, Ministry of Economic Affairs.

Note 2. Significant Commitments and Contingent Liabilities

1. Total assets (liabilities) under trust, agency and guarantee of NT\$6,813.791million, including guarantee receivables of NT\$6,303.303 million, custodial collections receivables of NT\$446.623 million, joint loans receivables (memo account) of NT\$62.621 million, and collaterals of NT\$1.243 million, have not been included in the Balance Sheets and are explained by separate notes.
2. No bills receivable (or payable).
3. Undisbursed loan commitments of NT\$13,826.839 million.

Note 3. Details of Significant Accounts (NT\$ Thousand)

1. Cash and Cash Equivalents

Item	Date	December 31, 2010	December 31, 2009
Cash on Hand		9	9
Petty Cash & Revolving Funds		311	307
Checks for Clearance		99	71
Due from Banks		241,576	259,834
Total		241,995	260,221

2. Call Loans to Other Banks and Due from the Central Bank

Item	Date	December 31, 2010	December 31, 2009
Call Loans to Other Banks			112,616
Due from the Central Bank		33,750	5,256
Total		33,750	117,872

3. Financial Assets at Fair Value through Profit or Loss

Item	Date	December 31, 2010	December 31, 2009
Financial Assets Held for Trading-Adjustment Valuation		324,802	310,941
Total		324,802	310,941

4. Receivables - Net

Item	Date	December 31, 2010	December 31, 2009
Accounts Receivable			42
Earned Revenue Receivable		473	583
Interest Receivable		239,279	225,965
Premium Receivable		1	
Other Receivable		3,597	1,722
Forex Spot Receivable		59,000	128,688
Total		302,350	357,000
Allowance for Doubtful Accounts		-1,917	-1,860
Net Amount		300,433	355,140

5. Loans and Discounts - Net

Item	Date	December 31, 2010	December 31, 2009
Short-Term Loans		7,122,261	5,299,170
Short-Term Secured Loans		10,000	
Medium-Term Loans		41,798,818	41,223,139
Medium-Term Secured Loans		5,113,376	5,724,557
Long-Term Loans		2,350,224	2,402,425
Long-Term Secured Loans		25,258,257	27,719,164
Overdue Loans		342,737	497,609
Total		81,995,673	82,866,064
Allowance for Doubtful Accounts		-402,523	-475,502
Net Account		81,593,150	82,390,562

6. Other Financial Assets-Net

Item	Date	December 31, 2010	December 31, 2009
Financial Assets Carried at Cost		102,500	102,500
Short-Term Advances		112	106
Total		102,612	102,606

7. Fixed Assets-Net

Item	Date	December 31, 2010	December 31, 2009
Land		80,203	80,203
Revaluation Increments-Land		186,420	150,171
Buildings		351,598	351,225
Accumulated Depreciation – Building		-144,793	-138,822
Machinery and Equipment		57,991	70,377
Accumulated Depreciation – Machinery and Equipment		-40,707	-50,869
Transportation Equipment		12,089	12,606
Accumulated Depreciation – Transportation Equipment		-7,278	-7,611
Miscellaneous Equipment		28,170	28,273
Accumulated Depreciation – Miscellaneous Equipment		-20,298	-19,682
Leasehold Improvements		3,274	3,317
Accumulated Depreciation – Leasehold Improvements		-1,465	-968
Net Amount		505,204	478,220

8. Intangible Assets - Net

Item	Date	December 31, 2010	December 31, 2009
Software		20,458	21,639
Total		20,458	21,639

9. Other Assets - Net

Item	Date	December 31, 2010	December 31, 2009
Inventory of Supplies		106	187
Prepaid Expenses		26,879	24,105
Other Prepayments		4	93
Refundable Deposits		1,326	2,099
Temporary Payments and Suspense Accounts		7,974	4,648
Deferred Income Tax Assets		21,385	23,501
Other Deferred Assets		382	352
Total		58,056	54,985

10. Borrowed from the Central Bank and Other Banks

Item	Date	December 31, 2010	December 31, 2009
Borrowed from the Central Bank		18,604,100	20,557,190
Borrowed from Other Banks		664,999	682,500
Total		19,269,099	21,239,690

11. Financial Liabilities at Fair Value through Profit or Loss

Item	Date	December 31, 2010	December 31, 2009
Financial Liabilities Held for Trading-Adjustment Valuation		1,794	
Financial Liabilities Designated at Fair Value through Profit or Loss		8,250,000	9,250,000
Financial Liabilities Designated at Fair Value through Profit or Loss-Adjustment Valuation		331,344	316,720
Total		8,583,138	9,566,720

12. Payables

Item	Date	December 31, 2010	December 31, 2009
Accrued Expenses		83,738	99,598
Accrued Interest		148,942	154,942
Tax Payable		23,628	44,664
Dividends (Official) and Bonuses Payable		11,811	4,862
Custodial Collections Payable		5,096	4,844
Commissions Payable		744	227
Reinsurance Benefits Payable		42,266	19,497
Other Payable		118,699	62,996
Forex Spot Payable		59,000	128,704
Total		493,924	520,334

13. Other Financial Liabilities

Item	Date	December 31, 2010	December 31, 2009
Funds Appropriated for Loans		9,500,683	5,875,472
Total		9,500,683	5,875,472



▶▶▶ President Rueen-Fong Chu visited Thailand and signed a relending facility agreement with Kasikornbank President Dr. Prasarn Trairatvorakul (3rd left, has served as governor of the Bank of Thailand since October 1, 2010) (Photo taken on Jan. 22, 2010)

14. Other Liabilities

Item	Date	December 31, 2010	December 31, 2009
Unearned Premiums		1,142	1,076
Unearned Revenues		2,404	1,941
Estimated Land Value-Added Tax Payable		41,379	31,352
Guarantee Liability Reserve		22,996	22,521
Unearned Premium Reserve		51,565	55,296
Claim Reserve		12,916	24,213
Export Credit Insurance Reserve		1,884,363	1,736,323
Special Claim Reserve		85,501	66,286
Refundable Deposits		2,738	1,810
Custodial Deposits		2,070	2,120
Temporary Receipts and Suspense Accounts		30,349	215,720
Deferred Income Tax Liabilities			1,087
Total		2,137,423	2,159,745

15. Net Fees and Commissions

Item	Date	January 1~December 31, 2010	January 1~December 31, 2009
Revenue from Fees and Commissions		78,325	108,033
Expenses from Fees and Commissions		17,603	19,894
Net Amount		60,722	88,139

16. Gains or Losses on Financial Assets and Liabilities at Fair Value through Profit or Loss

Item	Date	January 1~December 31, 2010	January 1~December 31, 2009
Gain on Disposal of Financial Assets		179,501	159,530
Gain (+) / Loss (-) on Valuation of Financial Assets		15,375	-228,035
Gain (+) / Loss (-) on Valuation of Financial Liabilities		-14,613	251,854
Net Amount		180,263	183,349

17. Other Non-Interest Income

Item	Date	January 1~December 31, 2010	January 1~December 31, 2009
Other Non-Interest Profits		427,074	304,163
Premium Income		283,259	195,810
Reinsurance Commissions		27,719	17,728
Claims Recovered from Reinsurers		12,822	16,488
Unearned Premium Reserve Released		55,296	12,176
Claim Reserve Released		24,213	32,611
Gains from Financial Assets Carried at Cost		19,279	15,299
Other Miscellaneous Income		4,486	14,051
Other Non-Interest Losses		449,809	319,311
Reinsurance Premium		152,225	108,792
Commission Expenses		3,178	2,725
Insurance Claims and Payments		20,150	31,663
Provision for Unearned Premium Reserve		51,565	55,296
Provision for Special Claim Reserve		19,215	24,250
Provision for Claim Reserve		12,916	24,213
Provision for Export Credit Insurance Reserve		145,486	28,875
Loss on Disposal of Fixed Assets		1,550	708
Preferential Deposit Interest in Excess		43,524	42,789
Net Amount		-22,735	-15,148

18. Bad Debt Expenses

Item	Date	January 1~December 31, 2010	January 1~December 31, 2009
Bad Debt Expenses for Loans		82,124	40,166
Bad Debt Expenses for Guarantee Receivables		773	-8,152
Bad Debt Expenses for Other Receivables		167	-2,211
Total		83,064	29,803



06 VI. Risk Management

1. Credit Risk Management System and Capital Requirement

(1) Credit Risk Management System

January 1~December 31, 2010

Item	Content
1. Credit Risk Strategy, Objective, Policy and Procedure	<p>To implement the credit risk management scheme, Eximbank has stipulated “Risk Management Policies and Procedures” and “Credit Risk Management Guidelines” and established the Credit Committee, which is responsible for reviewing the credit risk of individual cases at and above executive vice presidents' authorization.</p> <p>The credit check and credit evaluation have to be conducted before the Eximbank's acceptance of a case. Afterwards, a review and follow-up will also be performed.</p> <p>In consideration of being an official export credit agency and to heed risk while performing its own policy function, Eximbank revised its Rules for Country Risk Assessment, Rules for Credit Limits by Sector, and Rules for Managing Corporate Credit Rating Assessments.</p> <p>Eximbank also established Country Risk, Financial Risk and Corporate Credit Risk early warning indicators. For each debtor, a rating system was established and assistance was sought from international credit agencies. For countries with a relatively high risk-level (Level C- and below), financial institutions or credit customers at Level C- or below, or when there were recent negative reports about a particular country or bank, Eximbank analyzed warning indicators to understand risk. When Eximbank is considering to extend its business, it uses these data as reference to strengthen risk management.</p>

Item	Content
2. Organizational Structure of Credit Risk Management	The board of directors is the supreme decision-making level of Eximbank's credit risk management. The Credit Committee is responsible for reviewing the credit risk of individual cases at and above executive vice presidents' authorization. Meanwhile, the Department of Risk Management is the specialized unit of credit risk and is in charge of Eximbank's overall credit risk management matters. The competent department of each business shall supervise and monitor the credit risk implementation of various business units, which shall follow the relevant regulations and provisions of credit risk management.
3. Scope and Characteristics of the Credit Risk Report and Evaluation System	To effectively manage credit risk, Eximbank periodically reports the results of country risk, financial risk and sector risk exposures to the board of directors for reference. To avoid an excessive concentration of credit risk and strengthen credit risk management, Eximbank established "Rules for Appraisal of Credit Risk Ceiling on Single Borrower", "Rules for Appraisal of Corporate Credit Ratings", "Rules for Appraisal of Credit Risk Ceiling on Group Borrower" along with "Rules for Appraisal of Group Credit Ratings".
4. Credit Risk Hedging and Risk Mitigation Policies / Strategies and Procedures of Monitoring Tools for Hedging and Risk Mitigation	To monitor credit risk, Eximbank formulated limits for single borrowers, groups, banks, sectors and countries and, when necessary, reviewed concentration of credit risk for limits adjustments.
5. Method Applied for Legal Capital Requirement	Eximbank has applied the capital requirement for credit risk based on "Standardized Approach" of new Basel Capital Accord.

(2) Credit Risk Exposures and Capital Requirement Regulated by Standardized Approach After Mitigation

December 31, 2010

NT\$ Thousand

Type of Exposure	Credit Risk Exposures After Mitigation	Capital Requirement
Sovereign	3,796,879	303,750
Public Sector Entities/ Non-Central Government	59,919	4,794
Banks (Including Multilateral Development Banks)	6,352,916	508,233
Corporates (Including Securities and Insurance Corp.)	45,132,575	3,610,606
Regulatory Retail Portfolios	594,163	47,533
Residential Property		
Rights of Securities Investment		
Other Assets	645,316	51,625
Total	56,581,768	4,526,541

2. Operational Risk Management System and Capital Requirement

(1) Operational Risk Management System

January 1~December 31, 2010

Item	Content
1. Operational Risk Strategy and Procedure	To effectively implement an operational risk management scheme, Eximbank stipulated the "Risk Management Policies and Procedures" and "Operational Risk Management Guidelines". Regulations and standard operating procedures were formulated for each business, providing staff with real-time access and compliance information to reduce losses from operational risk.
2. Organizational Structure of Operational Risk Management	The board of directors is the supreme decision-making level of Eximbank's operational risk management and approves the guidelines and major decisions. The Department of Risk Management is responsible for drafting Eximbank's operational risk management strategies and procedures as well as the establishment of operational risk management scheme. When formulating operational management regulations, all departments of the head office shall incorporate provisions of operational risk management. All units shall comply with Eximbank's regulations and provisions of operational risk management and understand the operational risk they are in charges of.
3. Scope and Characteristics of the Operational Risk Report and Evaluation System	To build a database covering internal losses to assist operational risk control, Eximbank first established an operational risk management scheme. When losses occur, the corresponding department collects relevant information and makes notification.
4. Operational Risk Hedging or Risk Mitigation / Strategies and Procedures of Monitoring Tools for Hedging and Risk Mitigation	To monitor operational risk, the auditing office is responsible for conducting Eximbank's audit-related business. In addition, Eximbank has established an information security protection mechanism and made a contingency plan to ensure that in the event of an emergency, the business can maintain operations and minimize losses.
5. Method Applied for Legal Capital Requirement	Eximbank has applied the capital requirement for operational risk based on Basic Indicator Approach of new Basel Capital Accord.

(2) Operational Risk-Based Capital Requirement

December 31, 2010

NT\$ Thousand

FY	Gross Profit	Capital Requirement
2008	1,157,686	
2009	1,070,062	
2010	847,873	
Total	3,075,621	153,781

3. Market Risk Management System and Capital Requirement

(1) Market Risk Management System

January 1~December 31, 2010

Item	Content
1. Market Risk Strategy and Procedure	To effectively implement the market risk management scheme, Eximbank stipulated "Risk Management Policies and Procedures" and "Market Risk Management Guidelines". Additionally, a daily transaction report is compiled and submitted for supervisors to review.
2. Organizational Structure of Market Risk Management	The board of directors is the supreme decision-making level of Eximbank's market risk management and undertakes ultimate responsibility of market risk. The Department of Risk Management is the specialized unit of market risk management and is responsible for implementing overall market risk management matters. Meanwhile, the Department of Finance, which also oversees the Offshore Banking Branch, controls operational risks, emphasizes further monitoring on limits and conducts position management.
3. Scope and Characteristics of the Market Risk Report and Evaluation System	To effectively manage market risk, Eximbank periodically reports overall market risk related trading positions to the board of directors for reference. To control the changes of Eximbank's FX trading position and FX gains and losses, a daily monitoring mechanism was established in the financial system.
4. Market Risk Hedging or Risk Mitigation / Strategies and Procedures of Monitoring Tools for Hedging and Risk Mitigation	For derivatives, Eximbank conducts periodical market value assessments and submits the assessment outcomes to the board of directors.
5. Method Applied for Legal Capital Requirement	Eximbank has applied the capital requirement for market risk based on "Standardized Approach" of new Basel Capital Accord.

(2) Market Risk-Based Capital Requirement

December 31, 2010

NT\$ Thousand

Risk	Capital Requirement
Interest Rate Risk	
Equity Position Risk	
Foreign Exchange Risk	16,910
Commodity Risk	
Total	16,910

4. Liquidity risk

(1) Duration analysis of assets and Liabilities as Follows:

Term structure analysis of NTD-denominated assets and Liabilities

(Main Assets and Liabilities)

December 31, 2010

NT\$ Thousand

	Total	Dollars amount for term to the maturity				
		Within 1 month	1 month ~ 3 months	3 months ~ 6 months	6 months ~ 12 months	Over 1 year
Major capital inflow	47,907,476	4,481,885	1,673,936	1,189,754	6,568,640	33,993,260
Major capital outflow	34,495,682	10,041,837	636,752	1,676,340	352,999	21,787,754
Capital gap	13,411,794	-5,559,952	1,037,184	-486,586	6,215,641	12,205,506

Note: This table contains only the amount of main assets and liabilities in NT dollars (excluding foreign currency) of the Eximbank's head office and branches. The assets include due from banks, securities and loans; while liabilities include call loans from banks, financial debentures, interbank financing and funds appropriated for loans.

Term structure analysis of USD-denominated assets and liabilities

(Main Assets and Liabilities).

December 31, 2010

US\$ Thousand

	Total	Dollars amount for term to the maturity				
		Within 1 month	1 month ~ 3 months	3 months ~ 6 months	6 months ~ 12 months	Over 1 year
Major capital inflow	1,174,319	31,811	53,817	75,551	182,580	830,560
Major capital outflow	971,647	320,572	40,952	15,492	36,149	558,482
Capital gap	202,672	-288,761	12,865	60,059	146,431	272,078

Note: This table contains only the amount of main assets and liabilities in US dollars of the Eximbank's head office, branches and Offshore Banking Branch. The assets include due from banks, loans, and account receivable of FX swap transactions; while liabilities include call loans from banks, and borrowed from the Central Bank.

(2) The Management of Asset Liquidity and Funding Gap

The Eximbank seeks to diversify the sources of fund and enhance funding stability. The Eximbank also refrains from over-concentration on the use of remaining fund and aims at liquid, quality and earning instruments. As to the liquidity risk control, the Eximbank not only complies with related requirements of Central Bank of the Republic of China (Taiwan), but also regulates the ratio of funding liquidity gap over the Eximbank's net worth on internal guideline to assure adequate liquidity.



VII. Head Office and Branches

VII

Head Office and Branches

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REPUBLIC OF CHINA (TAIWAN) CENTENNIA

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