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The Export-Import Bank of the Republic of China

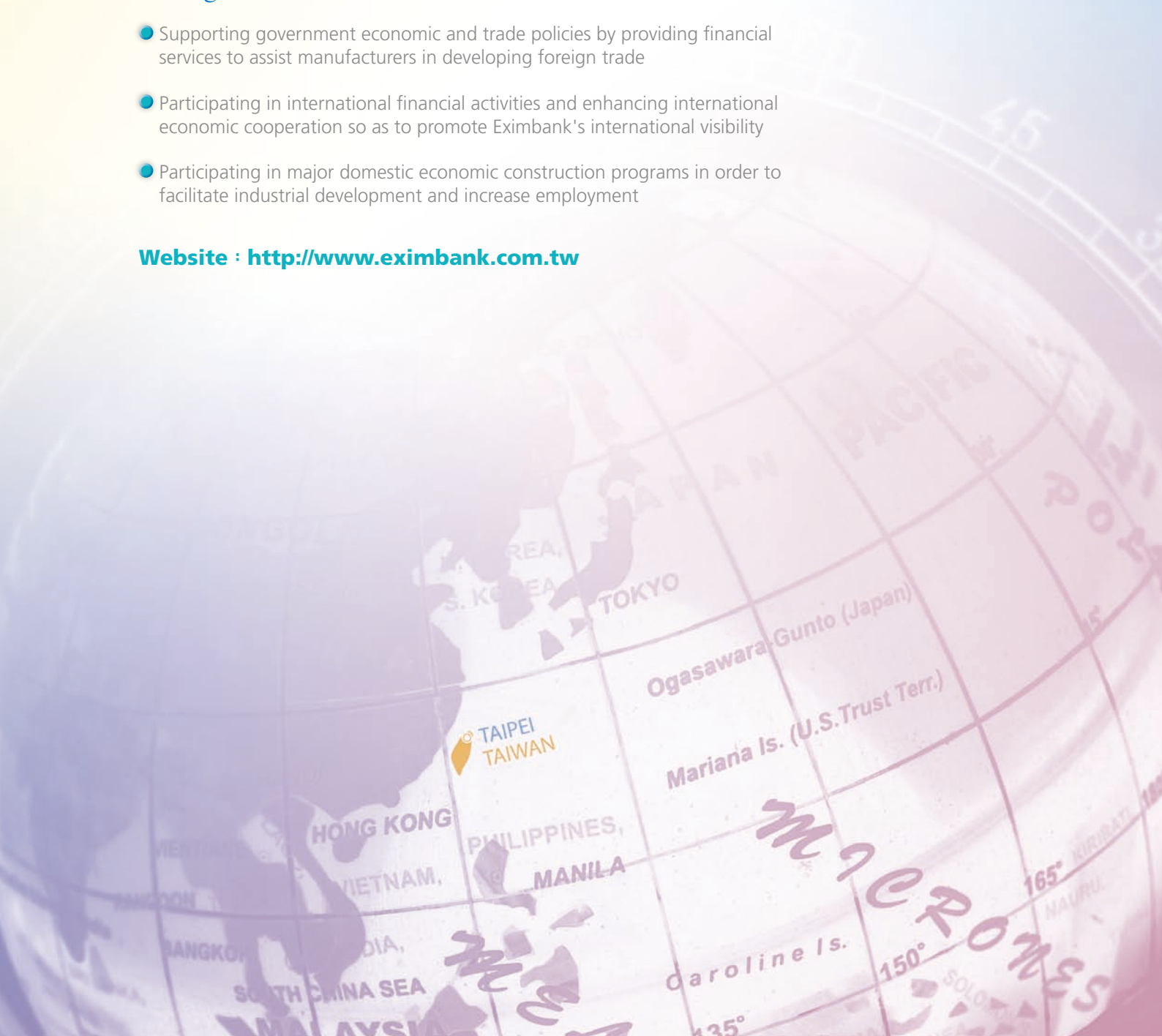


Vision

Strengthen Trade Finance and Assist External Trade

- Supporting government economic and trade policies by providing financial services to assist manufacturers in developing foreign trade
- Participating in international financial activities and enhancing international economic cooperation so as to promote Eximbank's international visibility
- Participating in major domestic economic construction programs in order to facilitate industrial development and increase employment

Website : <http://www.eximbank.com.tw>



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The Export-Import Bank of the Republic of China

2008 Annual Report

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O1 Performance Summary

NT\$ million

Year	FY 2008	FY 2007	FY 2006
Total Operating Revenues	3,766	3,504	3,237
Total Operating Expenses	3,234	2,973	2,750
Net Income Before Tax	532	531	487
Profit per Employee (Before Tax)	2.65	2.62	2.40
Loans Outstanding (Average)	75,497	64,509	64,623
Guarantees Undertaken	6,744	4,961	5,634
Export Credit Insurance Undertaken	38,188	37,131	34,420
Total Assets	84,993	77,441	72,762
Net Worth	18,347	18,080	17,889
BIS Ratio (%)	35.30	38.67	40.83

* The final accounts of FY2008 are subject to audit.

** Eximbank's fiscal year starts from January 1 and ends on December 31.

02 Business Report

1. Mission

The Export-Import Bank of the Republic of China (Eximbank) was established in accordance with the Export-Import Bank of the Republic of China Act and specializes in export and import credits. Eximbank's vision is to "Strengthen Trade Finance and Assist External Trade". It aims to operate in coordination with government economic, trade and financial policies by providing financial and export credit insurance services to assist manufacturers to expand foreign trade. It is envisioned that the promotion of international economic cooperation creates new employment opportunities and continues to spur Taiwan's economic growth. Eximbank's major businesses include the provision of various types of medium- and long-term financing and guarantees to assist companies to expand exports of capital goods, undertake overseas engineering projects, import precision equipment and raw materials, and introduce technologies into Taiwan. It also encourages domestic manufacturers to actively develop external trade and investment by providing a variety of export credit insurance and overseas investment insurance services to protect businesses against foreign political and credit risks.

2. Strategies

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

Eximbank champions the government's existing policies by providing export credit insurance and trade financing support for exporters in target markets and key industries.

In 2008, besides helping manufacturers develop foreign emerging markets, Eximbank serves the "Six East Asian Countries" and "Ten Target Promotion Countries" plans under the Bureau of Foreign Trade, by providing the relevant financing and insurance services to help companies diversify their export markets and strengthen their foreign trade competitiveness. Eximbank will continue to support the government economic and trade policies and will boost "The San Pao Project", the preferential export scheme and insurance programs, under the Ministry of Economic Affairs' "Global Market Expansion Plan (New Cheng Ho Plan)", including export credit insurance, preferential export loan and relending facility export promotion, to raise the Taiwan's export competitiveness, assist manufacturers in expanding



Chairman Sheng-Yann Lii

the global market, promote exports, and create employment opportunities.

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

The arrangers, participating banks and borrowers in international syndicated loans are usually reputable international players. As arrangers of international syndicated loans which Eximbank participates in are mostly world-renowned large banks, business transactions with them will enable Eximbank to acquire professional know-how and financing techniques, access international financial markets, enhance its international involvement and visibility, and in turn, expand its businesses in the international market. By participating in international syndicated loans, Eximbank has established business ties with major lending institutions in emerging markets and developed cooperative opportunities in other businesses (such as Eximbank's relending and medium- and long-term export credits). Furthermore, that will assist Taiwanese manufacturers to develop new markets.

(3) Establishing an extensive global network of relending service so as to help manufacturers effectively develop export markets

To strengthen its business functions and assist manufacturers in developing export trade, Eximbank has collaborated with local and foreign financial institutions to develop relending facilities, helping domestic manufacturers export to developing countries such as Central and South America, Eastern Europe, South East Asia and Africa, as well as emerging markets in recent years. In order to effectively aid local SMEs and government-supported industries to expand exports, Eximbank has also repeatedly adjusted the relevant interest rates and the eligible export products and items to meet market demands. Particularly in emerging markets, Eximbank is flexible in contract terms, relending interest rates and documentation requirements so as to adapt to the varying legal conditions and market characteristics of different regions as long as such flexibility does not come at the expense of Eximbank's own rights. This flexible approach ensures financing as an effective tool to boost exports of manufacturers.



President Rueen-Fong Chu

During this year, Eximbank has provided relending facilities to 33 financial institutions, including emerging market financial institutions in Brazil, Belarus, Russia, Turkey, Ukraine, Egypt, Nicaragua, Indonesia, Mongolia, the Philippines, Thailand, the Dominican Republic, Nigeria, and Central American Bank for Economic Integration so that these financial institutions can relend their local importers to purchase products from Taiwan.

(4) Promoting export credit insurance in order to assist manufacturers in obtaining orders and averting trading risks

Eximbank has been increasing publicity for the GlobalSure Credit Insurance and recommending manufacturers to purchase the whole-turnover policies for preferential rates, thereby reducing the situation where manufacturers make adverse selections in their choice of insurance packages and

effectively expanding Eximbank's business in export credit insurance. Finally, Eximbank provides a full range of export credit insurance services. Whether manufacturers export in D/P, D/A, O/A or L/C, they can access the large variety of Eximbank's export credit insurance services to win business and reduce the potential loss of default.

(5) Continuing to utilize the cooperation with reinsurance companies and international counterparts to enhance Eximbank's overall underwriting capacity

With a view on the need to expand the underwriting capacity and strengthen the foundation in export credit insurance services, Eximbank has renewed reinsurance contracts with Munich Re Group and Central Reinsurance Corporation. In addition, Eximbank has improved the terms and conditions in reinsurance claim ratios so as to appropriately transfer some risks to reinsurance companies and boost the growth in export credit insurance businesses. Eximbank has also enhanced activity in international organizations such as the Berne Union, and has intensified exchanges of export credit insurance information with the members as well as the use of such information. Eximbank will continue to cooperate with international Export Credit Agencies to improve the volume and service quality of its export credit insurance businesses.

(6) Innovating and developing the synergies of the credit and export credit insurance businesses

Facing fierce competition in the financial environment, Eximbank endeavors to integrate closely all its offerings in export financing, export

credit insurance and overseas relending so as to provide total solution services to manufacturers. Eximbank also reviews and modifies its business policies in response to the trends in financial environment and the structural development of Taiwanese industries. This effort will not only raise customer satisfaction, but also enhance the synergies of the credit and export credit insurance businesses.

(7) Linking with the networks of the cooperative banks to expand services

Eximbank continued its cooperation with the domestic foreign exchange designated banks. It has entered into the Cooperation Agreement on Foreign Exchange Business Development, which simplifies lending procedures to minimize the delay in fund disbursement and is therefore effective for the growth in export financing businesses.

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

In line with the government's major public construction programs and development plans, Eximbank is driving its businesses on Major Public Construction Credits and Guarantees to shore up Taiwan's infrastructural development, inspire investment interest, create employment, and thereby facilitate economic development.

(9) Implementing risk management system to ensure asset quality

Eximbank has improved its risk management strategy, and observes the relevant regulations of Basel II, to ensure the stability and security of its daily operations.

Eximbank has implemented three risk management mechanisms to control credit risks, market risks and operational risks. This has made Eximbank's risk management system even more effective and reliable, thus strengthening the bank's soundness.

(10) Conserving energy to reduce carbon emission

In response to the government's energy conservation and carbon reduction policies, Eximbank's Board Chairman Dr. Lii Sheng-Yann and President Chu Rueen-Fong led the entire staff in signing the Declaration of "Ten Energy Conservation and Carbon Reduction Measures". Through its staff, Eximbank hopes to promote environmental awareness, energy-saving and carbon-lowering practice among the family members of its staff, and therefore gear towards a carbon-lessening society.

The Declaration is as follows:

1. Use Less Air-Conditioning. Keep the Windows Tight.
2. Turn Off the Lights. Save Energy.
3. Use Energy-Efficient Bulbs. Save Your Dollars.
4. Look for the Label. Save Energy and Water.
5. Ride a Bicycle, Walk More, Exercise Often.
6. Drive a Day Less Every Week.
7. Low Carbon Driving Habits.
8. More Vegetables, Less Meat.
9. Bring Your Own Eating Utensils and Shopping Bag.
10. Treasure Your Resources, Love the Earth.

III Bank Profile

1. Profile

The Export-Import Bank of the Republic of China (Eximbank) was established on January 11, 1979 in accordance with the Export-Import Bank of the Republic of China Act, as a state-owned specialized bank for export and import credits. Supervised by the Ministry of Finance, Eximbank's mission is to "Promote Export Trade and Develop the Economy", with a vision of "Strengthen Trade Finance and Assist External Trade". Eximbank offers a variety of medium and long-term import /export loans, guarantees, and export credit insurance products. Eximbank's main business is in accordance with government economic and trade policies by providing manufacturers with banking

services to help them expand their export markets and overseas investments, as well as promote international cooperation to ensure and sustain country's economic development.

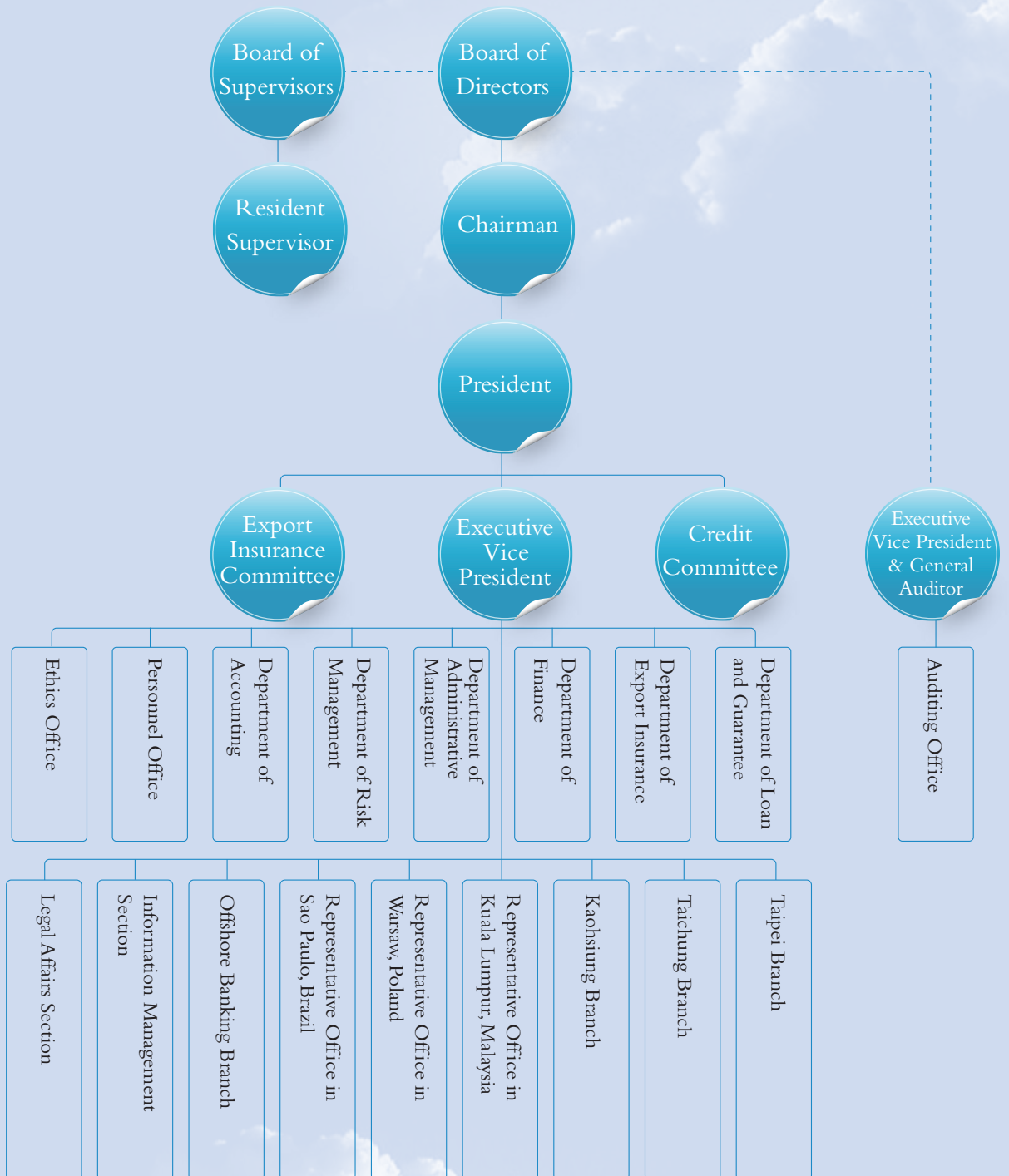
To render more and better services, Eximbank has established branch offices in Kaohsiung, Taichung, and Taipei as well as overseas representative offices in Warsaw of Poland, Sao Paulo of Brazil, and Kuala Lumpur of Malaysia.



Ming-Chung Tseng (middle), Administrative Deputy Minister, witnessed the handover of the President of this bank.

2. Organization

(1) Organization Chart



(2) Board of Directors and Supervisors

as of December 31, 2008.



Chairman
Sheng-Yann Lii



Managing Director
Rueen-Fong Chu



Managing Director
Hau-Min Chu



Director
Chih-Peng Huang



Director
Jin-Sheng Duann



Director
Zion Kao



Director
Andy H. Chen



Resident Supervisor
Chang-Nan Lo



Supervisor
Hui-Mei Chen



Supervisor
Yu-Jer Sheu



Board of Directors		Board of Supervisors	
Sheng-Yann Lii	Chairman	Chang-Nan Lo	Resident Supervisor
Rueen-Fong Chu	Managing Director	Hui-Mei Chen	Supervisor
Hau-Min Chu	Managing Director	Yu-Jer Sheu	Supervisor
Chih-Peng Huang	Director		
Jin-Sheng Duann	Director		
Zion Kao	Director		
Andy H. Chen	Director		

Note: 1. Mr. Ming-Jen Chen, the previous Managing Director, resigned on January 2, 2008.

Mr. Rueen-Fong Chu took over as Managing Director on September 1, 2008.

2. Mr. Yu-Jer Sheu was appointed as Supervisor on March 21, 2008.

(3) Principal Managers and General Auditor

Name	Title
Rueen-Fong Chu	President
Chi-Chung Wang	Executive Vice President
Shui-Yung Lin	Executive Vice President
Kuo-Dah Lih	Executive Vice President & General Auditor
Chin-Huo Tsai	Senior Vice President & General Manager Department of Loan & Guarantee
Pei-Jean Liu	Acting Senior Vice President & General Manager Department of Export Insurance
Chi-San Lin	Senior Vice President & General Manager Department of Finance & Offshore Banking Branch
Mark P.S. Tai	Senior Vice President & General Manager Department of Risk Management
Yu-Huai Wang	Senior Vice President & General Manager Department of Accounting
Show-Chih Yu	Senior Vice President & General Manager Department of Administrative Management
Tung-Meng Lin	Senior Vice President & General Manager Personnel Office
Yun-Hsu Lee	Senior Vice President & General Manager Ethics Office

Note: 1. Former President, Mr. Ming-Jen Chen resigned on January 2, 2008. Chairman, Mr. Sheng-Yann Lii, also served as President until August 31, 2008. Mr. Rueen-Fong Chu was promoted as President on September 1, 2008.

2. Mr. Shui-Yung Lin was promoted as Executive Vice President on November 21, 2008.



Executive Vice President
Chi-Chung Wang

President
Ruen-Fong Chu

Chairman
Sheng-Yann Lii

Executive Vice President
Shui-Yung Lin

Executive Vice President &
General Auditor
Kuo-Dah Lih

IV 4 Operations Overview

1. Business Overview

Highlights of Key Businesses in 2008

NT\$ million

Item	Amount	Growth Rate
Loans	75,497	17.03%
Guarantees	6,744	35.95%
Export Credit Insurance	38,188	2.85%

(1) Loans

Loans offered by Eximbank include Medium- and Long-term Export Credits, Short-term Export Credits, Medium- and Long-term Import Credits, Overseas Investment Credits, Overseas Construction Credits, Shipbuilding Credits, International Syndicated Loans, Relending Facilities and Major Public Construction Credits.

In 2008, the loans granted by Eximbank totaled NT\$75.50 billion (avg. balance), 17.03% up from the previous year.

In 2008, Eximbank's loan portfolio consisted mainly of medium- and long-term loans, which totaled NT\$68.33 billion (avg. balance), accounting for 90.51% of the total.

(2) Guarantees

Guarantee services include Overseas Construction Guarantees, Import Guarantees, Export Guarantees and Major Public Construction Guarantees.

Guarantees for 2008 totaled NT\$6.74 billion, 35.95% increase from the previous year.

Major Public Construction Guarantees and Import Guarantees form a substantial part of the 2008 guarantee portfolio, percentage of which being 52.17% and 31.09% respectively.

(3) Export Credit Insurance

The export credit insurance offered by Eximbank includes Comprehensive Export Credit Insurance for document against payment (D/P) and document against acceptance (D/A) transactions, Comprehensive Export Credit Insurance for open account (O/A) transactions, Export Credit Insurance for Small and Medium Enterprises,



Export Credit Insurance for letter of credit (L/C) transactions, Medium- and Long-term Deferred Payment Insurance, Overseas Investment Insurance, Export Credit Insurance for Offshore Account Receivable and GlobalSure Credit Insurance.

Export credit insurance for 2008 grew by 2.85% over the previous year to reach NT\$38.19 billion.

2. Market Overview

(1) Domestic and Global Financial Conditions

Since the onset of the US subprime mortgage crisis in July 2007, the European and US housing markets deterioration have been deepened. Prices of the relevant financial products have been plummeting as financial institutions try to deleverage. Financial institutions are threatened by financial woes, as well as the domino collapse of banks, which sparked a systemic financial tsunami.

The US government's taking over of mortgage giants Freddie Mac and Fannie Mae, Lehman Brothers' filing of bankruptcy protection, and the collapse of major financial institutions eroded market confidence. Financial institutions' fear of loan defaults spearheaded a global credit crunch which is accompanied by sharp increases in interbank rates and bank runs. No rescue plan could prevent the subprime meltdown as global liquidity dried up. While many financial institutions needed the government's capital injection and guarantee, governments with high external debts or low reserves were just as helpless, and had to turn to the IMF for aid.



Yusan Plate
The picture was offered by the Tourism Bureau, M.O.T.C., R.O.C. (Taiwan) and photographed by Mr. Fang-Yi Chen.

Following the takeover of Freddie Mac and Fannie Mae and the collapse of Lehman Brothers, 25 US banks have gone bankrupt in 2008. AIG, the largest insurance company was bailed out; Merrill Lynch, Washington Mutual and Wachovia Bank were acquired. In Europe, the governments of Belgium, Luxembourg and the Netherlands had to pour investments into Fortis Bank to prevent it from falling victim to the credit crisis; the 'big three' banks in Iceland were nationalized; recurring cases of bankruptcy or government bailouts of financial institutions were seen in Germany, Denmark and the UK.

To stabilize the financial market, governments in different countries took a series of bailout measures that included interest rate cuts, providing guarantee for bank liabilities, injection of capital, and even nationalizing banks to restore confidence in the banking system and to prevent the economy from slipping into recession due to the credit squeeze.

However, after more than one year, instead of subsiding, the financial crisis has worsened, and is now affecting emerging economies. The world is confronting the most serious challenge since the Great Depression of the 1930s.

To counter the unprecedented financial crisis, the Taiwan government has announced that it would guarantee all bank deposits to avert a bank run that could lead to the bankruptcy of financial institutions. The Central Bank adopted an easy monetary policy to rescue the faltering economy, including cutting interest rates seven times between last September and February this year and reducing the rediscount rate to a historic low of 1.25%, so as to lower the cost of funds for individuals and businesses and encourage consumption and investment. To revive the dwindling exports and reverse the five consecutive months of negative growth, the New Taiwan Dollar saw a steep depreciation to a 6-year low.

Besides increasing the magnitude and frequency of the reducing interest rates, the Central Bank also sped up the supply of M2. By end 2008, M2 was the highest since July 2006. The annual increase in M2 supply of 2.67% in 2008 was higher than the economic growth rate, reflecting adequate liquidity in the market. Therefore, the local financial market is stable compared with the global financial situation.

(2) Overview of Credit Market

2008 was hit by the international price hikes of raw materials and the global financial crisis. Major economic entities encounter economic downturn because of plunged demand and dampened trade momentum. Due to Taiwan's heavy dependence

on exports for economic growth, the heavy dip in exports has led to serious unemployment. Domestic demand has suffered as a result. Economic growth in 2008 dropped to only 0.12%, a huge decline from 5.7% in 2007.

With the risk of an economic recession still high, and as inflationary pressure eases, the Central Bank started reducing interest rates during the second half of 2008. Additionally, redemption or reduction in investment of overseas funds by Taiwan investors due to the financial crisis has resulted in a net inflow of funds. As such, banks' term deposits have increased, and New Taiwan Dollar funds are readily available. Despite keen competition in the financial industry, Eximbank continued to develop its export credit businesses, diversify risks, provide financing for major public construction projects, participate in international syndicated loans, and provide medium and long-term import credits. These efforts have brought about the growth of the Bank's loan business in 2008.

(3) Overview of Export Credit Insurance Market

The US subprime crisis has precipitated a global financial tsunami that has hit the global economy. Between January and August 2008, Taiwan foreign trade figures were still growing at a strong rate of 16.7%. But by September, we had seen four successive months of negative growth. Compared to 2007, the cumulative year-on-year growth during this period fell by 19%. Foreign trade figures for the entire year were US\$496.48 billion. Exports totaled US\$255.65 billion, a slight increase of 3.6%. Imports

were US\$240.82 billion, an increase of 9.8%. Trade surplus was US\$14.83 billion.

Taiwan's major trading partners are the US, China (including Hong Kong), the EU, Japan, Korea and ASEAN, with whom close relationships have been established. Trade with these six major trading partners accounts for more than 80% of Taiwan's total import and export volume.

Europe and Asia are the largest and second largest underwriting regions for Eximbank's export credit insurance business. North America is the fastest growing region, with a growth rate of 32.7%, indicating that the export credit insurance business has developed in tandem with economic and trade development, and that it has enabled companies to avert trade credit risks. This has promptly assisted companies to develop emerging markets such that the local market is well-tapped, global market presence is established, and export markets are diversified.

3. Prospects

In response to the latest development between Taiwan and Mainland China, and to cope with the international uncertainties, Eximbank will continue to step up the provision of medium and long-term export and import credits, guarantees and export credit insurance, and will work towards providing international financial services, building a diversified business portfolio, and establishing an informationized operation system to offer a full range of services for local businesses. Eximbank will also support government's economic and trade promotion plans, and shall implement the support of government's policies as well as "The San Pao Project", the preferential export scheme and insurance programs, under the "Global Market Expansion Plan (New Cheng Ho Plan)" introduced by the Ministry of Economic Affairs' Bureau of Foreign Trade. The Plan includes offering preferential



Chairman Sheng-Yann Lii presided over the opening ceremony of the representative office in Kuala Lumpur, Malaysia.

loans for global exports, export relending scheme and export credit insurance scheme to leverage on the Bank's function as a specialized bank in trade financing, and to assist companies in developing their overseas trade.

To achieve the above objectives, the Bank will focus on the following areas:

1. Business Strategy

- (1) Follow through with the implementation of its vision of "Strengthen Trade Finance and Assist External Trade".
- (2) Study and revise the Bank's regulations, reposition the Bank in the financial industry and redetermine its functions, increase capital and export credit insurance reserves, and expand the business scope.
- (3) Assist manufacturers to export to target markets and emerging markets in developing countries and regions to diversify and expand Taiwan's export market.
- (4) Participate in activities of international Export Credit Agencies to increase interaction between member countries and elevate Eximbank's international status.
- (5) In line with the progress in relationship between Taiwan and Mainland China, Eximbank will step up interaction with Export Credit Agencies on Mainland China to provide financial services to Taiwan businesses whenever appropriate.
- (6) Improve risk assessments for countries, banks and business enterprises and information collection of the creditworthiness of overseas importers to raise

the service quality and assist manufacturers in expanding their foreign trading activities.

- (7) Strengthen research & development to promptly obtain information on the changes in the local and foreign financial landscapes, activities and operations of local and foreign counterparts, and the political and economic situation of countries with credit limit for reference during decision-making.
- (8) Introduce operating and management techniques of Export Credit Agencies in advanced countries to improve service standards and facilitate steady business development.

2. Business Development

- (1) In line with the government's economic and trade policies, Eximbank will promptly review and adjust the relevant business regulations, contract provisions and charges and simplify operating procedures to help manufacturers develop foreign trade.
- (2) Develop new businesses, step up promotion and publicity, assist manufacturers in establishing a global presence, and increase Eximbank's business volume.
- (3) Continue to work with "National Development Fund, Executive Yuan", "Small & Medium Enterprises Development Fund, Ministry of Economic Affairs", "Overseas Credit Guarantee Fund" and Bureau of Foreign Trade, Ministry of Economic Affairs, to seek external resources to grow the various businesses.



3. Increasing Working Capital and Export Credit Insurance Reserves

- (1) Increase Eximbank's authorized capital. As a specialized export credit bank, adequate capital is required to support business development. Based on Eximbank's current business volume, capital insufficiency will stifle growth. Compared to similar foreign organizations, there is a need to increase capital.
- (2) Whenever appropriate, Eximbank will issue financial debentures together with other financial instruments to obtain the necessary capital for development of the credit business.
- (3) Speed up Eximbank's capitalization by providing the entire profit as statutory surplus reserve to strengthen its business capacity.

4. Enhancing Specialized Functions

- (1) As a specialized bank, Eximbank will support government's policies and implement "The Sao Pao Project", the preferential export scheme and insurance programs, under the "Global Market Expansion Plan (New Cheng Ho Plan)" to assist Taiwan manufacturers in developing global market.
- (2) Conduct prudent operations and produce fitting profits to facilitate monitoring of industry trends and international competitiveness in order to promptly review, and where necessary, adjust the structure of interest rate or fee charge and the effectiveness of various businesses.
- (3) In business operations, Eximbank will assess its operating conditions and the practical needs of businesses to relax requirements, expand the scope of service and simplify procedures to improve,

provide quality service, and offer the best support as a specialized bank.

5. Simplification of Operations and Business Informatization

- (1) Leverage on the current manpower by reorganizing the manpower structure based on job function and future business development possibilities. Establish a flat organization structure and simplify work processes to grow the business.
- (2) Fulfill business informatization. Besides the information systems where development is complete, the continued improvements shall be made for the current systems and websites based on business needs, in order to improve the efficiency and effectiveness of operations and management.
- (3) Step up promotion of export credit insurance online business to enhance the function and popularity of online operations. Online business services will simplify operations and shorten work processes.

6. Business Diversification

Responding to changes in the global financial environment and practical business needs over recent years, Eximbank has introduced several new financial services. There will be more promotions and publicity on its products to drive business, and new products will be introduced to support the government's policies and company demands. This will assist companies to develop their foreign trade, diversify export markets, and duly improve Eximbank's business volume.

7. Research & Development

To strengthen its operations and assist businesses in developing foreign trade, Eximbank conducts regular and frequent review and improvement of its various business operations and procedures. In addition, the overall changes to the economic environment as well as industry trends are assessed, and the focus of development is determined every year and research carried out. Research results and recommendations are used to determine the future strategy and development of the business, hence, improve performance. For the revision of Eximbank's regulations, seminars will be organized, during which, opinions from experts in research and academic institutions will be sought. Eximbank hopes that the accomplished academic background and neutrality of the experts will provide it with objective and effective recommendations.

8. Internationalization of Financial Services

As an international export credit agency, Eximbank will focus on stepping up interaction with the Berne Union to improve its business services. In line with the latest development between Taiwan and Mainland China, Eximbank will establish relationships with export credit agencies in Mainland China to build trust and confidence. This will elevate the level of financial services that we provide to Taiwan businesses and help them develop trade between the two regions, which will in turn sustain Taiwan's economic growth.



Tomoharu Washio, Executive Vice President of Japan External Trade Organization (JETRO), visited Chairman Sheng-Yann Lii.



05 Financial Statements

Balance Sheets

NTS thousand

Item	Notes	December 31, 2008	December 31, 2007	Percentage Change (%)
		Amount	Amount	
ASSETS		84,993,239	77,441,421	9.75
Cash and Cash Equivalents	Note 4 (1)	2,324,283	3,005,376	-22.66
Due from the Central Bank and Call Loans to Other Banks	Note 4 (2)	83,512	745	11,109.66
Financial Assets at Fair Value through Profit or Loss	Note 4 (3)	537,462	1,222,168	-56.02
Receivables - Net	Note 4 (4)	686,297	714,223	-3.91
Loans and Discounts - Net	Note 4 (5)	78,083,320	70,809,058	10.27
Held-to-maturity Financial Assets - Net		2,600,000	1,000,000	160.00
Other Financial Assets - Net	Note 4 (6)	102,500	102,825	-0.32
Fixed Assets - Net	Note 4 (7)	481,111	487,159	-1.24
Intangible Assets - Net		23,990	28,265	-15.12
Other Assets - Net	Note 4 (8)	70,764	71,602	-1.17
TOTAL ASSETS		84,993,239	77,441,421	9.75
LIABILITIES		66,646,146	59,361,646	12.27
Due to Banks		27,455,754	23,018,604	19.28
Borrowed from the Central Bank and Other Banks	Note 4 (9)	23,598,776	24,378,265	-3.20
Financial Liabilities at Fair Value through Profit or Loss	Note 4 (10)	9,823,826	7,744,556	26.85
Payables	Note 4 (11)	571,340	378,944	50.77
Financial Debentures Payable		1,750,000	750,000	133.33
Accrued Pension Liabilities		34,781	32,559	6.82
Other Financial Liabilities		1,632,800	1,395,794	16.98
Other Liabilities	Note 4 (12)	1,778,869	1,662,924	6.97
TOTAL LIABILITIES		66,646,146	59,361,646	12.27
EQUITY		18,347,093	18,079,775	1.48
Capital		12,000,000	12,000,000	
Retained Earnings		5,466,938	5,280,311	3.53
Legal Reserve		5,466,938	5,280,311	3.53
Other Equity		880,155	799,464	10.09
Unrealized Revaluation Increments		118,819	118,819	
Cumulative Translation Adjustments		761,336	680,645	11.86
TOTAL EQUITY		18,347,093	18,079,775	1.48
TOTAL LIABILITIES AND EQUITY		84,993,239	77,441,421	9.75

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

(1) Loan commitments that customers have yet to draw upon totaled NT\$10,412,868 thousand.

(2) Various guaranteed payments totaled NT\$ 5,267,820 thousand.

2. The 2007 account has been recognized by the Ministry of Audit, the R.O.C. The final accounts of 2008 are still subject to audit.

3. December 31, 2008 - US\$1=NT\$32.774

December 31, 2007 - US\$1=NT\$32.484

Statements of Income

NT\$ thousand

Item	Notes	January 1, 2008 – December 31, 2008		January 1, 2007 – December 31, 2007		Percentage Change (%)
		Sub-Total	Total	Sub-Total	Total	
Interest Revenues		2,889,852		3,212,884		-10.05
Minus: Interest Expenses		1,786,008		2,126,260		-16.00
Net Interest Income			1,103,844		1,086,624	1.58
Non - Interest Income			92,558		69,471	33.23
Net Fees and Commissions	Note 4 (13)	69,487		37,353		86.03
Gains (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss	Note 4 (14)	-24,517		-32,630		-24.86
Foreign Exchange Gains (Losses)		-4,450		26,763		-116.63
Others	Note 4 (15)	52,038		37,985		37.00
Net Operating Income			1,196,402		1,156,095	3.49
Bad Debt Expenses	Note 4 (16)		171,807		128,375	33.83
Operating Expenses			492,693		496,517	-0.77
Personnel Expenses		361,467		366,575		-1.39
Depreciation and Amortization		25,049		24,351		2.87
Other General and Administrative Expenses		106,177		105,591		0.55
Net Income before Tax			531,902		531,203	0.13
Income Tax			-65,332		-43,489	50.23
Net Income			466,570		487,714	-4.34

Note: The 2007 account has been recognized by the Ministry of Audit, the R.O.C. The final accounts of 2008 are still subject to audit.



Ryuichi Kaga (2nd from left), Director General of Project Finance Department, Japan Bank for International Cooperation (JBIC), visited Chairman Sheng-Yann Lii.



Statements of Cash Flows

NT\$ thousand

Item	January 1, 2008 – December 31, 2008		January 1, 2007 – December 31, 2007	
	Sub-Total	Total	Sub-Total	Total
Cash Flows from Operating Activities:		1,054,848		890,411
Net Income (Net Loss)		466,570		487,714
Adjustments:		588,278		402,697
Gains, Losses and Other Adjustments that Did Not Impact Cash Flows		269,897		154,192
Depreciation & Amortization	24,641		24,567	
Bad Debt Expenses	163,929		128,783	
Losses (Gains) on Disposal of Assets	665		1,817	
Other Adjustments	80,662		-975	
Decrease (Increase) in Operating Assets		-469,647		129,528
Decrease (Increase) in Receivables	29,454		51,242	
Decrease (Increase) in Deferred Income Tax Assets	15,767		-22,678	
Decrease (Increase) in Financial Assets at Fair Value through Profit or Loss	-515,294		92,643	
Decrease (Increase) in Other Financial Assets	324		6,411	
Decrease (Increase) in Other Assets	102		1,910	
Increase (Decrease) in Operating Liabilities		788,028		118,977
Increase (Decrease) in Payables	210,707		87,752	
Increase (Decrease) in Financial Liabilities at Fair Value through Profit or Loss	579,270		40,083	
Increase (Decrease) in Deferred Income Tax Liabilities	-3,052		-9,160	
Increase (Decrease) in Other Liabilities	1,103		302	
Net Cash Provided by (used in) Operating Activities		1,054,848		890,411
Cash Flows from Investing Activities:		-6,214,245		-10,876,677
Decrease (Increase) in Loans and Discounts	-7,383,676		-9,654,010	
Decrease (Increase) in Other Financial Assets	1,200,000		-1,200,000	
Decrease (Increase) in Other Assets	-30,569		-22,667	
Net Cash Provided by (used in) Investing Activities		-6,214,245		-10,876,677
Cash Flows from Financing Activities:		6,140,318		4,051,338
Increase (Decrease) in Due to Banks	4,437,149		4,357,822	
Increase (Decrease) in Borrowed from Banks	-779,488		-1,284,218	
Increase (Decrease) in Financial Debentures Payable	1,000,000		250,000	
Increase (Decrease) in Long-term Liabilities	-847		-571	
Increase (Decrease) in Other Financial Liabilities	1,737,007		1,060,536	
Increase (Decrease) in Other Liabilities	44,749		-43,088	
Cash Dividends	-298,252		-289,143	
Net Cash Provided by (used in) Financing Activities		6,140,318		4,051,338
Effects of Exchange Rate Changes		20,753		18,052
Increase (Decrease) in Cash and Cash Equivalents		1,001,674		-5,916,876
Cash and Cash Equivalents, at the Beginning of Period		4,006,121		9,922,997
Cash and Cash Equivalents, at the End of Period		5,007,795		4,006,121

Statements of Changes in Equity

January 1–December 31, 2007 and 2008

NT\$ thousand

Item	Capital	Retained Earnings		Equity Adjustments		Total
		Legal Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Unrealized Revaluation Increments	
Balance, January 1, 2007	12,000,000	5,085,225		685,211	118,819	17,889,255
Provision for Legal Reserve		195,086	-195,086			
Cash Dividends Appropriated			-292,628			-292,628
Net Income for FY 2007			487,714			487,714
Changes in Cumulative Translation Adjustments				-4,566		-4,566
Balance, December 31, 2007	12,000,000	5,280,311		680,645	118,819	18,079,775
Provision for Legal Reserve		186,627	-186,627			
Cash Dividends Appropriated			-279,943			-279,943
Net Income for FY 2008			466,570			466,570
Changes in Cumulative Translation Adjustments				80,691		80,691
Balance, December 31, 2008	12,000,000	5,466,938		761,336	118,819	18,347,093



Mr. Edwin Araque Bonilla (middle), President of Banco Central de Honduras and Ms. Marlene Villela-Talbott (left), Ambassador of the Republic of Honduras to the R.O.C., visited Chairman Sheng-Yann Lii.



Financial Analysis

NT\$ thousand;%

Item		2008	2007
Operating Ability	Non-Performing Loan Ratio	0.59%	0.49%
	Ratio of Interest Income to Annual Average Loans	3.83%	4.98%
	Total Asset Turnover (times)	1.41	1.49
	Average Operating Income per Employee	5,952	5,695
	Average Profit per Employee	2,321	2,403
Profitability	Return on Tier 1 Capital	2.95%	2.98%
	Return on Assets	0.57%	0.65%
	Return on Equity	2.56%	2.71%
	Net Income Margin	39.00%	42.19%
	Earnings per Share (NT\$ dollars)	0.39	0.41
Financial Structure	Ratio of Liabilities to Assets	78.41%	76.65%
	Ratio of Fixed Assets to Equity	2.62%	2.69%
Growth Rate	Asset Growth Rate	9.75%	6.43%
	Profit Growth Rate	0.13%	9.18%
Cash Flow	Cash Flow Ratio	2.79%	2.86%
	Cash Flow Adequacy Ratio	200.67%	178.81%
	Cash Flow Sufficiency Ratio	-16.97%	-8.19%
Liquid Reserve Ratio		29.14%	29.01%
Operating Scale	Market Share of Assets	0.29%	0.28%
	Market Share of Net Worth	1.02%	1.01%
	Market Share of Loans	0.43%	0.40%

1. The 2008 NPL Ratio increased from 2007, mainly due to an increase of non-performing loans in 2008.
2. The decrease in Ratio of Interest Income to Annual Average Loans in 2008 is mainly due to the increase in the average total loans in 2008.
3. The 2008 Asset Growth Rate increased from 2007, mainly due to an increase of loans outstanding in 2008.
4. The 2008 Profit Growth Rate fell from 2007, mainly due to no increase in net income before tax in 2008.
5. The 2008 Cash Flow Sufficiency Ratio fell from 2007, mainly due to the decrease in net change of loans outstanding in 2008.

Note: The 2007 account has been recognized by the Ministry of Audit, the R.O.C. The final accounts of 2008 are still subject to audit.

Financial Formulae

1. Operating Ability

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

2. Profitability

- (1) Return on Tier 1 Capital = $\frac{\text{Net Income before Tax}}{\text{Average Total Tier 1 Capital}}$
- (2) Return on Assets = $\frac{\text{Net Income}}{\text{Average Total Assets}}$
- (3) Return on Equity = $\frac{\text{Net Income}}{\text{Average Net Equity}}$

$$(4) \text{ Net Income Margin} = \frac{\text{Net Income}}{\text{Net Operating Income}}$$

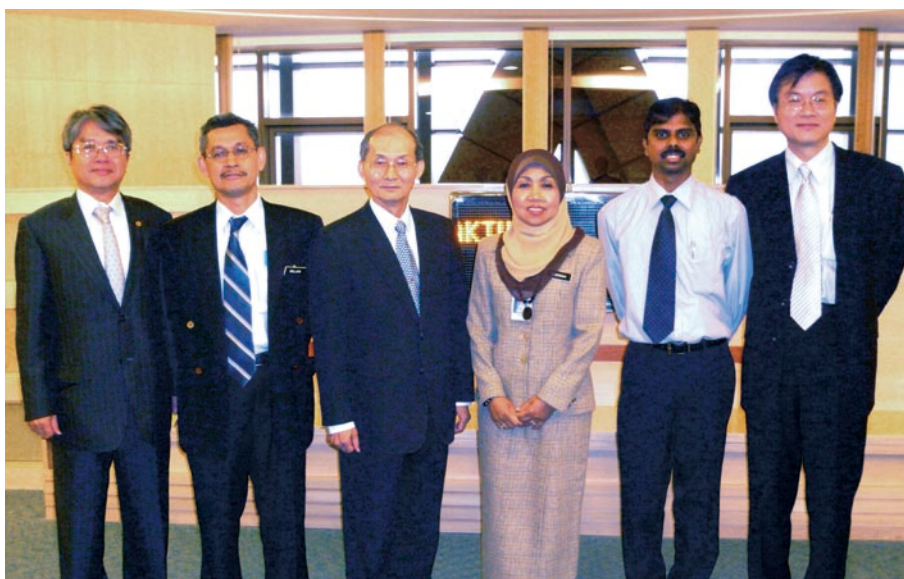
$$(5) \text{ Earnings per Share} = \frac{(\text{Net Income} - \text{Dividends from Preferred Stocks})}{\text{Weighted Average Outstanding Shares (Note 2)}}$$

3. Financial Structure

- (1) Ratio of Liabilities to Assets = $\frac{\text{Total Liabilities}}{\text{Total Assets}}$
- (2) Ratio of Fixed Assets to Equity = $\frac{\text{Net Fixed Assets}}{\text{Net Equity}}$

4. Growth Rate

- (1) Asset Growth Rate = $\frac{(\text{Total Assets for Current Year} - \text{Total Assets for Previous Year})}{\text{Total Assets for Previous Year}}$
- (2) Profit Growth Rate = $\frac{(\text{Net Income before Tax for Current Year} - \text{Net Income before Tax for Previous Year})}{\text{Net Income before Tax for Previous Year}}$



Chairman Sheng-Yann Lii visited Datuk Nozirah Bahari (3rd from right), Secretary of the Ministry of Finance, Malaysia.

5. Cash Flow (Note 4)

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

6. Liquid Reserve Ratio

= Central Bank Liquid Asset Requirements / Liabilities requiring the provision of liquid reserves

7. Operating Scale

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

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

(3) Market Share of Loans = Total Loans / Total Loans of All Financial Institutions Available for Deposits and Loans

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

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

Note 3: Net Operating Income refers to the summation of Interest Income and Non-Interest Income.

Note 4: Comments on Cash Flow Analysis:

1. Net Cash Flows from Operating Activities refer to the same item in the Statements of Cash Flows.
2. Capital Expenditures refer to cash outflows required for capital investments each year.
3. Cash Dividends include cash dividends for common stock and preferred stock.



This bank held a "Seminar on the Global Economic Outlook in the Current Financial Crisis".

Capital Adequacy

NT\$ thousand; %

Item		2008	2007	
Self-owned Capital	Tier 1 Capital	Common Equity	12,000,000	12,000,000
		Non - Cumulative Perpetual Preferred Stock		
		Non - Cumulative Perpetual Subordinated Debt		
		Capital Collected in Advance		
		Capital Reserve (Excluding Reserves Arising from Fixed Assets Revaluation)		
		Legal Reserve	5,466,938	5,280,131
		Special Reserve		
		Accumulated Gains or Losses		
		Minority Interests		
		Equity Adjustments	761,336	680,645
		Less : Goodwill		
	Less : Unamortized Losses on Sale of Non - Performing Loans			
	Less : Capital Deductions	51,250	51,250	
	Tier 1 Capital	18,177,024	17,909,526	
	Tier 2 Capital	Cumulative Perpetual Preferred Stock		
		Cumulative Perpetual Subordinated Debt		
		Reserves Arising from Fixed Assets Revaluation	118,819	118,819
		45% of Unrealized Gains on Available - for - Sale Equities		
		Convertible Bond		
		General Reserves / Loan - Loss Reserves	669,763	600,510
Long - Term Subordinated Debt				
Non - Perpetual Preferred Stock				
Total of Non - Cumulative Perpetual Preferred Stock and Non - Cumulative Perpetual Subordinated Debt Exceeding Tier 1 Capital by 15%				
Less : Capital Deductions		51,250	51,250	
Tier 2 Capital	737,332	668,079		
Tier 3 Capital	Short - Term Subordinated Debt			
	Non - Perpetual Preferred Stock			
	Tier 3 Capital			
Self-owned Capital		18,914,356	18,577,605	
Total Risk - Weighted Assets	Credit Risk	Standardised Approach	51,440,856	45,528,342
		Internal Ratings - Based Approach		
		Securitisation		
	Operational Risk	The Basic Indicator Approach	2,023,302	1,932,725
		The Standardised Approach / The Alternative Standardised Approach		
		Advanced Measurement Approaches		
	Market Risk	Standardised Approach	116,854	579,740
		Internal Models Approach		
Total Risk - Weighted Assets		53,581,012	48,040,807	
Capital Adequacy Ratio		35.30%	38.67%	
Tier 1 Risk - Based Capital Ratio		33.92%	37.28%	
Tier 2 Risk - Based Capital Ratio		1.38%	1.39%	
Tier 3 Risk - Based Capital Ratio				
Common Equity to Total Assets		14.12%	15.50%	

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

Financial Formulas:

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



Notes to Financial Statements

Note1. Summary of Significant Accounting Policies and Basis of Measurement

(I) Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements

1. Foreign exchange gains or losses on Eximbank's assets or liabilities denominated in foreign currencies are translated into New Taiwan Dollars on the balance sheet date and settlement date. However, any foreign exchange gain or loss arising from foreign currency advances with a long-term investment nature to offshore branches not intended for settlement in the foreseeable future are entered as an owners' equity adjustment item under "Cumulative Translation Adjustment".
2. Translation of foreign currency financial statements into local currency financial statements is based on the Schedule of Foreign Currency Settlement Rates published by the Central Bank of China.
3. The US\$/NT\$ exchange rate is based on the domestic interbank spot rate at 10:00 a.m. on December 31, 2008. Conversion rates for Japanese Yen, Euro, Swiss Franc, Pound Sterling, Australian Dollar, Indonesian Rupee and Malaysian Ringgit are based on the same day US\$ buying rates at 10:00 a.m. in the international foreign exchange market and translated using the above US\$/NT\$ rate.
4. The conversion rates for Polish Zloty and the Brazilian Real are based on the most recent exchange rates (US\$ buying rates) in the international market as quoted on Bloomberg, and converted using the above US\$/NT\$ rate.

(II) Taxes

1. Under the Ministry of Finance Circular No. 68 Tai-Tsai-Shui 37537, Eximbank's income from export credit insurance business is exempt from corporate income tax, business tax and stamp duty.
2. The Alternative Minimum Tax is applicable as of the year of assessment 2006 for filing of business income tax returns. Eximbank's tax-exempt income from its offshore banking branch is included in its basic business income for computation of basic tax amount.
3. The Bank has applied the Regulations on the Assessment of Transfer Pricing in the filing of its 2008 business income tax returns.

(III) Financial Products

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

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

1. Investment in Bills Held To Maturity

Book value as of closing date was NT\$2,600,000,000. To maintain the CBC Interbank Funds Transfer System's pledge requirement, Eximbank purchased the Central Bank's negotiable certificate of deposits to be held to maturity. These certificates are booked at cost and interest is calculated monthly.

2. Long-term Equity Investments

Eximbank invested NT\$7 million in the Taipei Forex Incorporation, NT\$45.5 million in the Financial Information Service Co., Ltd, and NT\$50 million in Taiwan Asset Management Company. Eximbank controls less than 20% of all outstanding shares, therefore limited influence, in the companies. As the companies are neither listed in the stock exchange nor over-the-counter, thus no open market price is available as reference for fair value, the investments are treated at cost under financial assets. Accounting treatment for subsequent valuation is based on the cost method.

3. Trading of Financial Derivatives

Trading in financial derivatives is used to manage assets and liabilities, so as to raise long-term capital, reduce capital cost and control risks. Subsequent valuation of financial derivatives is based on a valuation model developed by the Bank. The model adopts methods widely used by market investors

such as discounted cash flow model to determine fair values. The positive fair value on the accounts closing date was NT\$537,462,528 and was recognized as a financial asset. The negative fair value was minus NT\$5,210,800 and was recognized as a financial liability. Any change in fair value is recognized as a current period profit or loss.

Trading of derivatives with unexpired maturity on the accounts closing date are detailed as follows:

(1) Interest Rate-Related Contracts

Instrument: Interest Rate Swaps

Purpose:

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

Notional Principal: NT\$9.25 billion

Credit Risk:

Trading counterparts are financial institutions with



This bank held a "Workshop on How to Take Advantage of Eximbank's Preferential Projects to Expand Exports".

good international credit standing. Hence, credit risk is within Eximbank's control.

Market Risk:

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

(2) Exchange Rate-Related Contracts

Instrument: Foreign Exchange Swaps

Purpose:

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

Swap Principal: US\$1,290 thousand.

Credit Risk:

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

Market Risk:

Swapped US Dollars for Swiss Francs SF1,533 thousand, to meet loan demands. Exchange differences from fund operations duly reflect the interest rate differences between the two currencies.

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

Although Eximbank's derivatives are traded to provide an economic hedge, they do not fit the definition of hedging instruments in strict terms. Therefore, such transactions are recognized as "non-hedging transactions" and are estimated at fair value. Any change to such value is recognized as a current period profit or loss. To reduce inconsistencies during accounting calculation and recognition, the corresponding financial debentures valued at NT\$9.25 billion are recognized as financial liabilities designated at fair value through profit or loss and the changes in fair value shall also be stated in the income statement. Subsequent valuation thereof is based on a model developed by Eximbank. The model adopts the discounted cash flow method,



This bank held a "Seminar on Expanding into Brazil and Poland".

which is widely used by market investors, to determine fair value. (Book value on the date of closing of accounts was NT\$9,818,615 thousand.) The change in fair value is recognized as a profit or a loss for the current period.

(IV) Valuation and Depreciation of Fixed Assets

Fixed assets include land, buildings, machinery & equipment, transportation vehicles, miscellaneous equipment, and leasehold improvements. Eximbank's land is all carried on the accounts at cost, except for land belonging to the head office, which was revalued in October 2001 and July 2005. Valuation of other fixed assets is based on historical cost less accumulated depreciation. Depreciation is calculated using the average depreciation method.

(V) Valuation and Amortization of Intangible Assets

Intangible assets are computer software, amortized using the straight-line depreciation method.

(VI) Employee Retirement Plan and Pension Cost

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

Pension cost is based on total annual salaries (allocation for expatriates is based on local salary

scales). Allocation is 12.7% for executive staff and 15% for non-executive staff. Contributions to staff are administered by Eximbank's Retirement Fund Supervisory Committee, and contributions for non-executive staff and security guards are deposited under the account of the Eximbank Labours' Pension Monitoring Committee in the Bank of Taiwan.

Eximbank contributes an amount equivalent to 6% of employees' salary for employees opting for the new pension schedule. Such contribution is deposited in the employees' personal pension accounts with the Bureau of Labour Insurance.

Contributions for the local employees of Eximbank's overseas representative offices are included in its Accrued Pension Liabilities as provided by local regulations.

(VII) Income Recognition

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

(VIII) Differentiation of Capital Expenditures and Expenses

Expenditures exceeding NT\$10,000 with minimum 2-year economic life are recognized as assets; otherwise, as expenses.

(IX) Gains & Losses from the Disposal of Fixed Assets

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

(X) Allowance for Doubtful Accounts

Credit assets are classified into five rating levels and assessed based on the borrower's creditworthiness, availability of collateral security, and likelihood of

recovery (Divided into Category 1-Zero credit risk; Category 2-To be monitored; Category 3-Full-recovery possible; Category 4-Recovery difficult; Category 5-Recovery impossible), and then provided for doubtful accounts based on the security provided and degree of recovery (2% for Category 2, 10% for Category 3, 50% for Category 4, and 100% for Category 5.)

(XI) Operating and Liability Reserves

1. The guarantees provided for R.O.C. state-owned enterprises is 0.4% of the outstanding balance, and 0.8% for other guarantees.
2. "Reserve for Outstanding Loss", "Special Reserve for Loss", "Unearned Premium Reserve", and "Reserve for Export Credit Insurance" are provided as set forth by the relevant regulations. "Reserve for Export Credit Insurance" for the current fiscal year includes allocations from the Ministry of Finance and the Bureau of Foreign Trade, Ministry of Economic Affairs.

Note 2. Significant Commitments and Contingent Liabilities

- (1) Total assets (liabilities) under trust, agency and guarantee is NT\$ 6,174,634,593.90, including guarantee receivables of NT\$ 5,267,819,994.28, custodial collections receivables of NT\$592,259,716.76, joint loans receivable (memo account) NT\$313,931,782.86, and collaterals of NT\$623,100 have not been included in the Balance Sheets, and are explained by separate notes.
- (2) No bills receivable (or payable).
- (3) Undisbursed loan commitments of NT\$10,412,867,841.88.



Mr. Sergey Gromov (3rd from right), Chairman of Chinggis Khaan Bank of Mongolia, visited this bank.

Note 3. Financial Information by Business Unit

The Statement of Financial Accounting Standards No. 20 provides that the provisions thereunder govern only public companies issuing shares to the public. As Eximbank is not a public company, it is not required to disclose its financial information by business unit.

Note 4. Details of Significant Accounting Items (NT\$ thousand)

1. Cash and Cash Equivalents

Item	Date	December 31, 2008	December 31, 2007
Cash on Hand		9	9
Petty Cash & Revolving Funds		277	302
Cheques for Clearance		322	282
Due from Banks		2,323,675	3,004,783
Total		2,324,283	3,005,376

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

Item	Date	December 31, 2008	December 31, 2007
Call Loans to Other Banks		83,234	
Due from the Central Bank		278	745
Total		83,512	745

3. Financial Assets at Fair Value through Profit or Loss

Item	Date	December 31, 2008	December 31, 2007
Financial Assets Held for Trading			1,200,000
Financial Assets Held for Trading – Adjustment Valuation		537,462	22,168
Total		537,462	1,222,168



4. Receivables - Net

Item	Date	December 31, 2008	December 31, 2007
Accounts Receivable			25
Earned Revenue Receivable		679	934
Interest Receivable		493,122	718,863
Premium Receivable		2	32
Other Receivables		3	
Forex Spot Receivable		196,594	
Total		690,400	719,854
Allowance for Doubtful Accounts		-4,103	-5,631
Net Amount		686,297	714,223

5. Loans & Discounts - Net

Item	Date	December 31, 2008	December 31, 2007
Short-term Loans		6,163,514	7,385,084
Medium-term Loans		35,703,830	28,040,620
Medium-term Secured Loans		5,598,413	5,147,602
Long-term Loans		1,899,315	1,451,194
Long-term Secured Loans		28,890,469	28,999,995
Overdue Loans		366,922	347,672
Total		78,622,463	71,372,167
Allowance for Doubtful Accounts		-539,143	-563,109
Net Amount		78,083,320	70,809,058



Ms. Sh. Chudanji (2nd from right), President & CEO of Zoosbank of Mongolia, visited this bank.

6. Other Financial Assets - Net

Item	Date	December 31, 2008	December 31, 2007
Financial Assets Carried at Cost		102,500	102,500
Short-term Advances			325
Overdue Non-Loans			8,308
Total		102,500	111,133
Allowance for Doubtful Accounts			-8,308
Net Amount		102,500	102,825

7. Fixed Assets - Net

Item	Date	December 31, 2008	December 31, 2007
Land		80,203	80,203
Revaluation Increments - Land		150,171	150,171
Buildings		351,002	350,983
Accumulated Depreciation - Buildings		-132,851	-126,881
Machinery & Equipment		70,532	68,277
Accumulated Depreciation - Machinery & Equipment		-48,959	-46,404
Transportation Equipment		12,769	12,053
Accumulated Depreciation - Transportation Equipment		-8,304	-7,841
Miscellaneous Equipment		25,673	25,954
Accumulated Depreciation - Miscellaneous Equipment		-19,397	-19,356
Leasehold Improvements		1,941	1,806
Accumulated Depreciation - Leasehold Improvements		-1,669	-1,806
Net Amount		481,111	487,159

8. Other Assets - Net

Item	Date	December 31, 2008	December 31, 2007
Inventory of Supplies		197	155
Prepaid Expenses		6,733	6,914
Other Prepayments		165	127
Refundable Deposits		3,032	1,580
Temporary Payments and Suspense Accounts		18,984	5,385
Deferred Income Tax Assets		41,367	57,134
Other Deferred Assets		286	307
Total		70,764	71,602

9. Borrowed from the Central Bank and Other Banks

Item	Date	December 31, 2008	December 31, 2007
Borrowed from the Central Bank		22,970,276	23,957,327
Borrowed from Other Banks		628,500	420,938
Total		23,598,776	24,378,265

10. Financial Liabilities at Fair Value through Profit or Loss

Item	Date	December 31, 2008	December 31, 2007
Financial Liabilities Held for Trading - Adjustment Valuation		5,211	63,283
Financial Liabilities Designated at Fair Value through Profit or Loss		9,250,000	7,750,000
Financial Liabilities Designated at Fair Value through Profit or Loss - Adjustment Valuation		568,615	-68,727
Total		9,823,826	7,744,556



Chairman Sheng-Yann Lii was photographed with Mr. James H. Lambright (4th from left), Chairman & President of Export-Import Bank of the US, and other members while attending the Berne Union's 2008 annual meeting in Canada.

11. Payables

Item	Date	December 31, 2008	December 31, 2007
Accrued Expenses		97,358	98,165
Accrued Interest		202,048	173,252
Tax Payable		25,904	50,146
Dividends (official) and Bonuses Payable		14,189	32,499
Custodial Collections Payable		1,170	1,814
Commissions Payable			356
Forex Spot Payable		196,644	
Reinsurance Benefits Payable			12,999
Other Payables		34,027	9,713
Total		571,340	378,944

12. Other Liabilities

Item	Date	December 31, 2008	December 31, 2007
Unearned Premiums		1,328	1,087
Unearned Revenues		2,276	1,413
Estimated Land Value - Added Tax Payable		31,352	31,352
Guarantee Liability Reserve		30,723	18,957
Unearned Premium Reserve		12,176	10,810
Reserve for Outstanding Loss		32,611	64,225
Reserve for Export Credit Insurance		1,554,961	1,477,656
Special Reserve for Loss		42,036	38,694
Refundable Deposits		1,729	2,179
Custodial Deposits		2,169	2,018
Temporary Receipts and Suspense Accounts		67,508	11,481
Deferred Income Tax Liabilities			3,052
Total		1,778,869	1,662,924

13. Net Fees & Commissions

Item	Date	January 1 ~ December 31, 2008	January 1 ~ December 31, 2007
Revenues from Fees & Commissions		77,386	44,859
Expenses from Fees & Commissions		7,899	7,506
Net Amount		69,487	37,353

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

Item	Date	January 1 ~ December 31, 2008	January 1 ~ December 31, 2007
Gains (+) / Losses (-) on Disposal of Financial Assets		10,510	12,400
Gains (+) / Losses (-) on Valuation of Financial Assets		538,989	-4,949
Gains (+) / Losses (-) on Valuation of Financial Liabilities		-574,016	-40,081
Net Amount		-24,517	-32,630



Chairman Sheng-Yann Lii (1st from left, front row) attended "The Berne Union Special RCG Meeting".

15. Other Non-Interest Income

Item	Date	January 1 ~ December 31, 2008	January 1 ~ December 31, 2007
Other Non-Interest Profits		249,527	206,799
Premium Income		101,923	98,429
Reinsurance Commissions		8,760	7,847
Claims Recovered from Reinsurers		11,106	4,152
Unearned Premium Reserve Released		10,810	10,419
Reserve for Outstanding Loss Released		64,225	16,439
Export Credit Insurance Reserve Released			29,712
Gains from Financial Assets Carried at Cost		13,322	14,620
Other Miscellaneous Income		39,381	25,181
Other Non-Interest Losses		197,489	168,814
Reinsurance Premium		60,193	60,867
Commission Expenses		218	327
Insurance Claims & Payments			26,577
Provision for Unearned Premium Reserve		12,176	10,810
Provisions for Special Reserve for Loss		3,342	4,192
Provision for Reserve for Outstanding Loss		32,611	64,225
Provision for Reserve for Export Credit Insurance		88,284	
Losses on Disposal of Fixed Assets		665	1,816
Net Amount		52,038	37,985

16. Bad Debt Expenses

Item	Date	January 1 ~ December 31, 2008	January 1 ~ December 31, 2007
Bad Debt Expenses for Loans		161,526	122,727
Bad Debt Expenses for Guarantee Receivables		11,766	-1,826
Bad Debt Expenses for Other Receivables		-1,485	7,474
Total		171,807	128,375



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