



The Export-Import Bank of the Republic of China

ANNUAL REPORT 2013





The Export-Import Bank of the Republic of China

Annual Report 2013

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 so as to enhance international economic cooperation.

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

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





CONTENTS

I	Operating Performance Summary	3
II	Business Report	4
	1. Mission	4
	2. Key Operation Strategies and Achievements	4
	3. Credit Rating	10
III	Bank Profile	11
	1. Profile	11
	2. Organization	12
IV	Operations Overview	16
	1. Business Overview	16
	2. Market Overview	16
	3. Social Responsibility	20
	4. Prospects	20
V	Financial Statements	21
	1. Balance Sheet	21
	2. Comprehensive Income Statement	23
	3. Statement of Cash Flows	24
	4. Statement of Changes in Equity	26
	5. Financial Analysis	27
	6. Capital Adequacy	29
	7. Notes to Financial Statements	30
VI	Risk Management	58
	1. Credit Risk Management System and Capital Requirement	58
	2. Operational Risk Management System and Capital Requirement	60
	3. Market Risk Management System and Capital Requirement	61
	4. Liquidity Risk	63
VII	Head Office and Branches	64



I Operating Performance Summary

TWD Million

Year	FY 2013	FY 2012
Total Operating Revenues	1,782	1,816
Total Operating Expenses	1,359	1,378
Net Income Before Tax	423	438
Profits per Employee Before Tax	2.09	2.19
Loans Outstanding (Average)	91,238	89,970
Guarantees Undertaken	13,616	9,796
Export Credit Insurance Underwritten	90,056	89,603
	(December 31, 2013)	(December 31, 2012)
Total Assets	97,877	94,195
Net Worth	19,116	18,750
BIS Ratio (%)	26.96	28.84

* The final accounts of FY 2013 are subject to audit.

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

*** Since 2013, Eximbank adopted the International Financial Reporting Standards (IFRSs) for compilation of its financial reports. For uniform comparison, 2012 data was adjusted in accordance with IFRSs.

II Business Report

1. Mission

The Export-Import Bank of the Republic of China (Eximbank) is a specialized financial institution established in accordance with The Export-Import Bank of the Republic of China Act. Eximbank's vision is "To strengthen trade finance and to assist external trade." In line with the government's policies in areas of economics, trade and finance, Eximbank was founded with aims to enhance employment and to maintain domestic economic development; to facilitate financial and export credit insurance services; to help local firms expand foreign trade; and to advance international economic cooperation. Eximbank offers medium and long-term financing and guarantee services to help local firms expand exports of capital goods, undertake overseas construction projects, import precision machinery and essential industrial raw materials, as well as introduce foreign technology into Taiwan. Meanwhile, Eximbank provides export credit insurance and overseas investment insurance to protect local exporters and investors against commercial and political risks. With

Eximbank's services, local enterprises can expand external trade and overseas investments.

2. Key Operation Strategies and Achievements

Eximbank's average loans outstanding in 2013 were TWD91,238 million, with a year to year growth rate of 1.41% compared to 2012, and guarantees amounting to TWD13,616 million, with a year to year growth rate of 38.99% compared to 2012. The export credit insurance underwritten by Eximbank was TWD90,056 million, a year-on year of growth of 0.51%. A summary of key operation strategies and achievements for 2013 follows:

(1) Supporting Economic and Trade Policies to Assist Enterprises in Expanding Target and Emerging Markets

- ① Eximbank supports government economic and trade policies in target markets determined by the Ministry of Economic Affairs, including Vietnam, Mainland China,

Brazil, Russia, the United Arab Emirates, Indonesia, India, Egypt, Mexico, and Myanmar. Its export finance and insurance mechanisms provide exporters with the financial support and services they need to enhance competitiveness. In 2013, Eximbank granted export finance for TWD5,200 million in these target markets, with a year to year growth rate of 20% compared to 2012 which was TWD4,300 million. Eximbank also underwrote TWD37,389 million of export credit insurance in these target markets. Both financing and insurance mechanisms have effectively assisted domestic enterprises in the expansion of export markets.

- ② Eximbank executes programs initiated by the Ministry of Economic Affairs in emerging markets. Through its export finance, relending facility and export credit insurance, Eximbank's niche is to help Taiwanese enterprises enter emerging markets. In accordance with government's policy, 65.17% of Eximbank's export loans approved is related to emerging markets, and 55.57% of Eximbank's export credit insurance is related to emerging markets in 2013. Eximbank expands its footprint across Southeast Asia, Central and South America, East Europe, East Asia, and South Asia, including Brazil, Colombia, Turkey, India, Bangladesh, Sri Lanka, Singapore, Indonesia, Malaysia, Thailand, Denmark, and Czech Republic. Eximbank reached a significant achievement by

assisting enterprises to compete for orders, build sales channels, and diversify risks.

- ③ To assist Taiwan enterprises in promoting exports, Eximbank develops Relending Facility business in emerging markets by cooperating with prestigious banks around the world. In 2013, the relending credit lines granted by Eximbank totaled US\$570 million, including US\$455 million in emerging markets. By the end of December 2013, Eximbank approved US\$585 million in total credit lines, an increase of 14.26% compared to US\$512 million approved in 2012. Eximbank has cooperated with banks located in the



► Chairman of the Board of Directors
Rueen-Fong Chu

United States, Germany, and emerging markets, including Mongolia, Honduras, Vietnam, Peru, Turkey, Chile, India, Thailand, Russia, Czech Republic, the Dominican Republic, Nigeria, Israel, Brazil, Philippines, Belarus, Indonesia, Ukraine, Bulgaria, and Nicaragua. Eximbank's Relending Facility is provided through 59 financial institutions located in the Americas, Europe, Africa, Asia, and the Middle East, in order to meet the financing needs of foreign importers interested in buying Taiwanese goods.

- ④ On September 30, 2013, Eximbank was appointed as a subrogation organization for Taiwan under the Cross-Strait Investment Protection and Promotion Agreement. When Eximbank pays the compensation to investors who purchase Overseas Investment Insurance, Eximbank is subrogated to the investors' right of claim for recovering the amount paid. Eximbank also assumes corresponding investment obligations undertaken by the investors.

(2) Strengthening Services and Assisting SMEs in Expanding Export Markets

SMEs make up approximately 80% of Eximbank's export credit insurance business. The underwritten amount of SMEs increased 5.42% last year. Eximbank established the SMEs export credit insurance service window to enhance its services.

To help businesses determine the creditworthiness of potential foreign buyers, Eximbank has cooperated with more than 30 international credit agencies over the years. And the professional underwriters of Eximbank analyze credit reports to avoid the potential bad debt risks associated with international trade.

To assist SMEs in increasing financing and acquiring orders to expand export markets, Eximbank conducts the Program to Encourage Lending by Domestic Banks to SMEs. The average outstanding balance of loans to SMEs in 2013 was TWD7,400 million.

(3) Cooperating with Domestic Trade-Related Organizations to Promote Export Trade

In order to assist domestic enterprises to expand exports and improve cooperation with trade organizations, in 2013 Eximbank renewed a Cooperation Agreement with Taiwan External Trade Development Council (TAITRA). Besides joint business promotion activities and conferences, Eximbank introduces its business at important TAITRA exhibitions. Expanded cooperation includes building mechanisms for the exchange of business data, so trade and financial information can be delivered to enterprises at any time. As Eximbank and TAITRA work closely to provide export guidance to businesses, Taiwan can raise competitiveness, expand overseas markets and business opportunities, and accelerate economic development.

(4) Cooperating with Foreign Export Credit Agencies to Expand Markets for Taiwanese Enterprises

As part of its efforts to strengthen cooperation with foreign export credit agencies, Eximbank actively participates in activities held by Berne Union, a global association for export credit and investment insurance. Eximbank hosted the third Capacity Building Program for Berne Union Asia members, held in Singapore on June 5 and 6, 2013. As 30 members from 11 member countries discussed risk management topics at the national and industrial levels, Eximbank raised its international profile and learned from foreign ECAs.

By the end of 2013, Eximbank had signed cooperation agreements or reinsurance contracts with other ECAs from around the world, including Poland, Czech Republic, Hungary, Slovakia, Turkey, Thailand, Indonesia, Japan, Malaysia, Belarus, South Korea, Israel, Mainland China, Sweden, Sri Lanka, Hong Kong, and India. By obtaining local information from these cooperating ECAs, Eximbank helps Taiwanese enterprises expand their overseas markets.

(5) Using Reinsurance to Enhance Eximbank's Export Credit Insurance Underwriting Capacity

In order to enlarge underwriting performance and improve the foundation of export credit insurance operations, in 2013 Eximbank re-signed a favorable reinsurance contract with the Central Reinsurance Corporation. The agreement transferred a portion of risk to the Corporation, thereby raising Eximbank's insurance underwriting

capacity and keeping the growth of export credit insurance business. Eximbank also expanded reinsurance cooperation by signing reinsurance agreements with Nippon Export and Investment Insurance (NEXI), the Indonesia Export Credit Agency (ASEI), and the Swedish Export Credits Guarantee Board (EKN).

(6) Promoting Export Insurance with Domestic Commercial Banks

In order to introduce the advantages of export credit insurance and advocate partnerships, by the end of 2013 Eximbank had signed cooperation agreements with 26 institutions: eight pan-government-owned banks, one foreign bank and 17 private banks. Through the branches of the cooperating banks, Eximbank is able to expand services across Taiwan.



► President
Shui-Yung Lin



Group photo of distinguished guests at the 35th anniversary celebration of Eximbank. Pictured 3rd from left is Senior Advisor to the President, Mr. Sean C. Chen.

(7) Actively Participating in International Syndicated Loans to Enhance Business Outreach and International Financial Cooperation

Eximbank participates in international syndicated loans to strengthen business ties with international financial institutions, grow its business scope, and expand its niche. In 2013, syndicated loans totaled US\$96.25 million, equivalent to TWD2,866 million. Borrowers consisted of 11 financial institutions across Peru, Indonesia, Panama, Philippines, South Korea, Brazil, and South Africa, as well as one international organization. The loans increased business connections between financial enterprises and boosted bilateral economic cooperation.

(8) Amending Internal Regulations to Streamline Workflow and Improve Service Efficiency

- ① In light of changes to the financial landscape, in 2013 Eximbank revised guidelines for handling loans and guarantees associated with major domestic public construction and infrastructure projects as well as guidelines for handling short-term export loans and guarantees. It also approved principles for measuring the amount of the impairment loss relating to loans and receivables. The adjustments let Eximbank better meet client needs while providing flexibility suited to market conditions.

- ② In order to respond to globalization in the international trade market, raise efficiency and service quality, and meet requirements of the Financial Consumer Protection Act, Eximbank made the following changes: adding operating procedures for distribution and management of promotional materials related to export credit insurance; revising guidelines of Medium and Long-term Export Credit Insurance; and revising the articles of Export Credit Insurance for L/C and renaming it as Letter of Credit Insurance.
- ③ Eximbank examined each of its export credit insurance regulations, built an information-based work environment, and simplified work processes and application forms. It also provided clients with a fast and convenient online platform to raise service quality and expand scope of business.

(9) Strengthening Management of Country Risk, Financial Risk, and Industrial Risk

In 2013, despite progress in resolving disputes over the US budget and debt-ceiling crisis along with easing of the European debt crisis, global economic recovery remained sluggish. Further factors – including weaker economic growth in emerging economies, continued political instability in the Middle East and North Africa, and the slowed recovery in Japan – caused worldwide economic growth to fall short of expectations. Facing such circumstances, Eximbank continued to strengthen analysis and monitoring of country

risk and financial risk in the areas it operates. Eximbank paid particularly close attention to high-risk areas such as the Middle East, North Africa, and high-debt European nations, and presented monthly risk evaluation reports to executives. For industrial and commercial risk, Eximbank also continued to monitor changes in DRAM, panel, LED, and solar energy industries. As close trade and investment relations between Taiwan and Mainland China continued to have a growing impact on industrial competitiveness, Eximbank began to strengthen research and analysis of industries closely linked across the Taiwan Strait in 2013. These initiatives contributed to a greater understanding of industrial development trends and allowed Eximbank to better diversify credit risk.

(10) Training Finance Professionals to Raise Capability

- ① Eximbank established an annual training program for employees to learn while on the job and strengthen execution capabilities. Employees attended meetings hosted by professional financial research and training organizations, and Eximbank planned theme-based training courses with expert and academic lecturers. In 2013, Eximbank hosted 16 speeches on specialized and regulatory topics along with 10 report-based seminars to present knowledge gained on international trips. Total attendance at these events was 922. By taking a proactive approach to professional knowledge, Eximbank positioned itself to satisfy new business development needs.



Finance Minister Sheng-Ford Chang (left) awarded Eximbank for its first-rate evaluation in the Executive Yuan's 2012 performance evaluations. (September 2013)

- ② Eximbank also encourages employees to take research and study activities held by international insurance organizations or export credit institutions. Fourteen trips were made by employees for this purpose in 2013, as to gain and bring back new experiences. Employees also made 24 trips to international finance or insurance meetings, and visits to foreign export credit organizations. These trips resulted in valuable information sharing related to international finance and insurance business, enabling Eximbank to improve its business quality and effectiveness.

3. Credit Rating

- (1) In order to increase the number of partners, lower the cost of funding, and thereby provide more competitive interest rates and services

to enterprises, Eximbank commissioned Fitch Ratings to affirm its credit rating. Fitch gave Eximbank the highest IDR Rating among all banks in Taiwan. Eximbank is a 100% state-owned policy bank with IDR rating aligned with Taiwan's sovereign rating, showing that Eximbank has strong support of the government, excellent capital standards, assets quality and credit standing, as well as high capability of honoring its debts.

- (2) Fitch announced its ratings for Eximbank on November 13, 2013:

The long-term foreign currency issuer default rating (IDR) was A+; outlook stable

The short-term foreign currency IDR was F1

The national long-term rating was AAA(twn); outlook stable

The national short-term rating was F1+(twn)

The support rating was 1



III Bank Profile

1. Profile

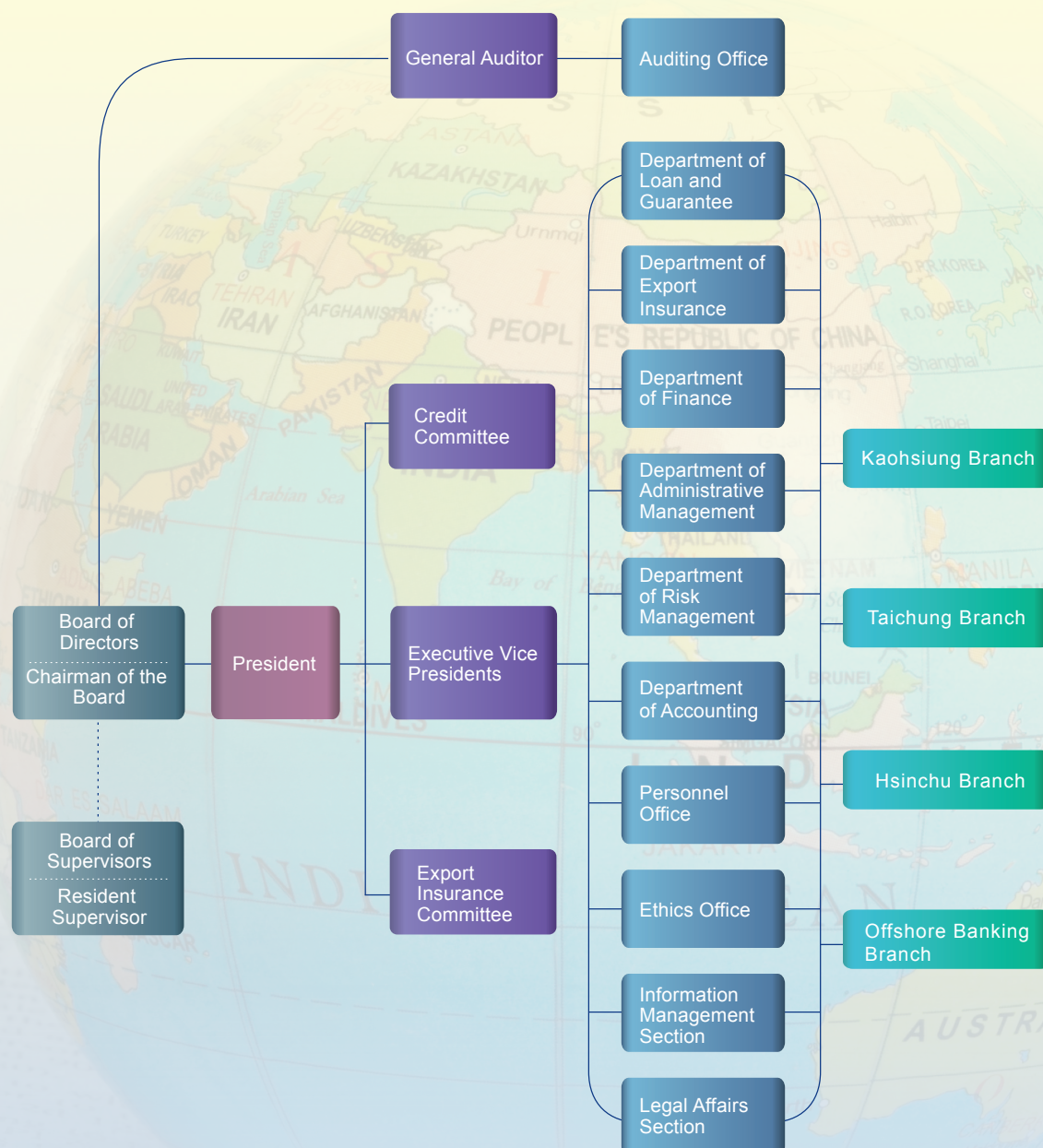
Eximbank was established on January 11, 1979, under the Statute of The Export-Import Bank of the Republic of China Act. It is a state-owned bank supervised by the Ministry of Finance with a mission of promoting export trade and developing the economy and a vision of strengthening trade finance and assisting external trade. Eximbank's main objective is to support government economic and trade policies by providing financing, guarantees, and export credit and investment insurance to help enterprises expand external trade and overseas investments. By increasing international cooperation, it also ensures the steady and continuous development of Taiwan's economy.

To assist exporters, Eximbank provides export financing facilities and export credit insurance. For better services, it has established three domestic branches in Kaohsiung, Taichung, and Hsinchu.



2. Organization

(1) Organization Chart





(2) Board of Directors and Supervisors



Chairman of the Board of Directors
Ruen-Fong Chu



Managing Director
Shui-Yung Lin



Managing Director
Yu-Jer Sheu



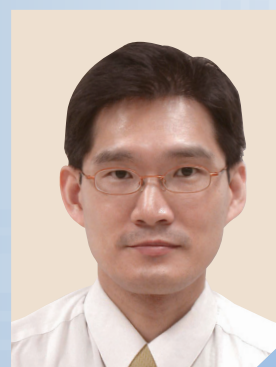
Director
Chun-Fu Chang



Director
Sun-Yuan Lin



Director
Yu-Chyng Wang



Director
Shang-Hsi Liao



Resident Supervisor
Hsiu-Ming Lin



Supervisor
Hui-Mei Chen



Supervisor
Bi-Chen Tsai

Board of Directors		Board of Supervisors	
Rueen-Fong Chu	Chairman of the Board of Directors	Hsiu-Ming Lin	Resident Supervisor
Shui-Yung Lin	Managing Director	Hui-Mei Chen	Supervisor
Yu-Jer Sheu	Managing Director	Bi-Chen Tsai	Supervisor
Chun-Fu Chang	Director		
Sun-Yuan Lin	Director		
Yu-Chyng Wang	Director		
Shang-Hsi Liao	Director		

(3) Principal Managers and General Auditor

Name	Title
Shui-Yung Lin	President
Song-Bin Huang	Executive Vice President (Senior Officer of Regulatory Compliance)
Hwa-Yu Mo	Executive Vice President
Pei-Jean Liu	General Auditor
Tung-Meng Lin	Advisor
Chin-Huo Tsai	Senior Vice President and General Manager, Department of Loan and Guarantee
Cheng-Tsung Liao	Senior Vice President and General Manager, Department of Export Insurance
Fu-Sheng Huang	Senior Vice President and General Manager, Department of Finance and Offshore Banking Branch
Yu-Yuan Hsia	Senior Vice President and General Manager, Department of Administrative Management
Chien-Cheng Day	Senior Vice President and General Manager, Department of Risk Management
Yu-Huai Wang	Senior Vice President and General Manager, Department of Accounting
Hsien-Chang Chen	Senior Vice President and General Manager, Personnel Office
Hsueh-Hsun Wu	Senior Vice President and General Manager, Ethics Office



General Auditor

Pei-Jean Liu

President

Shui-Yung Lin

Chairman of the Board
of Directors

Rueen-Fong Chu

Executive Vice
President

Song-Bin Huang

Executive Vice
President

Hwa-Yu Mo

IV Operations Overview

1. Business Overview

Below is a summary of Eximbank's loan, guarantee, and export insurance business in 2013:

(1) Loans

Eximbank offers medium and long-term export credits, general 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.

Eximbank's loan portfolio mainly consists of medium and long-term loans. In 2013, the average balance of these loans totaled TWD80,662 million, accounting for 88.41% of total loans.

(2) Guarantees

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

In 2013, Eximbank's guarantees (based on amount underwritten) consisted of 51.47% major public construction guarantees, 36.77% import guarantees, 5.92% overseas construction guarantees, 5.75% export guarantees, and 0.09% other guarantees.

(3) Export Credit Insurance

Eximbank's export credit insurance includes: Comprehensive D/P, D/A Export Credit Insurance, Comprehensive O/A Export Credit Insurance, SME Safety Export Credit Insurance, Letter of Credit Insurance, Medium and Long-term Export Credit Insurance, Overseas Investment Insurance, and GlobalSure Credit Insurance. Export credit insurance underwritten in 2013 totaled TWD90,056 million, an increase of 0.51% compared to 2012.

2. Market Overview

(1) Domestic and Global Financial Conditions

The global economy in 2013 had little support to prop its growth. Despite easing of the European

debt crisis, worsening unemployment and insufficient corporate investment and consumer confidence continued to drag on economic development. With few positives, Europe saw negative growth, though it did pull itself out of recession. Among Asian countries, Japan hoped to benefit from Prime Minister Shinzo Abe's "three arrows" economic recovery plan, but growth was meager. Mainland China undertook ambitious plans to restructure its economy, which was buoyed by investment and consumption and remained the same growth level as year 2012. However, China's economic growth can only back up the global economy rather than provide a stronger driving force. With growth slow in emerging economies, economic improvements in the European Union and Japan were insufficient to make up for slower growth in the United States. The International Monetary Fund (IMF) pegged world economic growth rate at 3% in 2013, slightly below the 3.1% growth in 2012.

In terms of monetary policy, the Central Banks of the United States, Japan, and the European Union continued the monetary easing policies of the previous year. Reports in 2013 that the US Federal Reserve could end its third round of quantitative easing caused US government bond yields to rise and sparked a return flow of international capital, which in turn led to slumps in emerging market stock and forex along with significant instability in financial markets. Due to continued uncertainty in the US economic recovery, however, in September the Federal Reserve announced its decision to await more evidence that progress would be sustained before adjusting the scale of its asset purchases. Toward the end of 2013, as the US employment situation and labor market outlook improved, the Federal Reserve announced that it would begin tapering QE3 from January 2014. Markets, which had already anticipated the change, mostly shrugged off the news.



Mr. Ming-Chung Tseng (middle), Political Deputy Minister of Ministry of Finance, witnessed the hand-over of Chairman of the Board of Directors of Eximbank. (July 2013)



Mr. Ming-Chung Tseng, Political Deputy Minister of the Ministry of Finance, presided over a handing-over ceremony for Eximbank to welcome a new president. (July 2013)

In terms of global trade, as the world economy remained downtrodden leading to weak demand, there was no significant expansion in trade volume. The IMF estimated that global trade volume rose 2.7% in 2013, the same as the previous year and still unable to surpass the increase in global economic growth. Despite fluctuations in the foreign exchange markets of major nations, such as depreciation of Japanese Yen, the changes brought little impact on global trade volume.

In an environment marked by weak exports due to the fluctuations in the global economy, Taiwan's exports rose to a modest 1.4% in 2013 as its imports dropped by 0.2%. Reasons for the failure of external trade to live up to expectations included not only slow growth in global trade activities but also the gradual rise in Cross-Strait industrial competition and slow progress in Taiwan's regional economic integration. In terms

of domestic economy, the economic growth rate of Taiwan in 2013 was 2.11%, higher than the 1.48% increase a year earlier, while the rise in the consumer price index contracted from 1.93% in 2012 to 0.79% in 2013. Stable consumer goods prices were accompanied by rises in consumer investment and spending.

In terms of financial markets, rumors that the United States planned to terminate QE added to unease in global financial markets. The uncertainty in the macroeconomic and market environment, combined with the sluggish domestic recovery, led the Central Bank of the ROC to maintain its loose monetary policy as an instrument to stimulate economic activities. As a result, abundant capital liquidity in financial markets and continued low interest rates contributed to drastic competition in the financial industry.



(2) Credit Market Overview

Looking back at 2013, the gradual dissipation of the European debt crisis and moderate economic recovery in the United States were countered by slowed growth in Mainland China and weaker growth in emerging markets, leading to overall slower growth in the global economy. In the domestic economy, 2013 was generally a down year. Exports and imports remained close to flat or even fell, and the composite index of economic indicators over the first 11 months of the year flashed blue or yellow-blue, indicating negative or slow growth. Only in December, after an economic turnaround became apparent, did the composite index flash green, indicating stable growth. According to the Department of Statistics, Ministry of Economic Affairs, GDP growth in 2013 was 2.11%, a slight increase compared to the 1.48% growth rate in 2012.

Eximbank is Taiwan's only policy bank that also serves as a professional trade finance institution. Its mission continues to be assisting enterprises in the expansion of exports. In order to boost the domestic economy in the depressed economic climate of 2013, Eximbank continued to stimulate and strengthen export loans while assisting government promotion of major domestic infrastructure projects. It raised export credits, major public construction credits, medium and long-term import credits, overseas investment credits, and loans for international enterprises. In 2013, Eximbank's credit and guarantee businesses grew by 1.41% and 38.99%, respectively.

(3) Export Credit Insurance Market Overview

According to the trade statistics of Customs Administration, Taiwan's foreign trade was US\$573.29 billion in 2013. Gross export value was US\$303.22 billion and gross import value was US\$270.07 billion. Trade surplus reached US\$33.14 billion. 84.5% of gross export value went to five major trading partners: Mainland China (including Hong Kong), ASEAN, Japan, the United States, and Europe, with 26.9% going to Mainland China.

The top two coverage regions for Eximbank's export insurance in 2013 were Asia and Europe, accounting for 42.41% and 19.01% of the total, respectively. Mainland China placed the second largest nation among all coverage nations. The data showed that Eximbank's insurance business was in line with Taiwan's economic and trade development. By providing enterprises with the financial instruments to avoid commercial and political risks, and helping them expand emerging markets, Eximbank achieved the goals of being rooted in Taiwan, going global and diversifying export markets.



3. Social Responsibility

(1) Raising Environmental Awareness by Saving Energy and Reducing Carbon

Eximbank has launched a project to reduce consumption of power, gas, water, and paper, to conform with government's policies of energy saving and green purchasing. Compare to previous year, Eximbank's power, water and paper consumption dropped by 0.71%, 4.83% and 4% respectively, while use of gas increased by only 0.38%. The program demonstrated Eximbank's commitment to the environment protection.

(2) Holding Charitable Events to Improve Eximbank's Image and Fulfill Social Responsibility

Social care is an important part to Eximbank's business. In 2013, Eximbank donated secondhand books, clothing, and computers to rural children and disadvantaged groups. Eco-protection walks and litter pick-ups events were also held in the

year. Eximbank will continue to fulfill its corporate social responsibility in the long run.

4. Prospects

Eximbank will consistently improve the service quality and expand the service levels by responding to the financial trends, assisting the development of domestic industry, and continuing to review and develop business programs. Eximbank will also utilize the Executive Yuan's National Development Fund to strengthen overseas investment loans, loans for machinery and equipment exports, and loans for green energy and industrial equipment exports. Following government economic policies, Eximbank will strengthen export loans, and expand export credit insurance incentives along with Bureau of Foreign Trade export credit insurance reserves plan. These steps will help enterprises open new global markets and advance export trade, thereby creating local job opportunities.



In order to increase international cooperation, Chairman of the Board of Directors of Eximbank, Rueen-Fong Chu, and Commissioner of the Hong Kong Export Credit Insurance Corporation, Ralph Lai, met at the 6th Regional Cooperation Group CEO Meeting of Berne Union in Xi'an, China, where they signed a cooperation memorandum. (July 2013)



V Financial Statements

1. Balance Sheets

TWD Thousand

Item	Notes	December 31, 2013		December 31, 2012		January 1, 2011	
		Amount	%	Amount	%	Amount	%
Assets							
Cash and Cash Equivalents	Note 6 (1)	40,254	0.04	394,016	0.42	71,436	0.08
Due from the Central Bank and Call Loans to Other Banks	Note 6 (2)	34,137	0.03	73,050	0.08	151,897	0.16
Financial Assets at Fair Value through Profit or Loss	Note 6 (3)	93,668	0.10	191,335	0.20	299,555	0.32
Receivables – Net	Note 6 (4)	419,002	0.43	575,741	0.61	796,328	0.86
Loans and Discounts – Net	Note 6 (5)	89,658,039	91.60	89,848,616	95.39	87,855,973	95.40
Held-to-Maturity Financial Assets – Net		6,800,000	6.95	2,300,000	2.44	2,100,000	2.28
Other Financial Assets – Net	Note 6 (6)	253,621	0.26	215,063	0.23	236,046	0.26
Property and Equipment – Net	Note 6 (7)	475,847	0.49	485,024	0.52	495,608	0.54
Intangible Assets–Net	Note 6 (8)	25,386	0.02	31,629	0.03	25,068	0.03
Deferred Income Tax Assets– Net		49,300	0.05	49,160	0.05	36,850	0.04
Other Assets – Net	Note 6 (9)	28,179	0.03	31,672	0.03	25,360	0.03
Total Assets		97,877,433	100.00	94,195,306	100.00	92,094,121	100.00
Liabilities							
Due to the Central Bank and Other Banks		34,263,864	35.01	28,983,095	30.77	23,526,637	25.54
Borrowed Funds from the Central Bank and Other Banks	Note 6 (10)	15,701,382	16.04	17,126,680	18.18	18,777,587	20.39

Item	Notes	December 31, 2013		December 31, 2012		January 1, 2011	
		Amount	%	Amount	%	Amount	%
Financial Liabilities at Fair Value through Profit or Loss	Note 6 (11)	5,801,950	5.93	5,893,825	6.26	7,256,471	7.88
Payables	Note 6 (12)	520,991	0.53	646,000	0.68	635,582	0.69
Current Period Income Tax Liabilities		28,594	0.03	26,456	0.03	33,675	0.04
Financial Debentures Payable	Note 6 (13)	7,999,698	8.17	9,999,420	10.62	8,750,000	9.50
Other Financial Liabilities	Note 6 (14)	12,395,245	12.67	10,825,058	11.49	12,350,544	13.41
Provisions	Note 6 (15)	658,124	0.67	543,166	0.58	457,817	0.50
Deferred Income Tax Liabilities		42,016	0.04	41,379	0.04	41,379	0.04
Other Liabilities	Note 6 (16)	1,349,325	1.38	1,360,270	1.44	1,453,212	1.58
Total Liabilities		78,761,189	80.47	75,445,349	80.09	73,282,904	79.57
Equity							
Capital		12,000,000	12.26	12,000,000	12.74	12,000,000	13.03
Retained Earnings							
Legal Reserve		6,207,173	6.34	6,051,414	6.43	5,880,068	6.39
Special Reserve		1,046,917	1.07	972,246	1.03	931,149	1.01
Other Equity		-137,846	-0.14	-273,703	-0.29	-	-
Total Equity		19,116,244	19.53	18,749,957	19.91	18,811,217	20.43
Total Liabilities and Equity		97,877,433	100.00	94,195,306	100.00	92,094,121	100.00

Note: The final accounts of 2013 are still subject to audit. The 2012 accounts have been recognized by the Ministry of Audit, ROC and are in accordance with adjustments under IFRSs.



In order to fulfill corporate responsibility objectives, President Shui-Yung Lin led employees and family members on a trash clean-up activity at Bali's Left Bank. (October 2013)

2. Comprehensive Income Statements

TWD Thousand

Item	Notes	January 1, 2013 – December 31, 2013		January 1, 2012 – December 31, 2012		Percentage Change (%)
		Amount	%	Amount	%	
Interest Revenue		1,388,680	123.29	1,413,012	131.77	-1.72
Minus: Interest Expenses		350,141	31.09	420,693	39.23	-16.77
Net Interest Income		1,038,539	92.21	992,319	92.54	4.66
Non-Interest Income						
Net Fees and Commissions	Note 6 (17)	28,970	2.57	23,251	2.17	24.60
Gains (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss	Note 6 (18)	-53,481	-4.75	-55,899	-5.21	4.33
Foreign Exchange Gains (Losses)		16,957	1.51	-2,303	-0.21	836.30
Net Export Credit Insurance Income	Note 6 (19)	124,451	11.05	149,266	13.92	-16.62
Other Non-Interest Income	Note 6 (20)	-29,103	-2.58	-34,334	-3.20	15.24
Net Operating Income		1,126,333	100.00	1,072,300	100.00	5.04
Bad Debt Expense and Provision of Reserves for Guaranteed Liability	Note 6 (21)	233,041	20.69	173,851	16.21	34.05
Operating Expenses						
Employee Benefits Expenses		344,757	30.61	342,396	31.93	0.69
Depreciation and Amortization		23,409	2.08	25,372	2.37	-7.74
Other Business and Administrative Expenses		102,097	9.06	92,795	8.65	10.02
Net Income Before Tax		423,029	37.56	437,886	40.84	-3.39
Income Tax		-33,631	-2.99	-24,878	-2.32	-35.18
Net Income		389,398	34.57	413,008	38.52	-5.72
Other Comprehensive Income						
Exchange Differences Caused by Translation of Financial Statements of Offshore Branches		135,857	12.06	-273,703	-25.52	149.64
Actuarial Gains and Losses of Defined Benefit Plans		237	0.02	-33,202	-3.10	100.71
Other Comprehensive Income (After Tax)		136,094	12.08	-306,905	-28.62	144.34
Total Comprehensive Income		525,492	46.66	106,103	9.89	395.27
Earnings per Share		0.32		0.34		
Basic and Diluted		0.32		0.34		

Note: 1. The final accounts of 2013 are still subject to audit. The 2012 accounts have been recognized by the Ministry of Audit, ROC and are in accordance with adjustments under IFRSs.

2. Eximbank is a non-company entity. For ease of analysis, the number of shares are calculated based on a hypothetical value of TWD10 per share. Earnings per share are denominated in New Taiwan Dollars.

3. Statements of Cash Flows

TWD Thousand

Item	January 1, 2013 – December 31, 2013		January 1, 2012 – December 31, 2012	
	Subtotal	Total	Subtotal	Total
Cash Flows from Operating Activities:				
Continuing Operations Income (Loss) Before Tax		423,029		437,886
Net Income (Net Loss) Before Tax		423,029		437,886
Adjustments		4,846,351		2,552,014
Income and Losses with No Impact on Cash Flow		-592,795		-589,692
Bad Debt Expenses and Provision of Reserves for Guaranteed Liability	250,002		209,705	
Depreciation	13,738		15,924	
Amortization	9,670		9,448	
Interest Income	-1,388,680		-1,413,012	
Interest Expenses	503,341		586,916	
Losses (Gains) on Disposal of Assets	278		-12,777	
Loss on Assets Impairment (Gains on Reversal)			-793	
Other Adjustments	18,856		14,897	
Assets/Liability Changes Related to Operating Activities		5,439,146		3,141,706
(Increase) Decrease in Loans and Discounts	92,536		-2,480,480	
(Increase) Decrease in Receivables	148,262		201,529	
(Increase) Decrease in Financial Assets at Fair Value through Profit or Loss	97,667		108,220	
(Increase) Decrease in Other Assets	2,368		-6,236	
Increase (Decrease) in Due to the Central Bank and Other Banks	5,280,769		5,456,458	
Increase (Decrease) in Payables	-92,756		-26,832	
Increase (Decrease) in Financial Liabilities at Fair Value through Profit or Loss	-91,875		-112,646	
Increase (Decrease) in Other Liabilities	2,175		1,693	
Paid Interest		-511,034		-578,523
Collected Interest		1,394,195		1,409,576
Paid Income Tax		-30,995		-37,510
Net Cash Provided by (Used in) Operating Activities		6,121,546		3,783,443

Item	January 1, 2013 – December 31, 2013		January 1, 2012 – December 31, 2012	
	Subtotal	Total	Subtotal	Total
Cash Flows from Investing Activities				
Purchase of Property and Equipment	-4,840		-6,245	
Sale of Property and Equipment	2		4	
Decrease (Increase) in Other Financial Assets	12,500		40,217	
Decrease (Increase) in Other Assets	-2,302		-16,085	
Collected Dividends	18,927		19,346	
Net Cash Provided by (Used in) Investing Activities		24,287		37,237
Cash Flows from Financing Activities:				
Increase (Decrease) in Borrowed Funds from the Central Bank and Other Banks	-1,425,298		-1,650,907	
Increase (Decrease) in Financial Debentures Payable	-2,000,000		1,250,000	
Increase (Decrease) in Other Financial Liabilities	1,570,187		-2,775,694	
Increase (Decrease) in Other Liabilities	-13,120		-94,635	
Cash Dividends	-183,487		-105,498	
Net Cash Provided by (Used in) Financing Activities		-2,051,718		-3,376,734
Effect of Changes in Foreign Exchange Rates on Cash and Cash Equivalents		13,210		-213
Increase (Decrease) in Cash and Cash Equivalents		4,107,325		443,733
Cash and Cash Equivalents at the Beginning of the Period		2,767,066		2,323,333
Cash and Cash Equivalents at the End of the Period		6,874,391		2,767,066
Composition of Cash and Cash Equivalents:				
Cash and Cash Equivalents Listed on the Balance Sheet		40,254		394,016
Due from the Central Bank and Call Loans to Other Banks Satisfying the Definition of Cash and Cash Equivalents in IAS 7		34,137		73,050
Securities Sold Under Agreements to Repurchase Satisfying the Definition of Cash and Cash Equivalents in IAS 7		6,800,000		2,300,000
Cash and Cash Equivalents at the End of the Period		6,874,391		2,767,066

4. Statements of Changes in Equity

January 1 – December 31, 2012 and 2013

TWD Thousand

Item	Attributable to Owners of the Controlling Entity					Total
	Capital	Retained Earnings			Other Equity	
		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Caused by Translation of Financial Statements of Offshore Branches	
Balance, January 1, 2012	12,000,000	5,880,068	931,149			18,811,217
Provision for Legal Reserve		171,346		-171,346		
Provision for Special Reserve			89,560	-89,560		
Cash Dividends Appropriated				-167,460		-167,460
Net Income for FY 2012				413,008		413,008
Other Comprehensive Income for FY2012				-33,202	-273,703	-306,905
First Time Adoption of IFRSs Adjustments			-48,463	48,560		97
Balance, December 31, 2012	12,000,000	6,051,414	972,246		-273,703	18,749,957
Provision for Legal Reserve		155,759		-155,759		
Provision for Special Reserve			74,671	-74,671		
Cash Dividends Appropriated				-159,205		-159,205
Net Income for FY 2013				389,398		389,398
Other Comprehensive Income for FY 2013				237	135,857	136,094
Balance, December 31, 2013	12,000,000	6,207,173	1,046,917		-137,846	19,116,244

5. Financial Analysis

TWD Thousand;%

FY		FY 2013	FY 2012
Item			
Operating Ability	Non-Performing Loan Ratio	0.28	0.12
	Ratio of Interest Income to Annual Average Loans	1.43	1.52
	Total Asset Turnover (Times)	1.17	1.15
	Average Operating Income per Employee	5,576	5,362
	Average Profit per Employee	1,928	2,065
Profitability	Return on Tier 1 Capital	2.35%	2.43%
	Return on Assets	0.41%	0.44%
	Return on Equity	2.06%	2.20%
	Net Income to Net Operating Income	34.57%	38.52%
	Earnings per Share (TWD)	0.32	0.34
Financial Structure	Ratio of Liabilities to Assets	80.47%	80.09%
	Ratio of Property and Equipment to Equity	2.49%	2.59%
Growth Rate	Asset Growth Rate	3.91%	2.28%
	Profit Growth Rate	-3.39%	
Cash Flow	Cash Flow Ratio	15.08%	10.65%
	Cash Flow Adequacy Ratio	3,300.89%	3,385.84%
	Cash Flow Sufficiency Ratio	25,205.03%	10,160.44%
Liquid Reserve Ratio		57.10%	26.20%
Operating Scale	Market Share of Assets	0.25%	0.26%
	Market Share of Net Worth	0.73%	0.76%
	Market Share of Loans	0.38%	0.41%

Analysis of Major Financial Ratio Changes Over the Past Two Fiscal Years:

1. The increase in non-performing loan ratio in 2013 was attributed to increase of overdue loans.
2. The increases in asset growth rate and liquid reserve ratio in 2013 were attributed to increase Eximbank's high-quality liquid assets in order to raise its liquidity coverage ratio. The increase of Central Bank negotiable certificates of deposit and held-to-maturity financial assets resulted in increase of asset and liquid reserve.
3. The increases in cash flow ratio and cash flow sufficiency ratio were attributed to relatively small increases in discounts and loans, which led to an increase in net cash provided by operating activities.

Note 1: Eximbank adopted IFRSs for compilation of its financial reports from 2013. The final accounts of 2013 are subject to audit while the 2012 accounts have been recognized by the Ministry of Audit, ROC and are in accordance with adjustments under IFRSs. Profit growth rate for 2012 is not listed because the profit growth in 2011 was calculated in accordance with ROC GAAP.

Note 2: 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 for Extended Credit / Annual Average Loans
- (3) Total Assets Turnover = Net Operating Income / Average Total Assets
- (4) Average Operating Income per Employee (Note 5) = 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 Attributable to Owners of the Controlling Entity – Dividends from Preferred Stocks) / Weighted Average Outstanding Shares (Note 4)

3. Financial Structure

- (1) Ratio of Liabilities to Total Assets = Total Liabilities / Total Assets
- (2) Ratio of Property and Equipment to Equity = Net Property and Equipment / Net Equity

4. Growth Rates

- (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 6)

- (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 = 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 (Note 7)
- (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 3: Liabilities exclude guarantee reserve and reserve for accident losses.

Note 4: Eximbank is a non-company entity. For ease of analysis, the number of shares is calculated based on a hypothetical value of TWD10 per share.

Note 5: Net operating income refers to the sum of interest income and non-interest income.

Note 6: 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.
- 4. Gross property and equipment refer to total property and equipment before the deduction of accumulated depreciation.

Note 7: Financial institutions handling deposits and loans include domestic banks, the local branches of foreign banks, credit cooperatives, and credit departments of farmers' and fishermen's associations.

6. Capital Adequacy

TWD Thousand, %

Item			Year	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009
Self-Owned Capital	Common Equity			17,999,514	18,017,580	18,085,105	17,781,872	18,235,828
	Additional Tier 1 Capital			-	-	-	-	-
	Tier 2 Capital			785,280	914,288	920,629	829,959	796,086
	Self-Owned Capital			18,784,794	18,931,868	19,005,734	18,611,831	19,031,914
Total Risk-Weighted Assets	Credit Risk	Standardized Approach		67,883,097	63,799,357	64,202,929	56,581,768	56,104,367
		Internal Ratings-Based Approach		-	-	-	-	-
		Assets Securitization		-	-	-	-	-
	Operational Risk	The Basic Indicator Approach		1,767,197	1,723,700	1,922,263	2,100,299	2,093,792
		The Standardized Approach / The Alternative Standardized Approach		-	-	-	-	-
		Advanced Measurement Approach		-	-	-	-	-
	Market Risk	Standardized Approach		17,564	116,690	21,795	211,373	83,212
		Internal Models Approach		-	-	-	-	-
	Total Risk-Weighted Assets			69,667,858	65,639,747	66,146,987	58,893,440	58,281,371
	Capital Adequacy Ratio				26.96%	28.84%	28.73%	31.60%
Tier 1 Risk-Based Capital Ratio				25.84%	27.45%	27.34%	30.19%	31.29%
Common Equity to Risk-Based Capital Ratio				25.84%	27.45%	27.34%	30.19%	31.29%
Leverage Ratio				16.37%	19.35%	20.31%	20.56%	21.21%

Note 1: Under the Ministry of Finance Circular Tai-Tsai-Rong (2) 89774873, Eximbank's balance sheets, income statements, statements of changes in equity, and statements of cash flows are exempt from verification by a certified public accountant.

Note 2: Self-owned capital, total risk-weighted assets, and exposure measurement were calculated in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and related instructions for capital adequacy calculations.

Note 3: The following financial formulae were used in calculation of this table:

- (1) Self-Owned Capital = Common Equity + Additional Tier 1 Capital + Tier 2 Capital
- (2) Total Risk-Weighted Assets = Credit-Risk-Weighted Assets + Capital Charge of (Operational Risk + Market Risk) x 12.5
- (3) Capital Adequacy Ratio = Self-Owned Capital / Total Risk-Weighted Assets
- (4) Tier 1 Risk-Based Capital Ratio = (Common Equity + Additional Tier 1 Capital) / Total Risk-Weighted Assets
- (5) Common Equity to Risk-Based Capital Ratio = Common Equity / Total Risk-Weighted Assets
- (6) Leverage Ratio = Total Tier 1 Capital / Exposure Measurement

7. Notes to Financial Statements

Note I. Summary of significant accounting policies and measurement bases:

I. Declaration of Compliance

Eximbank is a state-owned enterprise. Eximbank's financial statements are prepared based on Eximbank's accounting policies made in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks announced by the competent authority, the International Financial Reporting Standards, international accounting standards, explanations/interpretations approved by the FSC (Financial Supervisory Commission), and the Budget Act, the Financial Statement Act and the Accounting Act.

II. Preparation Base

1. Measurement Bases

Except for the gains and losses at fair values of financial instruments (including derivative financial instruments), Eximbank's financial statement are based on historical costs.

2. Functional Currency and Presentation Currency

The functional currency of any operational office of Eximbank is the primary currency of the economy where the office is located. The functional currencies of Eximbank's domestic operational institutions and offshore banking units are TWD and USD respectively. The presentation currency of this financial statement is TWD.

III. Foreign Currency Transactions

1. Foreign Currency Transactions

Foreign currency transactions are recorded in the original currencies used. Income or expenses arising from foreign currency transactions are converted to functional currencies at the closing exchange rates on the day or at the end of the month in which the transactions occur.

Foreign currency assets and liabilities held by Eximbank are monetary items, the values of which may be adjusted subject to the closing foreign exchange rates on the balance sheet date, and exchange differences will be recorded under current gains and losses.

2. Translation of foreign currency financial statement

The functional currency of Eximbank's OBUs (offshore banking units) is USD. The assets and liabilities stated as part of the OBUs' financial status and operational results are converted to the presentation currency at the closing foreign exchange rates on the balance sheet date, while the gains and losses are converted to the presentation currency at the average exchange rates in the current period. All exchange differences arising from conversions are recorded as other comprehensive income. Exchange differences arising from translation of the net investment in foreign operations are recorded as other comprehensive income in Eximbank's financial statement.



Finance Minister Chang-Ford Chang (4th right) presented the 2013 award for "Excellent performance by financial institutions in export insurance referral." (February 2014)

IV. Financial Instruments

Financial assets and financial liabilities are recorded as at the time when Eximbank enters into an agreement on a financial instrument.

1. Financial Assets

Financial assets are initially recognized at fair value. Those that are not measured at fair value through profit or loss are estimated at the transaction cost directly attributable to the obtaining of the financial asset. The subsequent value estimation is based on fair value or amortized cost.

(1) Financial Assets at Fair Value Through Profit or Loss

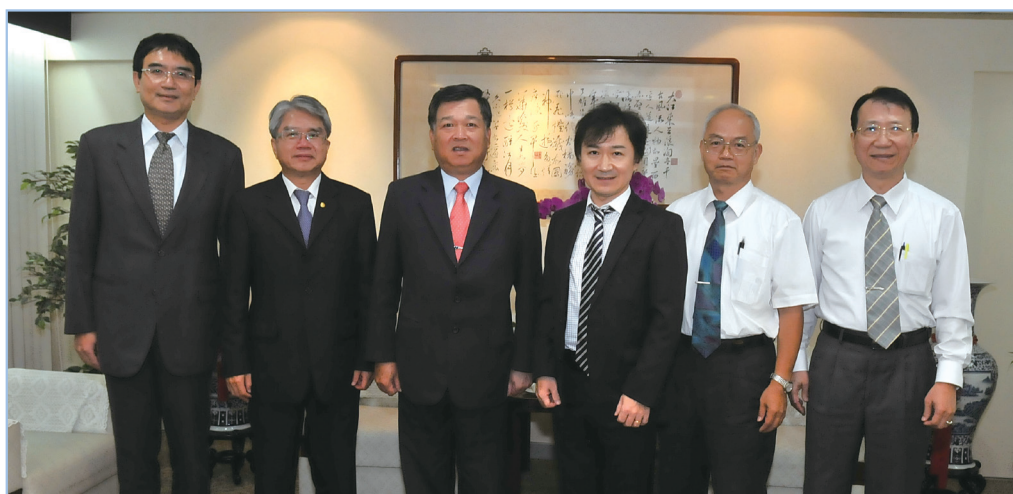
Financial assets that are measured at fair value through profit or loss include financial assets held for trading and those that are classified at initial recognition as assets measured at fair value through profit or loss.

These assets are re-measured at fair value subsequently and the changes in the fair value are recognized in gains or losses of the current period.

Derivatives that do not meet the criteria for hedge accounting are classified as financial assets or financial liabilities held for trading, and are initially recognized and subsequently measured at fair value. When the fair value is positive, the derivative is recognized as a financial asset; when the fair value is negative, the derivative is recognized as a financial liability.

(2) Held-to-maturity Financial Assets

Non-derivative financial assets with fixed/determinable payments and fixed maturities that Eximbank has a positive intention and ability to hold to maturity are categorized as held-to-maturity financial assets.



Chief Representative of Singapore Representative Office of the Japan Bank for International Cooperation, Fumitaka Machida, visited Eximbank on a mission to boost bilateral trade exchanges. (August 2013)

(3) Loans and receivables

Loans and receivables include those that are bank-originated and those that are non-bank-originated. Bank-originated loans and receivables refer to those that are generated when Eximbank provides money, goods or services to the debtors. Non-bank-originated loans and receivables refer to all the loans and receivables that are not originated by Eximbank. The initially recognized fair value (generally the transaction price), major transaction costs, major paid or received fees, discounts and premium of loans and receivables are considered for accounting and subsequently measured based on the effective interest method in accordance with relevant regulations. However, according to Paragraphs 7 and 10 of Article 10 of the Regulations Governing the Preparation of Financial Reports by Public Banks, loans and receivables that have minimal effect on

discounting can be measured at the original amount.

(4) Financial Assets Carried at Cost

Investments on equity instruments whose fair value cannot be reliably measured are estimated at their original cost initially recognized. If there is objective evidence indicating that a financial asset is impaired, a loss is recognized. Subsequent reversal of such impairment loss is not allowed.

(5) Impairment of Financial Assets

a. At the end of each reporting date, Eximbank conducts an evaluation to determine whether any objective evidence exists which would indicate that an asset may have been impaired. If such evidence is found, an impairment loss is recognized. The amount of impairment loss is the difference between the book value of the financial asset and the estimated present



value based on future cash flow discounted with the original effective interest rate. In cases where there is no objective evidence of impairment for an individually assessed financial asset, losses are estimated based on a collective assessment of assets with similar credit risk characteristics. Estimated future cash flows of portfolios, including estimated consolidated losses, are based on the historical losses of each portfolio.

- b. The book value of financial assets is reduced by the allowance account. The amount of impairment loss is recognized as the profit or loss of the current period. When determining the amount of impairment loss, the estimate of expected future cash flow includes the recoverable amount from collateral and related insurance.
- c. Debt which is confirmed to be uncollectible is written off upon approval by the Board of Directors. Bad debt already written off that is collected in part or full should be reflected in the allowance for doubtful accounts.
- d. If the amount of impairment loss decreases in the subsequent period, and the respective reduction is related to incidents after the loss was recognized (i.e. improvement of credit ratings of the debtor), then previously recognized impairment losses will be adjusted by reversing the allowance account. Such reversal shall not cause the carrying value of the financial asset to be greater than

the amortized cost as if the loss was not recognized. The reversal amount shall be recognized as profit or loss of the current period.

(6) Derecognizing Financial Assets

A financial asset is derecognized when Eximbank's contractual right to the cash flows of the financial asset have expired or are transferred through transactions where nearly all the risks and rewards of the ownership (of the financial asset) are also transferred.

2. Financial Liabilities

Financial liabilities held by Eximbank include those that are carried at fair value through profit and those that are carried at amortized cost.

(1) Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities held for trading and those that are classified at initial recognition as liabilities measured at fair value through profit or loss are included in this category. Financial liabilities that are classified at initial recognition as liabilities measured at fair value through profit or loss are irrevocable.

Valuation gains/losses incurred on the balance sheet date and the relevant interest and fees of financial liabilities at fair value through profit or loss are recognized in the comprehensive income statement under the item, "gains or losses of financial assets and financial liabilities at fair value through profit or loss".

- (2) Financial liabilities measured at amortized cost

Financial liabilities that are not classified as "financial liabilities at fair value through profit or loss" are measured at amortized cost. Interbank deposits, accounts payables, due from the Central Bank and call loans to other banks and debt securities issued that are not classified as financial liabilities at fair value through profit or loss are also of this category.

- (3) Derecognizing Financial Liabilities

Financial liabilities are derecognized when Eximbank's contractual obligations are fulfilled, canceled, or expired.

V. Real Estate Property and Equipment

1. Eximbank's real estate properties and equipment are stated at historic cost less accumulated depreciation. Historic cost includes all expenses directly attributable to acquisition of the assets.
2. Land is not affected by depreciation. Depreciation of other assets is computed using the straight-line method over service life to derive the residual value. Estimated service life, residual value, and depreciation methods are reviewed at the end of the reporting period. Any changes in estimates will be applied prospectively.

3. Gains or losses incurred at sale or disposal of real estate properties and equipment are measured as the difference between disposal price and book value of assets and are recorded in Gains or Losses.

VI. Intangible Assets

Eximbank's intangible asset is all computer software, which is recognized at cost. Amortization of intangible assets is computed using the straight-line method over the economic service life, with a maximum estimated service life of five years. Subsequent measurements are based on the cost model Eximbank applies. Residual value, amortization periods and amortization methods are reviewed at the end of the reporting period, and any changes in estimates will be applied prospectively.

VII. Non-financial Asset Impairment

In accordance with IAS No. 36 "Impairment of Assets", when there is any indication that an asset may be impaired, Eximbank will evaluate the asset or its cash generating unit. An impairment loss is recognized when the recoverable amount (the higher of the fair market value or the value in use) is found to be less than the book value. On the end date of reporting, if the evaluation produces evidence indicating the recognized impairment loss of an asset in the prior year no longer exists or has reduced, the recoverable amount should

be re-measured. Reversal of impairment loss is recognized when the recoverable amount of the asset has increased. However, the book value after the reversal should not exceed the depreciated or amortized book value of the asset assuming no impairment loss was recognized.

VIII. Allowance for bad debt and guarantee reserve

1. Loans

In accordance with the definition of impairment loss of loans and accounts receivables stated in IAS No. 39, the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans announced by the FSC, and Eximbank's Guidelines for Asset Evaluation and Loss Reserve, Eximbank evaluates debtors' collateral, length of time overdue and allocates an appropriate allowance for bad debt on the balance sheet date according to which of the two is the higher at the time.

2. Guarantee reserve

Eximbank's guarantee business focuses mainly on performance obligations, which are not classified as financial guarantee contracts. Therefore, reserve for guarantees is allocated as 0.5% in accordance with IAS No. 37 and the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans released by the FSC.

IX. Export Credit Insurance Related Reserve

1. Unearned premium reserve and claims reserve: Eximbank allocates a reserve in accordance with the "Regulations Governing Insurance Reserves" released by the competent authority and other relevant regulations.
2. Liability adequacy reserve: In accordance with IFRS No. 4, Eximbank carries out liability adequacy tests annually, and will allocate an additional reserve to make up for any insufficiencies found in the test.

X. Employee Benefits

1. Short-term employee benefits

Undiscounted payment for short-term employee benefits during their service period are expensed as incurred.

2. Retirement benefits

- (1) Pensions: For employees covered by the old labor pension scheme, Eximbank annually calculates the actuarial net pension costs in accordance with the Regulations for the Allocation and Management of Workers' Retirement Reserve Funds and IAS No. 19, and recognizes the costs under the item "pension or resignation pay". Meanwhile, Eximbank makes contributions (calculated as total payroll of the year times actuarial contribution ratio) to Eximbank's "Pension Fund Supervisory Commission" for the use of staff and the designated account in the Bank of Taiwan, "Pension Fund Supervisory

Commission", for the use of workers and security personnel. For employees covered by the new labor pension scheme, Eximbank makes contributions (6% of the employees' salary) to the employees' individual pension accounts at the Bureau of Labor Insurance, and recognizes the contribution costs under the item "Employee and Worker Pension Fund and Resignation Pay".

- (2) In accordance with IAS No. 19, Eximbank calculates the actuarial net pension costs and recognizes the costs under the item "Retirement Benefit Payments".
- (3) Eximbank recognizes pension liabilities on the balance sheet after calculating the actuarial present value of defined benefit obligations less the fair value of the pension fund and adjusts for unrecognized net gains and losses of pension and the net amount after recognizing service costs in the prior period. The defined benefit obligations are measured annually by actuaries applying the Projected Unit Credit Method. The actuarial present value of defined benefit obligations are the discounted amount of estimated future cash flows calculated by actuaries, taking into consideration the currency of the retirement benefit obligations and the yields of high-quality corporate bonds with same maturity dates.
- (4) Actuarial gains or losses are recognized as incurred as other comprehensive income. Service costs from the prior period are recognized as current gains and losses, except for cases where changes to the

pension plan are subject to whether employees continue to provide services in a particular period (vested period) and therefore the costs are amortized during the vested period using the straight-line method.

3. Employee Preferential Deposit

- (1) Eximbank provides employee preferential deposits, including fixed amount preferential deposits for employees in-service and fixed amount preferential retirement deposits for retired and in-service employees. The excess interest of these preferential deposits forms part of employee benefits.
- (2) The excess interest Eximbank pays to the preferential deposits for employees in-service is calculated on an accrual basis monthly and recognized as "interest of preferential deposit" of "Non-operating expenses". According to Article 28 of the Regulations Governing the Preparation of Financial Reports by Public Banks, the excess interest paid to the preferential retirement deposits apply to the provisions on confirmed benefit programs of IAS No. 19. The actuarial estimations regarding the mentioned benefit program are in accordance with the competent authority's regulations. However, the reported values of the program are estimated. Therefore, in future cases where the amounts Eximbank pays are different from the estimated value of retirement benefit obligations, the difference is viewed as changes in accounting estimates and will be recognized in gains and losses in the year when the changes occur.



President Shui-Yung Lin hosted a forum on assisting the yacht industry in expansion of overseas business opportunities. In attendance were industry, government and academia representatives. (December 2013)

XI. Recognizing income and expenses

1. Interest revenue and expenses

Except for financial instruments that are classified as "financial instruments at fair value through profit or loss", all the interest revenue and expenses generated by interest-bearing financial instruments are calculated using the effective interest method and are recognized as "interest revenue" or "interest expenses" in the comprehensive income statement.

2. Fee income

Fee income is recognized upon completion of services. Eximbank's guarantee fee is on an accrual basis and is recognized during the period when the services are provided.

3. Dividend income

Cash dividend income is recognized when Eximbank's right to collect the payment is established.

XII. Income tax

1. Current income tax

Payable (receivable) tax payment is calculated in accordance with the tax regulations announced by the government and is recognized as income or expenses included in the current gains or losses. However, for transactions or items recognized directly in "other comprehensive income" or as equity, their associated current income taxes should be also recognized in "other comprehensive income" or as equity.

2. Deferred income tax

Deferred tax assets and liabilities are measured based on the estimated tax rates at the time when the assets are realized or the tax rates during the payment period of the liabilities. Calculation of tax rates should be based on the tax rates which have been legalized or substantially legalized on the balance sheet date. Temporary differences between the carrying amounts and tax basis of

assets and liabilities in the balance sheet are calculated using the balance sheet approach and recognized as deferred tax. The temporary differences are mainly due to the unrealized value of certain financial instruments (including derivatives), reserve and deferring of pensions and other retirement benefits. The deferred tax arising from assets and liabilities that are initially recognized as assets or liabilities will not be recognized if the transactions do not affect the accounted profit or taxable income (loss) and are not caused by corporate mergers.

Deductible temporary differences that are likely to offset taxable income are recognized as deferred income tax assets.

Income tax of items recognized (by Eximbank) as other comprehensive income is also recognized as other comprehensive income.

Note 2. Source of significant accounting judgments and estimation uncertainty

I. Impairment losses on loans

Eximbank estimates monthly possible impairment on loans and receivables and determines if the items should be recognized as loss mainly based on observable evidence of possible impairment. The evidence may include observable data indicating adverse changes in the payment status of the borrower or national/economic reasons relating to the default in payments. The management's analysis of expected cash flows is based on past experiences of losses on assets with similar credit risk characteristics. Eximbank monthly reviews the method and assumptions of expected cash flows and the timing in order to reduce the difference between the estimated and the actual amount of losses.



Vice President of Business Unity South Africa, Mlungisi Clive Manci, visited Eximbank on a mission to boost bilateral trade cooperation. (August 2013)



II. Fair value of financial instruments

When an active market or quote is unavailable for a financial instrument, its fair value is determined using valuation techniques. In this case, the fair value is estimated based on observable data or patterns of similar financial instruments. When there is no observable market parameters, the fair value of the financial instruments is estimated based on appropriate assumptions. When determining the fair value using valuation models, all models should be adjusted to ensure that the results reflect the actual data and market price.

III. Income tax

The final amount of tax payments are determined through various transactions and calculations. Differences might emerge with some transactions and calculations due to differences between the definitions of the tax authorities and Eximbank, leading to differences between the final actual tax amount and the estimates. Eximbank recognizes the related income tax and deferred income tax items based on an estimation of whether an additional tax might be incurred due to the transaction or calculation. Differences between the final tax amount and the original amount recognized will affect the recognized income tax and deferred tax.

IV. Post-employment Benefits

1. The present value of retirement benefit obligations is based on actuarial calculations based on several assumptions. Any changes in these assumptions will affect the carrying value of retirement benefit obligations.
2. Assumptions used for determining the net pension cost (income) include discount rates. Eximbank determines the appropriate discount rates at the end of each year, and the rates are used to estimate the present value of future cash flows of retirement benefit obligation payments. To determine the appropriate discount rates, Eximbank considers the yields of high-quality corporate bonds or government bonds (in the same currency used to pay retirement benefits and with maturity in the same period of relevant pension liabilities).
3. In estimating the excess interest gained by retired employees via preferential deposits (of retirement benefit obligations), the actuarial assumptions are in accordance with Order Jin-Guan-Yin-Fa-Tze No. 10110000850 and applies the following principles: discount rate should be 4% or above, withdrawal rate of pension preferential deposit should be 1% or above, and the probability of changes in preferential deposit programs is assumed to be 50%. In future cases where the amounts paid are different from the estimated value of retirement benefit obligations, the difference is viewed as changes in accounting estimates and will be recognized in gains and losses of the year when the changes occur.



Note 3. Disclosure of Significant Commitments, Contingent Assets, and Contingent Liabilities

- (1) The following are not recognized on the balance sheet but are addressed in the footnotes: assets (liabilities) under trust, agency, and guarantee of TWD11,562 million, including guarantee receivables of TWD10,955 million, custodial collections receivables of TWD544 million, joint loans receivables (memo account) of TWD63 million, and collateral of TWD0.1 million.
- (2) No bills receivable (or payable).

- (3) Undisbursed loan commitments of TWD15,455 million.

Note 4. Financial Information of the Operating Segments

Eximbank's results of operating segments are periodically reviewed by the chief operating decision maker in order to develop policies regarding resource allocation and performance assessment. The information used is classified by the nature of the business activities in which it is engaged in accordance with the IFRS No.8 "Operating Segments." The reportable operating segments are the Credit Business Segment and the Export Credit Insurance Business Segment.

Financial Information of the Operating Segments Fiscal Years 2013 and 2012

TWD Thousand

	FY 2013			FY 2012		
	Credit Business	Export Credit Insurance Business	Total	Credit Business	Export Credit Insurance Business	Total
Net Interest Income	1,018,989	19,550	1,038,539	973,926	18,393	992,319
Non-Interest Income	-21,149	108,943	87,794	-46,335	126,316	79,981
Net Fees and Commissions	23,878	5,092	28,970	20,667	2,584	23,251
Gains (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss	-53,481		-53,481	-55,899		-55,899
Foreign Exchange Gains (Losses)	16,957		16,957	-2,303		-2,303
Net Export Credit Insurance Income		124,451	124,451		149,266	149,266
Other Non-Interest Income	-8,503	-20,600	-29,103	-8,800	-25,534	-34,334
Net Operating Income	997,840	128,493	1,126,333	927,591	144,709	1,072,300
Bad Debt Expense and Provision of Reserves for Guaranteed Liability	233,041		233,041	173,851		173,851
Operating Expenses	291,452	178,811	470,263	288,953	171,610	460,563
Net Income (Losses) Before Tax	473,347	-50,318	423,029	464,787	-26,901	437,886

Note: As Eximbank provides only the amount of loans and the export insurance business volume for the evaluation of assets and liabilities, evaluation of the assets is zero as per the 2010 Ji-Mi-Zi No.151 directive from the Accounting Research and Development Foundation interpretation.

Note 5: Pre-Disclosure of the Adoption of IFRSs 2012

1. January 1, 2012, Balance Sheet Adjustments

Unit: TWD Thousand

Generally Accepted Accounting Principles in ROC		Impact of IFRSs Adoption		IFRSs Approved by the FSC		Explanation
Item	Amount	Recognition and evaluation differences	Presentation Differences	Amount	Item	
Assets					Assets	
Cash and Cash Equivalents	71,436			71,436	Cash and Cash Equivalents	
Due from the Central Bank and Call Loans to Other Banks	151,897			151,897	Due from the Central Bank and Call Loans to Other Banks	
Financial Assets at Fair Value through Profit or Loss	299,555			299,555	Financial Assets at Fair Value through Profit or Loss	
Receivables – Net	796,328			796,328	Receivables – Net	
Loans and Discounts – Net	87,855,973			87,855,973	Loans and Discounts – Net	
Held-to-Maturity Financial Assets – Net	2,100,000			2,100,000	Held-to-Maturity Financial Assets – Net	
Other Financial Assets – Net	236,046			236,046	Other Financial Assets – Net	
Fixed Assets – Net	495,608			495,608	Property and Equipment – Net	
Intangible Assets – Net	25,068			25,068	Intangible Assets – Net	
		16,535	20,315	36,850	Deferred Income Tax Assets – Net	(1) 、(6)
Other Assets – Net	45,675		(20,315)	25,360	Other Assets – Net	(6)
Total Assets	92,077,586	16,535	-	92,094,121	Total Assets	
Liabilities					Liabilities	
Due to the Central Bank and Other Banks	23,526,637			23,526,637	Due to the Central Bank and Other Banks	
Borrowed Funds from the Central Bank and Other Banks	18,777,587			18,777,587	Borrowed Funds from the Central Bank and Other Banks	
Financial Liabilities at Fair Value through Profit or Loss	7,256,471			7,256,471	Financial Liabilities at Fair Value through Profit or Loss	
Payables	669,257		(33,675)	635,582	Payables	(6)
			33,675	33,675	Current Period Income Tax Liabilities	(6)
Financial Debentures Payable	8,750,000			8,750,000	Financial Debentures Payable	
Accrued Pension Liabilities	29,351		(29,351)			(5)
Other Financial Liabilities	12,350,544			12,350,544	Other Financial Liabilities	
		178,785	279,032	457,817	Provisions	(1) 、(5)
			41,379	41,379	Deferred Income Tax Liabilities	(6)

Generally Accepted Accounting Principles in ROC		Impact of IFRSs Adoption		IFRSs Approved by the FSC		Explanation
Item	Amount	Recognition and evaluation differences	Presentation Differences	Amount	Item	
Other Liabilities	2,422,732		(969,520)	1,453,212	Other Liabilities	(4)~(6)
Total Liabilities	73,782,579	178,785	(678,460)	73,282,904	Total Liabilities	
Equity					Equity	
Capital	12,000,000			12,000,000	Capital	
Retained Earnings	5,893,679	239,078	678,460	6,811,217	Retained Earnings	
Legal Reserve	5,880,068			5,880,068	Legal Reserve	
Special Reserve	13,611	239,078	678,460	931,149	Special Reserve	(1)~(4)
Other Equity	401,328	(401,328)				
Unrealized Revaluation Increments	145,041	(145,041)				(2)
Cumulative Translation Adjustments	256,287	(256,287)				(3)
Total Equity	18,295,007	(162,250)	678,460	18,811,217	Total Equity	
Total Liabilities and Equity	92,077,586	16,535	-	92,094,121	Total Liabilities and Equity	



In order to assist enterprises in the expansion of export markets and promote Eximbank's operations, President Shui-Yung Lin appeared on Unique TV for an exclusive interview. (January 2014)



Explanations for adjustments to January 1, 2012, balance sheet prepared in accordance with ROC GAAPs and IFRSs

(1) Adjustments to Eximbank's Obligations to Employee Benefits

According to the report prepared in accordance with IAS No. 19 by the actuary hired by Eximbank, Eximbank should set aside an employee benefits liability reserve of TWD178,785 thousand under liability reserve at the date of translation, indicate the estimated relevant income tax effects, and include a deferred income tax asset of TWD16,535 thousand in the statement and a reduction of TWD162,250 thousand of special reserve.

(2) Adjustment to Appreciation at Revaluation of Property and Equipment

Eximbank selected to apply for the exemption as stipulated in IFRS No. 1, based the deemed cost of the head office's land on the previous revaluation of the said land in accordance with ROC GAAPs, and reclassified the unrealized appreciation at revaluation of TWD145,041 thousand as special reserve. Total equity shall not change as a result of the said adjustment.

(3) Adjustment to Exchange Differences Caused by Translation of Financial Statements of Offshore Branches

Eximbank selected to apply for the exemption as stipulated in IFRS No.1. It reseted its cumulative translation adjustment on January

1, 2012, to zero and at the date of translation reclassified as special reserve cumulative translation adjustment of TWD256,287 thousand previously recognized under ROC GAAP. Total equity shall not change as a result of the said adjustment.

(4) Adjustment to Export Credit Insurance-Related Reserve

① At the date of translation, special claim reserve of TWD85,501 thousand of set aside and placed under other liabilities until the end of 2011 should be reclassified as special reserve under equity effective from 2013, in accordance with Article 8.4 of the Rules Governing the Setting Aside of Various Reserves by Insurance Enterprises announced by the Financial Supervisory Commission.

② As export credit insurance reserve set aside from the net export credit insurance income is an equalization provision, in accordance with the Jin-Guan-Pao No. 09902513540 directive issued on December 6, 2010, the aforementioned regulation shall be followed, with export credit insurance reserve of TWD592,959 thousand set aside and placed under other liabilities until the end of 2011 reclassified as special reserve under equity at the date of translation.

③ The above reduced liabilities by TWD678,460 thousand and increased equity by TWD678,460 thousand.

(5) Adjustment to Provisions

Guarantee liability reserve, unearned premium reserve, and claim reserve of TWD249,681 thousand originally placed under other liabilities were reclassified under provisions. Accrued pension liabilities of TWD29,351 thousand were reclassified as employee benefits liability reserve under liability reserve. Total liability were not change as a result of the said adjustment.

(6) Income Tax

Deferred income tax assets of TWD20,315 thousand originally placed under other assets were reclassified under deferred income tax assets. Tax payable of TWD33,675 thousand originally placed under payables

was reclassified under current period income tax liability. Estimated land value-added tax payable of TWD41,379 thousand originally placed under other liabilities were reclassified under deferred income tax liabilities. Total assets and total liabilities would not change as a result of the said adjustment.

(7) In summary, when compared with the balance sheet prepared in accordance with ROC GAAPs, the January 1, 2012, balance sheet prepared in accordance with IFRSs has an increased asset of TWD16,535 thousand, a decreased liability of TWD499,675 thousand, and an increased equity of TWD516,210 thousand.

2. December 31, 2012, Balance Sheet Adjustments

TWD Thousand

Generally Accepted Accounting Principles in ROC		Impact of IFRSs Adoption		IFRSs Approved by the FSC		Explanation
Item	Amount	Recognition and Evaluation Differences	Presentation Differences	Amount	Item	
Assets					Assets	
Cash and Cash Equivalents	394,016			394,016	Cash and Cash Equivalents	
Due from the Central Bank and Call Loans to Other Banks	73,050			73,050	Due from the Central Bank and Call Loans to Other Banks	
Financial Assets at Fair Value through Profit or Loss	191,335			191,335	Financial Assets at Fair Value through Profit or Loss	
Receivables – Net	575,741			575,741	Receivables – Net	
Loans and Discounts – Net	89,848,616			89,848,616	Loans and Discounts – Net	
Held-to-Maturity Financial Assets – Net	2,300,000			2,300,000	Held-to-Maturity Financial Assets – Net	
Other Financial Assets – Net	215,063			215,063	Other Financial Assets – Net	
Fixed Assets – Net	485,024			485,024	Property and Equipment – Net	
Intangible Assets – Net	31,629			31,629	Intangible Assets – Net	

Generally Accepted Accounting Principles in ROC		Impact of IFRSs Adoption		IFRSs Approved by the FSC		Explanation
Item	Amount	Recognition and Evaluation Differences	Presentation Differences	Amount	Item	
		25,823	23,337	49,160	Deferred Income Tax Assets – Net	(3) 、(4)
Other Assets – Net	55,009		(23,337)	31,672	Other Assets – Net	(4)
Total Assets	94,169,483	25,823	-	94,195,306	Total Assets	
Liabilities					Liabilities	
Due to the Central Bank and Other Banks	28,983,095			28,983,095	Due to the Central Bank and Other Banks	
Borrowed Funds from the Central Bank and Other Banks	17,126,680			17,126,680	Borrowed Funds from the Central Bank and Other Banks	
Financial Liabilities at Fair Value through Profit or Loss	5,893,825			5,893,825	Financial Liabilities at Fair Value through Profit or Loss	
Payables	673,555		(27,555)	646,000	Payables	(3) 、(4)
			26,456	26,456	Current Period Income Tax Liability	(4)
Financial Debentures Payable	9,999,420			9,999,420	Financial Debentures Payable	
Accrued Pension Liabilities	25,660		(25,660)			(8)
Other Financial Liabilities	10,825,058			10,825,058	Other Financial Liabilities	
		236,537	306,629	543,166	Provisions	(3) 、(8)
			41,379	41,379	Deferred Income Tax Liabilities	(4)
Other Liabilities	2,359,979		(999,709)	1,360,270	Other Liabilities	(4) 、(7) 、(8)
Total Liabilities	75,887,272	236,537	(678,460)	75,445,349	Total Liabilities	
Equity					Equity	
Capital	12,000,000			12,000,000	Capital	
Retained Earnings	6,154,586	190,614	678,460	7,023,660	Retained Earnings	
Legal Reserve	6,051,414			6,051,414	Legal Reserve	
Special Reserve	103,172	190,614	678,460	972,246	Special Reserve	(3)~(7)
Other Equity	127,625	(401,328)		-273,703	Other Equity	
Unrealized Revaluation Increments	145,041	(145,041)				(5)
Cumulative Translation Adjustments	-17,416	(256,287)		-273,703	Exchange Differences Caused by Translation of Financial Statements of Offshore Branches	(6)
Total Equity	18,282,211	(210,714)	678,460	18,749,957	Total Equity	
Total Liabilities and Equity	94,169,483	25,823		94,195,306	Total Liabilities and Equity	

3. 2012 Comprehensive Income Statements Adjustments

TWD Thousand

Generally Accepted Accounting Principles in ROC		Impact of IFRSs Adoption		IFRSs Approved by the FSC		Explanation
Item	Amount	Recognition and Evaluation Differences	Presentation Differences	Amount	Item	
Interest Revenue	1,413,012			1,413,012	Interest Revenue	
Minus: Interest Expenses	586,916		-166,223	420,693	Minus: Interest Expenses	(1)
Net Interest Income	826,096		166,223	992,319	Net Interest Income	
Non-Interest Income	304,314	-15,335	-208,998	79,981	Non-Interest Income	
Net Fees and Commissions	23,251			23,251	Net Fees and Commissions	
Gains (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss	110,324		-166,223	-55,899	Gains (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss	(1)
Foreign Exchange Gains (Losses)	-2,303			-2,303	Foreign Exchange Gains (Losses)	
Net Export Credit Insurance Income	149,266			149,266	Net Export Credit Insurance Income	
Other Non-Interest Income	23,776	-15,335	-42,775	-34,334	Other Non-Interest Income	(2) 、(3)
Net Operating Income	1,130,410	-15,335	-42,775	1,072,300	Net Operating Income	
Bad Debt Expenses	216,626		-42,775	173,851	Bad Debt Expense and Provision of Reserves for Guaranteed Liability	(2)
Operating Expenses	458,148	2,415		460,563	Operating Expenses	
Personnel Expenses	339,981	2,415		342,396	Employee Benefits Expenses	(3)
Depreciation and Amortization	25,372			25,372	Depreciation and Amortization	
Other Business and Administrative Expenses	92,795			92,795	Other Business and Administrative Expenses	
Net Income Before Tax	455,636	-17,750		437,886	Net Income Before Tax	
Income Tax (Expense)	-27,269	2,391		-24,878	Income Tax (Expense)	(4)
Net Income After Tax	428,367	-15,359	-	413,008	Net Income	
					Other Comprehensive Income	
				-273,703	Exchange Differences Caused by Translation of Financial Statements of Offshore Branches	(6)
				-33,202	Actuarial Gains and Losses of Defined Benefit Plans	(3)
				-306,905	Other Comprehensive Income (After Tax)	(3) 、(6)
				106,103	Total Comprehensive Income	

Explanations for adjustments to December 31, 2012, balance sheet and income statement prepared in accordance with ROC GAAPs and IFRSs

(1) Presentation of Gains (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss

In 2012, financial debentures in conjunction of swap transactions were previously designated by Eximbank as financial liabilities at fair value through profit or loss, with an interest expense of TWD166,223 thousand. They are now classified as losses on financial assets and liabilities at fair value through profit or loss. Total profit and loss will not change as a result of the reclassification.

(2) Presentation of Bad Debts of Previous Years That Were Collected

In 2012, collected bad debts of TWD42,775 thousand originally placed under other non-

interest profits/losses were presented as a reduction in bad debt expense and provision of reserves for guaranteed liability. Total profit and loss will not change as a result of the reclassification.

(3) Adjustments to Eximbank's Obligations to Employee Benefits

① For first-time IFRSS-applicable adjustments, refer to Note 1 to the aforementioned January 1, 2012, adjustments.

② According to the report prepared in accordance with IAS No. 19 by the actuary hired by Eximbank, Eximbank should, at the end of 2012, provide for an employee benefits liability reserve of TWD40,002 thousand under provisions. After indicating the estimated relevant income tax effects, TWD6,800 thousand of deferred income tax asset should be added, with the net amount of TWD33,202



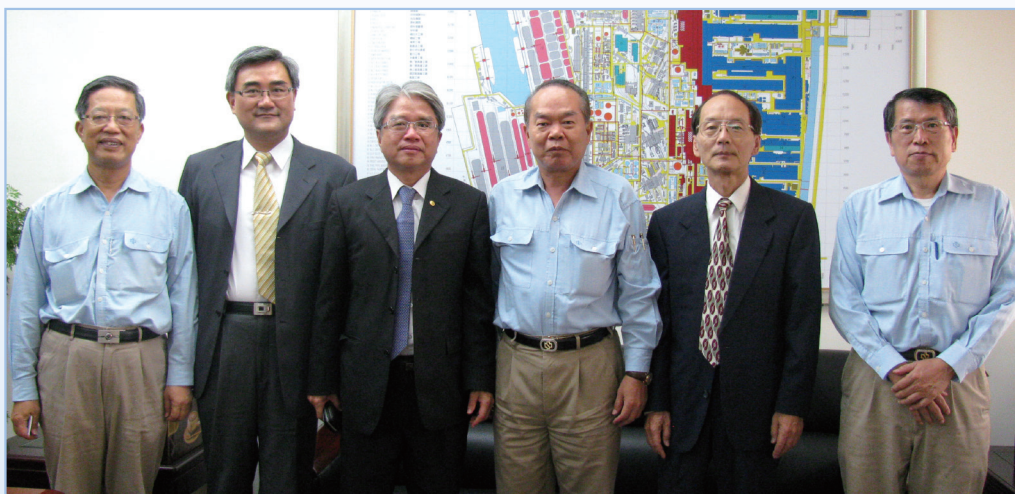
Eximbank demonstrated its commitment to social care by donating second-hand clothing and supplies to Taoyuan Fangzhou Education and Nursing Institution. (September 2013)

thousand recognized in 2012 as actuarial loss of defined benefit plans under other comprehensive income. Special reserve under retained earnings reduced accordingly.

- ③ The 2012 employee benefits expenses and other non-interest income recognized in the actuarial report prepared in accordance with IAS No. 19 by the actuary hired by Eximbank were increased by TWD2,415 thousand and decreased by TWD15,335 thousand, respectively. The above adjustments reduced 2012 net income before tax by TWD17,750 thousand, reduced equity by TWD17,750 thousand, reduced accrued expenses under payables by TWD1,099 thousand, and increased employee benefits liability reserve under liability reserve by TWD18,849 thousand.

(4) Income Tax

- ① Income Tax Expense in 2012: Net income before tax in 2012 was TWD17,750 thousand less than the year before. After deducting the deductible temporary difference, a deferred income tax asset was added with an income tax expense of TWD2,488 thousand reduced. An income tax expense and a special reserve of TWD97 thousand under retained earnings were added. As a result, income tax expense was TWD2,391 thousand less.
- ② Deferred Income Tax Assets: Deferred income tax assets of TWD23,337 thousand originally placed under other assets were reclassified under deferred income tax assets. A total of TWD49,160 thousand was obtained after adding the income tax effects of TWD23,335 thousand relevant to the employee welfare liability mentioned in (3). ① and ② above, and the income



President Shui-Yung Lin visited President of China Steel Corporation, Jyh-Yuh Sung. (July 2013)

tax effects TWD2,488 thousand of the deductible temporary difference mentioned in ① above.

③ Income Tax Payable: Income tax payable of TWD26,456 thousand originally placed under payables was reclassified under current period income tax liability.

④ Estimated Land Value-Added Tax Payable: Estimated land value-added tax payable of TWD41,379 thousand originally placed under other liabilities was reclassified under deferred income tax liabilities.

(5) Adjustment to Appreciation at Revaluation of Property and Equipment

In response primarily to first-time IFRSs-applicable adjustments, please refer to Note 2 to the aforementioned January 1, 2012, adjustments.

(6) Adjustment to Exchange Differences Caused by Translation of Financial Statements of Offshore Branches

① In response primarily to first-time IFRSs-applicable adjustments, please refer to Note 3 to the aforementioned January 1, 2012, adjustments.

② In accordance with IAS No. 1 "Presentation of Financial Statements," other comprehensive income was added to the income statements. The 2012 amount was TWD-273,703 thousand.

(7) Adjustment to Export Credit Insurance-Related Reserve

The purpose is to reclassify the liability which was designed as an equalization provision to special reserve under equity. Please refer to Note 4 to the aforementioned January 1, 2012, adjustments.

(8) Adjustment to Liability Reserve

Guarantee liability reserve, unearned premium reserve, and claim reserve of TWD279,870 thousand originally placed under other liabilities were reclassified under provisions. Accrued pension liabilities of TWD25,660 thousand was reclassified as employee benefits liability reserve under provisions.

(9) In summary, when compared with the income statements and balance sheets prepared at the end of 2012 in accordance with ROC GAAPs, those prepared in accordance with IFRSs have a net income that is TWD15,359 thousand less, with the special reserve under retained earnings reduced accordingly. In addition, assets were increased by TWD25,823 thousand, liabilities decreased by TWD441,923 thousand, and equity increased by TWD467,746 thousand.

Note 6. Details of Significant Accounts

1. Cash and Cash Equivalent

Item \ Date	December 31, 2013	December 31, 2012	January 1, 2012
Cash on Hand	9	9	9
Petty Cash & Revolving Funds	241	241	241
Checks for Clearance	110	125	702
Due from Banks	39,894	393,641	70,484
Total	40,254	394,016	71,436

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

Item \ Date	December 31, 2013	December 31, 2012	January 1, 2012
Call Loans to Other Banks	0	67,485	57,933
Due from the Central Bank	34,137	5,565	93,964
Total	34,137	73,050	151,897

3. Financial Assets at Fair Value through Profit or Loss

Item \ Date	December 31, 2013	December 31, 2012	January 1, 2012
Valuation Adjustments of Financial Assets Held for Trading	93,668	191,335	299,555
Total	93,668	191,335	299,555



Chairman of the Board of Directors Rueen-Fong Chu met with a delegation from Mongolia led by Mr. Elbeg Samdan (Center), Representative of the Ulaanbaatar Trade and Economic Representative office in Taipei. (January 2014)



4. Receivables – Net

Item	Date	December 31, 2013	December 31, 2012	January 1, 2012
Receivables		37	0	0
Earned Revenue Receivable		716	685	756
Interest Receivable		235,701	243,271	230,821
Accounts Receivable Factoring without Recourse		16,438	59,159	336,265
Premium Receivable		25	3	1
Claims Recoverable from Reinsurers		0	0	9,844
Other Receivable		19,452	12,680	40,391
Forex Spot Receivable		148,971	261,375	181,650
Total		421,340	577,173	799,728
Allowance for Doubtful Accounts		-2,338	-1,432	-3,400
Net Amount		419,002	575,741	796,328

5. Loans and Discounts – Net

Item	Date	December 31, 2013	December 31, 2012	January 1, 2012
Short-Term Loans		11,172,941	9,121,901	6,626,987
Short-Term Secured Loans		49,000	30,000	5,000
Medium-Term Loans		50,841,406	50,504,793	48,710,434
Medium-Term Secured Loans		4,759,315	4,976,371	5,731,559
Long-Term Loans		1,735,624	2,211,841	2,850,240
Long-Term Secured Loans		21,709,875	23,606,746	24,286,187
Overdue Loans		235,596	88,251	127,359
Total		90,503,757	90,539,903	88,337,766
Allowance for Doubtful Accounts		-838,758	-682,273	-481,793
Discount of Premium		-6,960	-9,014	0
Net Amount		89,658,039	89,848,616	87,855,973



6. Other Financial Assets – Net

Item \ Date	December 31, 2013	December 31, 2012	January 1, 2012
Reinsurance Reserve Assets	163,621	112,563	107,800
Financial Assets Carried at Cost	90,000	102,500	102,542
Accumulated Impairment – Financial Assets at Cost	0	0	-42
Debt Investment with No Active Market	0	0	26,498
Accumulated Impairment – Debt Investment with No Active Market	0	0	-752
Net Amount	253,621	215,063	236,046

7. Property and Equipment – Net

Item \ Date	December 31, 2013	December 31, 2012	January 1, 2012
Land	80,203	80,203	80,203
Revaluation Increments – Land	186,420	186,420	186,420
Buildings	352,812	352,812	351,936
Accumulated Depreciation – Building	-163,217	-156,978	-150,775
Machinery and Equipment	49,774	49,826	50,391
Accumulated Depreciation – Machinery and Equipment	-36,520	-35,789	-33,752
Transportation Equipment	10,985	11,124	11,244
Accumulated Depreciation – Transportation Equipment	-9,560	-8,906	-7,737
Miscellaneous Equipment	26,629	26,755	27,125
Accumulated Depreciation – Miscellaneous Equipment	-21,886	-21,130	-20,614
Leasehold Improvements	2,401	2,401	2,401
Accumulated Depreciation – Leasehold Improvements	-2,194	-1,714	-1,234
Net Amount	475,847	485,024	495,608

8. Intangible Assets – Net

Item \ Date	December 31, 2013	December 31, 2012	January 1, 2012
Software	25,386	31,629	25,068
Total	25,386	31,629	25,068



9. Other Assets – Net

Item	Date	December 31, 2013	December 31, 2012	January 1, 2012
Inventory of Supplies		299	218	137
Prepaid Expenses		26,544	28,997	22,717
Other Prepayments		10	7	131
Refundable Deposits		803	803	640
Temporary Payments and Suspense Accounts		303	1,300	1,306
Other Deferred Assets		220	347	429
Total		28,179	31,672	25,360

10. Borrowed Funds from the Central Bank and Other Banks

Item	Date	December 31, 2013	December 31, 2012	January 1, 2012
Borrowed Funds from the Central Bank		15,587,382	16,522,931	18,138,838
Borrowed Funds from Other Banks		114,000	603,749	638,749
Total		15,701,382	17,126,680	18,777,587

11. Financial Liabilities at Fair Value through Profit or Loss

Item \ Date	December 31, 2013	December 31, 2012	January 1, 2012
Valuation Adjustments of Financial Liabilities Held for Trading	7,917	0	0
Designated as Financial Liabilities at Fair Value through Profit or Loss	5,700,000	5,700,000	6,950,000
Valuation Adjustments of Designated as Financial Liabilities at Fair Value through Profit or Loss	94,033	193,825	306,471
Total	5,801,950	5,893,825	7,256,471

12. 應付款項 Payables

Item \ Date	December 31, 2013	December 31, 2012	January 1, 2012
Accrued Expenses	99,138	96,532	97,902
Accrued Interest	146,864	154,836	146,070
Tax Payable	2,924	2,899	2,832
Dividends (Official) and Bonuses Payable	4,204	28,485	0
Accounts Payable Factoring without Recourse	2,590	8,874	100,140
Custodial Collections Payable	4,573	4,628	2,486
Commissions Payable	108	625	201
Reinsurance Benefits Payable	18,175	18,107	11,500
Other Payable	93,515	69,699	92,801
Forex Spot Payable	148,900	261,315	181,650
Total	520,991	646,000	635,582

13. Financial Debentures Payable

Item \ Date	December 31, 2013	December 31, 2012	January 1, 2012
Financial Debentures Payable	8,000,000	10,000,000	8,750,000
Discount on Financial Debentures Payable	-302	-580	0
Total	7,999,698	9,999,420	8,750,000

14. Other Financial Liabilities

Item	Date	December 31, 2013	December 31, 2012	January 1, 2012
Commercial Paper Payable		0	0	5,300,000
Discount on Commercial Paper Payable		0	0	-208
Funds Appropriated for Loans		12,395,245	10,825,058	7,050,752
Total		12,395,245	10,825,058	12,350,544

15. Provisions

Item	Date	December 31, 2013	December 31, 2012	January 1, 2012
Guarantee Liability Reserve		54,775	45,377	36,734
Unearned Premium Reserve		103,992	89,687	70,373
Claim Reserve		234,432	144,806	142,574
Employee Benefits Liability Reserve		264,925	263,296	208,136
Total		658,124	543,166	457,817

16. Other Liabilities

Item	Date	December 31, 2013	December 31, 2012	January 1, 2012
Unearned Premiums		1,040	1,036	806
Unearned Revenues		71,592	69,420	67,957
Refundable Deposits		3,183	1,595	1,761
Custodial Deposits		2,106	2,156	2,021
Temporary Receipts and Suspense Accounts		53,818	24,326	114,351
Funds Appropriated for Export Credit Insurance		1,217,586	1,261,737	1,266,316
Total		1,349,325	1,360,270	1,453,212

17. Net Fees and Commissions

Item	Date	January 1-December 31, 2013	January 1-December 31, 2012
Revenue from Fees and Commissions		48,001	42,216
Expenses from Fees and Commissions		19,031	18,965
Net Amount		28,970	23,251

18. Gains (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss

Item	Date	January 1-December 31, 2013	January 1-December 31, 2012
Gain on Disposal of Financial Assets (+)		97,459	108,063
Gain (+) / Loss (-) on Valuation of Financial Assets		-95,717	-110,164
Interest Expenses of Financial Liabilities (-)		-153,200	-166,223
Loss on Disposal of Financial Liabilities (-)		-195	-217
Gain (+) / Loss (-) on Valuation of Financial Liabilities		98,172	112,642
Net Amount		-53,481	-55,899

19. Net Export Credit Insurance Income

Item	Date	January 1-December 31, 2013	January 1-December 31, 2012
Export Credit Insurance Income		301,895	325,024
Premium Income		263,925	244,018
Reinsurance Commissions Income		22,971	20,983
Claims Recovered from Reinsurers		14,999	60,023
Export Credit Insurance Costs		177,444	175,758
Reinsurance Premium		113,895	99,261
Commission Expenses		2,753	2,389
Insurance Claims Payments		7,922	57,325
Provision for Unearned Premium Reserve		6,542	11,136
Provision for Claim Reserve		46,332	5,647
Net Amount		124,451	149,266



20. Other Non-Interest Net Income

Item	Date	January 1-December 31, 2013	January 1-December 31, 2012
Other Non-Interest Income		24,850	35,332
Gains from Financial Assets Carried at Cost		18,927	19,351
Gains from Debt Investment With No Active Market		0	13,672
Miscellaneous Income		5,923	2,309
Other Non-Interest Losses		53,953	69,666
Loss on Disposal of Fixed Assets		278	900
Preferential Deposit Interest in Excess		53,675	67,801
Loss on Assets Impairment		0	965
Net Amount		-29,103	-34,334

21. Bad Debt Expense and Provision of Reserves for Guaranteed Liability

Item	Date	January 1-December 31, 2013	January 1-December 31, 2012
Bad Debt Expenses for Loans		222,899	166,977
Bad Debt Expenses for Factoring Receivables		-316	-2,118
Provision of Reserves for Guaranteed Liability		9,262	8,769
Bad Debt Expenses for Other Receivables		1,196	223
Total		233,041	173,851

VI Risk Management

1. Credit Risk Management System and Capital Requirement

(1) Credit Risk Management System

January 1 – December 31, 2013

Item	Contents
1. Credit Risk Strategy, Objective, Policy and Procedure	<p>Eximbank is a specialized, state-owned bank established to support export and import trade. Its main assets are used to provide loans. As a result, the major risks are credit risks of loans. Its primary risk management goals are strengthening credit risk management and preventing risk from becoming too concentrated. The strategy includes conducting risk analyses of countries, banks, sectors, and enterprises while determining the credit rating. To ensure that risk is properly diversified, Eximbank sets limits on country risk, bank risk, industry risk, group/enterprise risk, and the risk associated with each client.</p> <p>The credit risk management process includes identifying, evaluating, monitoring, and reporting risk. Its range extends to credit risk both on and off the balance sheet items (including existing and potential).</p> <p>Whenever Eximbank undertakes its daily business or starts new financial products, it must first determine the related credit risks. Also, when conducting business with associated credit risks, it needs to assess the potential losses for each loan, investment, or trade thoroughly. An appropriate countermeasures, including risk avoidance, transfer, or mitigation is then adopted, ensuring that business fits Eximbank's risk management and acceptance conditions.</p>
2. Organizational Structure of Credit Risk Management	<p>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 each case at and above the level of executive vice presidents' authorization. The Department of Risk Management is in charge of Eximbank's overall credit risk management. Each business segment supervises and monitors the credit risk implementation of its subordinate units, which shall all follow the relevant regulations and provisions on credit risk management.</p>
3. Scope and Characteristics of the Credit Risk Reporting and Evaluation System	<p>Eximbank has established a customer data integration system, a risk assessment system, a credit register system, and a risk management system, in order to manage risks associated with its credit extension business and to monitor loans to all borrowers. The customer data integration system is used to compile basic data for individual clients, the credit system is used for approving and granting loans. An objective analysis must be executed using the risk assessment system before a credit is granted. The risk management system runs up daily exposure for analysis and for executives on decision-making.</p>

Item	Contents
	<p>Risk management includes monthly reporting on domestic and international economic conditions, exposure changes in countries where loans are granted, and financial and industrial risks. Eximbank compiles data on relevant country risks, exposure associated with key credit risks, and risk limit management. Above information is reviewed by Board of Directors, and is used for risk managing and for credit policymaking.</p> <p>Based on the regulations of the financial supervisor, Eximbank discloses the qualitative and quantitative data on its website associated with its credit risks.</p>
4. Credit Risk Hedging and Risk Mitigation Policies / Strategies and Procedures of Monitoring Tools for Hedging and Risk Mitigation	<p>Eximbank has also established Country Risk, Financial Risk and Corporate Credit Risk early warning indicators. For each debtor, it established a rating system and sought assistance 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 a particular country or bank presented with negative reports, Eximbank analyzes warning indicators to interpret risk. When Eximbank considers to extend its business, those data are examined as a reference to strengthen risk management.</p> <p>To lower credit risk, export financing cases exceeding USD1 million must include technical evaluations and reports along with credit evaluation reports for reference. In addition, for relatively high-risk financial cases, clients are encouraged to arrange export insurance through Eximbank to mitigate risk.</p> <p>Eximbank's risk management system also monitors risk concentration. The Executives, account officers, risk management officials and related departments are alerted daily by email of countries, banks, or industries that reached 85% of their risk limit to aid in early response.</p> <p>To improve its lending operations, Eximbank has strengthened its credit approval process and conducts follow-up measures.</p>
5. Method Applied for Legal Capital Requirement	Eximbank has applied the capital requirement for credit risk based on the "Standardized Approach" of the Basel III Capital Accord.

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

December 31, 2013

TWD Thousand

Type of Exposure	Credit Risk Exposures After Mitigation	Capital Requirement
Sovereign	16,798,011	268,768
Public Sector Entities/ Non-Central Government	754,741	12,076
Banks (Including Multilateral Development Banks)	11,285,029	561,972
Corporates (Including Securities and Insurance Corp.)	65,514,853	4,458,728
Regulatory Retail Portfolios	1,860,515	52,386
Residential Property	-	-
Rights of Securities Investment	-	-
Other Assets	885,118	76,718
Total	97,098,267	5,430,648

2. Operational Risk Management System and Capital Requirement

(1) Operational Risk Management System

January 1 – December 31, 2013

Item	Contents
1. Operational Risk Strategy and Procedure	<p>Operational risk strategy at Eximbank includes strengthening internal controls, ensuring that employees abide by regulations, and conducting training. Standard operating procedures are displayed on internal website for staff to refer to and to comply. Eximbank has also established guidelines for work delegation, assigning responsibility and facilitating daily operations.</p> <p>Operational risk management includes determining and evaluating risk along with monitoring and reporting. It encompasses important products, business activities, and operating procedures, along with establishing operational risk management mechanisms.</p> <p>Operational risk management is objective, consistent, transparent, complete, and comprehensive.</p>
2. Organizational Structure of Operational Risk Management	<p>Operational risk management involves the entire organization. The Board of Directors serves as the highest policymaking body that determines operational risk management standards and important policies. Meanwhile the Department of Risk Management is responsible for evaluating the entire bank's operational risk management strategies and procedures to build management mechanisms. When bank units determine operational management rules, they consider rules related to operational risk management. Each unit adheres to these rules to ensure the operational risks are under their control.</p>
3. Scope and Characteristics of the Operational Risk Report and Evaluation System	<p>Eximbank operates a risk self-assessment approach. Operational risk is managed and mitigated by tight compliance, internal control and internal auditing systems and procedures.</p> <p>Data of major loss are gathered and reported to related units and supervisors, response measures are then formulated. Also, Eximbank has established an information protection system and a contingency plan. When urgent problems arise, operations can be continued and losses can be kept to a minimum.</p> <p>Based on the regulations of the financial supervisor, Eximbank discloses on its website qualitative and quantitative data associated with its operational risks.</p>
4. Operational Risk Hedging or Risk Mitigation / Strategies and Procedures of Monitoring Tools for Hedging and Risk Mitigation	<p>Eximbank's operational risk management standards include methods for clearly identifying, evaluating, monitoring, controlling, and mitigating risk. It also uses insurance and risk transfer methods to mitigate and manage risk.</p> <p>Based on its guidelines for work delegation, Eximbank has assigned responsibility and authority for each aspect of its business and established a reporting system, as responsibilities assumed by each staff are explicit.</p> <p>To avoid litigation risks, each banking unit should abide by the compliance system of the Export-Import Bank of the ROC.</p> <p>On developing new products, business activities, procedural changes, or system promotions, banking units should ascertain that operational risk evaluations should be done beforehand.</p> <p>By conducting risk management training, Eximbank improves employee knowledge and strengthens the operational risk management.</p>
5. Method Applied for Legal Capital Requirement	<p>Eximbank has applied the capital requirement for operational risk based on the Basic Indicator Approach of the Basel III Capital Accord.</p>

(2) Operational Risk-Based Capital Requirement**December 31, 2013**

TWD Thousand

FY	Gross Profit	Capital Requirement
2011	839,986	
2012	1,139,657	
2013	1,174,363	
Total	3,154,006	157,700

3. Market Risk Management System and Capital Requirement**(1) Market Risk Management System****January 1 – December 31, 2013**

Item	Contents
1. Market Risk Strategy and Procedure	<p>Eximbank is an official export credit institution. Much of its financial operations focuses on hedging risk. It wishes to keep its exposure to low risks while adopting prudent market risk management policies. Eximbank carefully evaluates trade content while managing risk.</p> <p>Eximbank recognizes, evaluates, weighs, monitors, and reports any market risk.</p> <p>For each of its financial products, Eximbank recognizes the potential market risks carefully. This serves as the foundation to weigh the risks it is exposed to. Eximbank also builds a effective evaluation mechanisms for risk monitoring as part of daily operations. Monitoring includes having each unit carefully look at every transaction it undertakes while considering how it affects the overall picture. The transaction's objective, model, position, and potential effects on income must adhere to authorized limitations.</p> <p>Market risk management is independent, objective, consistent, transparent, comprehensive, and timely.</p>
2. Organizational Structure of Market Risk Management	<p>The Board of Directors is the supreme decision-making level of Eximbank's market risk management and undertakes responsibility of market risk. The Department of Risk Management is responsible for managing market risk management and passing its findings on to the Board of Directors. Meanwhile, the Department of Finance, which also oversees the Offshore Banking Branch, controls operational risks, emphasizes further monitoring on limits and conducts position management.</p>
3. Scope and Characteristics of the Market Risk Reporting and Evaluation System	<p>Eximbank's market risk system is part of its funding system. It provides real-time control over transaction position amounts. Eximbank also established a daily control mechanism to observe changes in exchange market transaction positions and foreign exchanges gains or losses.</p> <p>When undertaking a transaction, a unit shall report to the supervising authority. It also ensures that the information is accurate and valid. If limits are surpassed, major market changes occur, or abnormal situations arise, the relevant units must provide with prompt reports.</p> <p>To manage market risks effectively, Eximbank regularly reports on how it controls market exposures, positions and amounts to the Board of Directors. The information serves as a reference for policymaking.</p> <p>Based on the regulations of the financial supervisors, Eximbank discloses on its website qualitative and quantitative data associated with its market risks.</p>

Item	Contents
4. Market Risk Hedging or Risk Mitigation / Strategies and Procedures of Monitoring Tools for Hedging and Risk Mitigation	To lower market risk, Eximbank has established various transaction limits and stop-loss mechanisms. When major events occur in domestic or global financial markets during working hours, as the events could affect bank's profits or losses, managers should immediately report to the executive vice president. Immediate responses are then made. Before committing a transaction, related units should be consulted and evaluations should be conducted as a due diligence.
5. Method Applied for Legal Capital Requirement	Eximbank has applied the capital requirement for market risk based on the "Standardized Approach" of the Basel III Capital Accord.

(2) Market Risk-Based Capital Requirement

December 31, 2013

TWD Thousand

Risk	Capital Requirement
Interest Rate Risk	
Equity Position Risk	
Foreign Exchange Risk	1,405
Commodity Risk	
Total	1,405



Chairman of the Taiwan Plant Consultant Center, Chin-Teh Chang (2nd right), accompanied government officials from Papua New Guinea to visit Eximbank. (January 2014)



4. Liquidity Risk

(1) Duration Analysis of Assets and Liabilities

Term-Structure Analysis of TWD-Denominated Assets and Liabilities

December 31, 2013

TWD Thousand

	Total	Amounts by Time Remaining before Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Major Inflows of Matured Funds	52,645,670	3,868,579	4,735,361	4,698,065	3,966,739	12,162,732	23,214,194
Major Outflows of Matured Funds	62,755,883	13,130,784	534,938	5,270,982	6,147,678	2,344,171	35,327,330
Gap	-10,110,213	-9,262,205	4,200,423	-572,917	-2,180,939	9,818,561	-12,113,136

Note: The table includes only New Taiwan Dollar amounts held in head office and domestic branches, excluding foreign currencies.

Term Structure Analysis of USD-Denominated Assets and Liabilities

December 31, 2013

USD Thousand

	Total	Amounts by Time Remaining before Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Major Inflows of Matured Funds	1,551,415	25,021	152,345	72,613	131,594	1,169,842
Major Outflows of Matured Funds	1,692,142	715,998	218,522	20,557	31,110	705,955
Gap	-140,727	-690,977	-66,177	52,056	100,484	463,887

Note: The table includes assets and liabilities denominated in United States Dollars held in head office, domestic branches, and Offshore Banking Branch.

(2) Management of Asset Liquidity and the Funding Gap

Eximbank seeks to diversify funding sources and enhance funding stability. It also refrains from overconcentration on the use of remaining funds and embraces earning assets with liquidity.

As to the management of liquidity risks, Eximbank not only complies with the related requirements by the supervisory authority, but also stipulates the liquidity risk management indicators in the Eximbank's internal guideline. It contains the limits to the liquidity gaps for various periods, strategies to obtain funds in an emergency, and early warning mechanisms so as to ensure Eximbank's adequate liquidity.



VII Head Office and Branches

Head Office

8 Fl., No. 3, Nanhai Road,
Taipei City 10066, Taiwan, ROC
Tel: (886) 2-2321-0511
Fax: (886) 2-2394-0630
<http://www.eximbank.com.tw>
e-mail: eximbank@eximbank.com.tw

Kaohsiung Branch

8 Fl., No. 74, Chung Cheng 2nd Road,
Kaohsiung City 80271, Taiwan, ROC
Tel: (886) 7-224-1921
Fax: (886) 7-224-1928
e-mail: kh@eximbank.com.tw

Taichung Branch

5 Fl., No. 659, Taiwan Blvd., Sec. 2,
Taichung 40759, Taiwan, ROC
Tel: (886) 4-2322-5756
Fax: (886) 4-2322-5755
e-mail: tc@eximbank.com.tw

Hsinchu Branch

8 Fl.-6, No. 251, Fuxing 1st St.,
Jhubei City 30271, Hsinchu County, Taiwan, ROC
Tel: (886) 3-658-8903
Fax: (886) 3-658-8743
e-mail: tb@eximbank.com.tw

Offshore Banking Branch

7 Fl., No. 3, Nanhai Road,
Taipei City 10066, Taiwan, ROC
Tel: (886) 2-2321-0511
Fax: (886) 2-2341-2517
e-mail: obu@eximbank.com.tw

Address : 8F., No. 3, Nanhai Road, Taipei City 10066,
Taiwan, Republic of China
Tel : 886-2-2321-0511
Fax : 886-2-2394-0630
Website : <http://www.eximbank.com.tw>
E-Mail : eximbank@eximbank.com.tw

ISSN 1617284-9



GPN : 2009401618
Price Per Copy : NT\$320