



TAIPEI  
TAIWAN

# 2009 ANNUAL REPORT



**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 development projects in order to facilitate industrial development and increase employment

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

It's the year of implementation for  
“New Cheng Ho Plan - The San Pao Project” .

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# 01

## ► I. Performance Summary

NT\$ Million

Year	FY 2009	FY 2008	FY 2007
Total Operating Revenues	2,358	3,766	3,504
Total Operating Expenses	1,838	3,234	2,973
Net Income Before Tax	520	532	531
Profits per Employee Before Tax	2.51	2.65	2.62
Loans Outstanding (Average)	78,715	75,497	64,509
Guarantees Undertaken	6,430	6,744	4,961
Export Credit Insurance Underwritten	58,053	38,188	37,131
Total Assets	86,992	84,993	77,441
Net Worth	18,406	18,347	18,080
BIS Ratio (%)	32.66	35.30	38.67

\* The final accounts of FY 2009 are subject to audit.

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

## 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. Eximbank is a specialized export and import credit institution and Eximbank's vision is to “Strengthen Trade Finance and Assist External Trade” . Eximbank was founded with the aim of coordinating government economic, trade and financial policies, facilitating financial and export credit insurance services, assisting local firms to expand foreign trade and advancing international economic cooperation to enhance employment and maintain domestic economic growth. Eximbank offers medium-and long-term financing and guarantee services to facilitate local firms to expand exports of capital goods, undertake overseas construction projects, import precision machinery and equipment and essential industrial raw materials as well as introduce foreign technology into Taiwan, etc. Meanwhile, Eximbank also conducts export credit insurance to protect exporters against commercial and political risks .

## 2. Strategies

(1) Aiming at the full implementation of the government's trade and economic policies, providing financial services, and thus assisting manufacturers to expand markets in foreign trade.

Eximbank corresponds to existing government policies to constantly focus on target markets and major industries based on well established export credit insurance and financing mechanism and spontaneously facilitates exporters with essential export credit insurance and trade finance aid.

In 2009, other than continuing to assist corporations in exploiting business opportunities in overseas emerging markets and coordinating with the Bureau of Foreign Trade, Ministry of Economic Affairs' “New Cheng Ho Plan” and “Target Promotion Markets” , the Eximbank also proactively promoted relevant financing and export credit insurance service projects to assist corporations to diversify export markets, enhance foreign trade competitiveness, accelerate export trade business and create domestic 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





▲ Chairman / Sheng-Yann Lii (Photo taken on Apr. 15, 2010)

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.

During this year, Eximbank has provided relending facilities to 48 financial institutions, including emerging market financial institutions in Brazil, Chile, Dominican Republic, Belarus, Kazakhstan, Malaysia, Argentina, Russia, Turkey, Ukraine, Egypt, Indonesia, India, Mongolia, the

Philippines, Thailand, Armenia, and Vietnam so that these financial institutions can relend their local importers to purchase products from Taiwan.

#### **(4) Bringing export credit insurance into full play in order to support corporations to win orders and mitigate trading risks.**

Eximbank has been stepping up the promotion of GlobalSure Credit Insurance by recommending corporations to purchase the whole-turnover policy for preferential premium rates. This is to reduce the situation where corporations make anti-selections in their choice of insurance packages so that Eximbank can effectively expand its turnover covered in export credit insurance. Furthermore, Eximbank provides comprehensive export credit insurance services. No matter corporations export in D/P, D/A, O/A or L/C, they can access the large variety of Eximbank's export credit insurance services in order to win businesses and reduce the potential loss of default.

To promote export credit insurance, Eximbank has cooperated closely with domestic commercial banks, such as First Commercial Bank, as well as foreign banks in Taiwan to utilize their extensive marketing networks to assist corporations to circumvent the risk of account receivables beyond recovery or the political risk of unrecoverable capital or stock dividend of overseas invested companies, while ensuring the credit right of financing or negotiating banks.

#### **(5) Continuing the cooperation with international reinsurance companies to enhance Eximbank's overall underwriting capacity.**

With a view on the need to expand the underwriting capacity and augment 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. The result was a very significant and impressive achievement this year.

#### **(6) Creating product synergies and generating the synergies of credit and export credit insurance services.**

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 corporations. Eximbank also reviews and modifies its business policies in response to the trends in financial environment and the structural development of Taiwanese industries. Eximbank has been actively developing new types of business in order to enhance the synergies of its credit and export credit insurance services. The efforts to integrate every kind of business and pursue multi-oriented developments leading to business

growth have paid off.

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

Eximbank renewed its cooperative ties this year with the domestic foreign exchange designated banks experienced in foreign exchange businesses by entering into "Agreement in Joint Promotions of Foreign Exchange Businesses." The simplification of the lending procedures enables corporations to obtain working capital and as a result, Eximbank sees growth in export financing businesses.

### (8) Participating in major domestic economic development projects, advancing industry developments and increasing employment opportunities.

In line with the government's major public construction and development projects, 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.

In order to improve risk management and follow the BIS standards, Eximbank not only has implemented overall risk monitoring and credit line control, but also has established risk management policies to control credit, market and operational risks. This has made Eximbank's



▲ President / Rueen-Fong Chu  
(Photo taken on Apr. 15, 2010)

risk management system even more perfect.

### (10) Constantly promoting energy conservation and carbon reduction policy.

In response to the government's policy in energy conservation and carbon reduction, Eximbank has elevated the environmental awareness of its entire staff and extended further to large numbers of their family members, broadened the practice of energy conservation and carbon reduction and expedited toward a low-carbon society.



# 03

## ▶ III. Bank Profile

### 1. Profile

The Export-Import Bank of the Republic of China was established on January 11, 1979 according to the Export-Import Bank of the Republic of China Act, as a state-owned specialized bank for export and import credits. It is supervised by the Ministry of Finance and its mission is to “Promote Export Trade and Develop the Economy,” while its vision is to “Strengthen Trade Finance and Assist External Trade” . Eximbank offers a variety of medium- and long-term export and import loans, guarantees, and export credit insurance services. Eximbank's main objective is to support

government economic and trade policies to provide banking services to corporations, so as to assist them to expand their export markets and overseas investments and encourage international cooperation to ensure the steady and continuous development of Taiwan's economy.

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

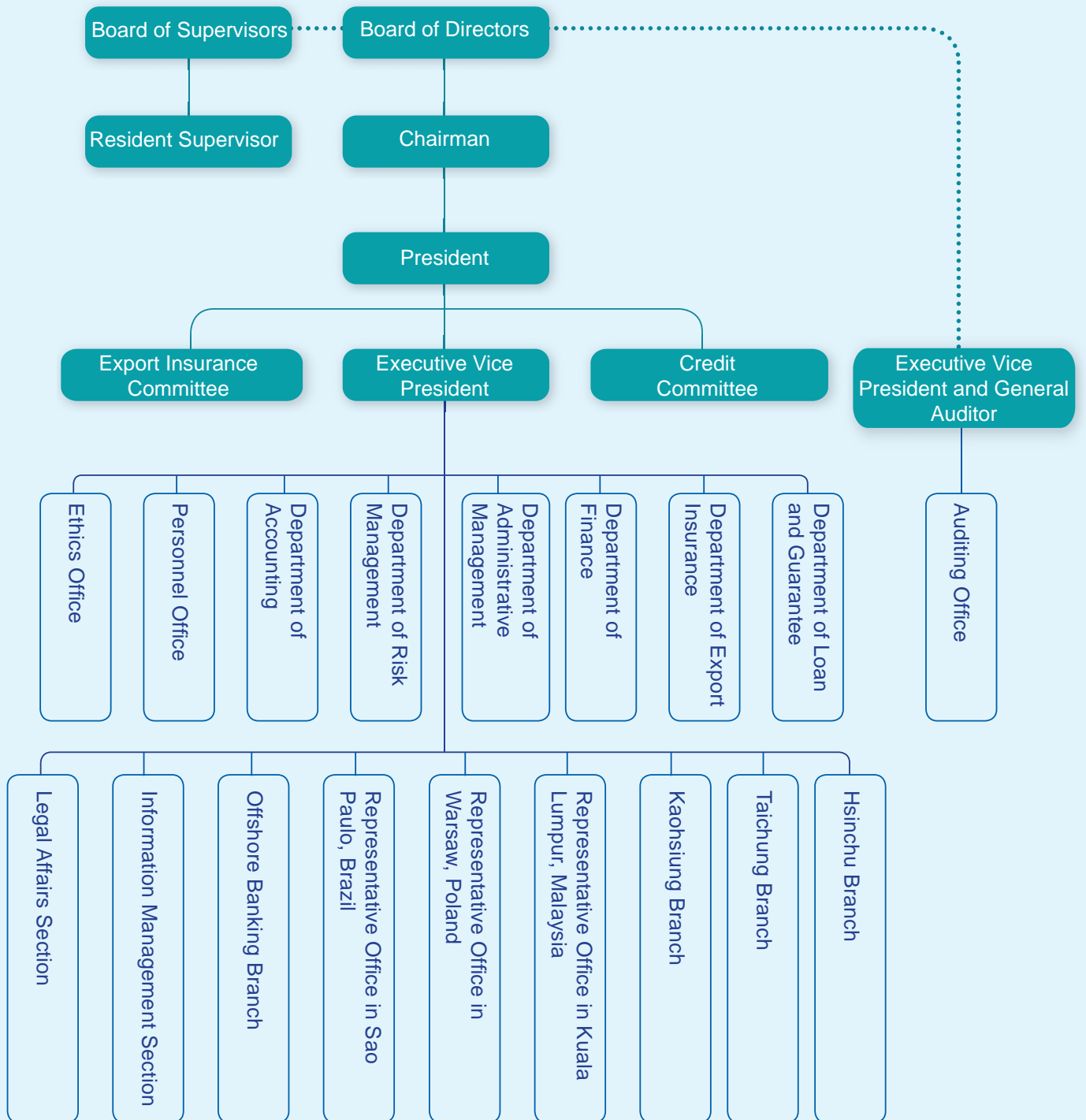


▲ Cheng Hsiung Chiu (third right), the former Vice Premier of the Executive Yuan, Sush-Der Lee (third left), the Minister of Ministry of Finance, Chih-Peng Huang (second left), the Director General of Bureau of Foreign Trade, Edward Yang (first left), President of Taiwan Machine Tool & Accessory Builders' Association, Chairman Sheng-Yann Lii (second right) and President Rueen-Fong Chu (first right) attended Eximbank's 30th anniversary. (Photo taken on Jan. 10, 2009)



## 2. Organization

### (1) Organization Chart



## (2) Board of Directors and Supervisors

as of December 31, 2009



Chairman  
Sheng-Yann Lii



Managing Director  
Rueen-Fong Chu



Managing Director  
Hau-Min Chu



Director  
Chih-Peng Huang



Director  
Sun-Yuan Lin



Director  
Zion Kao



Director  
Hsin-Chung 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		
Sun-Yuan Lin	Director		
Zion Kao	Director		
Hsin-Chung Chen	Director		

Note : Director Mr. Sun-Yuan Lin served as Director of this bank on January 16, 2009.

### (3) Principal Managers and General Auditor

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



Executive Vice President &  
Compliance Officer  
Shui-Yung Lin

President  
Ruen-Fong Chu

Chairman  
Sheng-Yann Lii

Executive Vice President &  
General Auditor  
Kou-Dah Lih

Executive Vice President  
Chi-Chung Wang

(Photo taken on Apr. 15, 2010)



# 04

## ▶ IV. Operations Overview

### 1. Business Overview

#### Highlights of Key Businesses in 2009

NT\$ Million

Item	Amount	Growth Rate
Loans	78,715	4.26%
Guarantees	6,430	- 4.65%
Export Credit Insurance	58,053	52.02%

#### (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 2009, the loans granted by Eximbank totaled NT\$78,715 million (avg. balance), 4.26% increase from the previous year.

In 2009, Eximbank's loan portfolio consisted of mainly medium- and long-term loans, which totaled NT\$72,411 million (avg. balance), accounting for 92% of the total.

#### (2) Guarantees

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

Guarantees for 2009 totaled NT\$6,430 million, 4.65% down from the previous year.

The structure of guarantees amount undertaken is mainly composed of major construction guarantees and import guarantees, which respectively accounted for 52.56% and 34.92% of total amount undertaken.

#### (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 2009 totaled NT\$58,053 million, an increase of 52.02% over the previous year.

## 2. Market Overview

### (1) Domestic and Global Financial Conditions

The U.S. subprime mortgage crisis continued into 2008, together with bankruptcy protection filed by U.S. Lehman Brothers in mid-September, which triggered the global financial tsunami. Under the globalization effect, financial crisis in the U.S. was spread worldwide, from the developed countries to the emerging economies and the developing countries, from the housing markets to the financial institutions and the financial markets, and then caused disaster to the real economy. The global economies suffered the most severe impact in centuries while numerous countries' GDP appeared to experience severe slowdown.

U.S. bank failures in 2009 were increased to 140 cases in total, which were far more than 25 in 2008 and 3 in 2007. The banking sector in Eastern Europe region was damaged to a larger extent. Many banks in countries like Ukraine, Kazakhstan and Latvia were taken over by the governments and restructured their debts. The primary reasons were due to local banks' borrowings of low interest rate foreign capital from the international markets and in turn making large amount of loans. Nevertheless, after the financial crisis, foreign capital began to withdraw, the banks were unable to acquire refinancing with no capital inflows to sustain trade deficits. For that reason, local currency gradually depreciated, which deteriorated market confidence, resulted in malignant cycle of deposit outflows and caused many banks to suffer liquidity shortage. With the sluggish economy and rising unemployment,



▲ Taipei 101 Plate

borrowers are having difficulties in making punctual repayment. As a result, non-performing loans mounted and therefore increased banks' credit risk.

To stabilize the financial markets, major governments not only continue to inject capitals to banks, but also actively adopt all kinds of economic stimulus programs, swap arrangements and implement quantitative easing monetary policy. Since March 2009, the global stock markets have steadily recovered, representing governments' economic stimulus programs have positive effects. In which, Australia's economic growth is better than expected, private investments are also vigorous, the risk appetite of large corporations' refinancing is increasing and enterprises are more willing to invest. On October 6, 2009, Australia took the lead to raise interest rates in the G20 and interest rates were lifted three times overall by the end of 2009.



In addition to various governmental economic stimulus measures, negotiation of cross-strait Economic Cooperation Framework Agreement (ECFA) as well as other measures for trade and economic development opportunities are continuously in progress, our government has opened up the gate to cross-strait cooperation in the financial markets and signed cross-strait “Financial Supervisory Cooperation Memorandum of Understanding ” (MOU) with the Chinese authorities through a document exchange in Taipei and Beijing on November 16, 2009. In the future, both sides will make further negotiations on broader financial cooperation , such as bilateral cross-shareholding and the establishment of business offices in the financial sector, cross-strait capital flow and so on, which shall yield a substantial and significant benefit to the future development of domestic financial sector.

## (2) Overview of Credit Market

As the global financial crisis was triggered by the U.S. subprime mortgage crisis in 2008, the global economy in 2009 has fallen into the worst recession since World War II. Following the global economy has gone through the severe recession, the international economic trend has gradually stabilized in the second half of 2009 led by the strong recovery of China and India. Thanks to the recovery of major economic entities, the domestic economy has begun to recover and driven demands in foreign trade markets. Although the recession has started to settle down, the labor market is still facing severe challenges. The economic growth rate for 2009 is expected to be -2.53%, a decline of 0.73% over 2008.

To boost domestic demands, Central Bank of the Republic of China (Taiwan) has adopted loose monetary policy. Nevertheless, as the economy gradually picks up, it is expected that the monetary policy this year shall steadily return to a neutral stand to maintain pricing stability. Under the circumstances of loose domestic money supply, the competition among the financial services sector was still intensive and domestic interest rates continued to stay at the low level. Eximbank remained proactively to implement a preferential export project of “The San Pao Project” , which was part of Ministry of Economic Affairs' “New Cheng Ho Plan” , participated in domestic various major public constructions and investment programs, and enhanced credit facilities of export financings, major public constructions and medium and long term import financings and so on. Accordingly, lending performance demonstrated a growth in 2009.

## (3) Export Credit Insurance Market

According to the customs' statistics of export and import declaration documents of Taiwan, the total value of external trade reached US\$378.36 billion with exports of US\$203.70 billion (down by 20.3%), imports of US\$174.66 billion (down by 27.4%) and trade surplus of US\$29.04 billion.

Taiwan interacts closely with its important trading partners, mainly China (including Hong Kong), USA, Europe, Japan, and ASEAN (Association of Southeast Asian Nations). These five major trading partners account for over 85.7% of the imports and exports of Taiwan. According to export contracts, the largest and second largest regions for Eximbank's export credit insurance

in 2009 were Asia and Europe. Meanwhile, the amounts of export credit insurance underwritten in North America region demonstrated the highest growth rate of 135.81%. The figure indicates that the growth of export credit insurance was in line with economic and trade development trends because export credit insurance allows corporations to mitigate trade credit risks. All the statistics demonstrated Eximbank's timely assistance to Taiwanese corporations in developing emerging markets to achieve the strategic goal of promoting globalization in Taiwan and promoting exports to various markets.

Eximbank was responsible for implementing "New Cheng Ho Plan - The San Pao Project" in 2009. Eximbank will continue to operate in coordination with the government's trade and economic policies by providing export credit insurance services that meet the needs of corporations. Meanwhile, it will strive to simplify procedures required to take out insurance policies and reduce costs to corporations to help them gain a competitive edge on the international market.

### 3. Prospects

In response to latest developments subsequent to the signing of cross-strait MOU and negotiation of ECFA, the impact of international financial tsunami as well as other uncertain factors, not only will Eximbank continue to enhance the transactions of medium and long term export and import financing, guarantees and export credit insurance, but also advance toward financial internationalization, business diversification and operational computerization, etc. to provide

extensive and comprehensive services for domestic industrial and commercial enterprises. At the same time, Eximbank will support governmental trade and economic projects and continue to proactively implement The San Pao Project of "New Cheng Ho Plan", which is under the auspices of the Bureau of Foreign Trade of Ministry of Economic Affairs, to strengthen the function of specialized bank in trade finance and help corporations in expanding foreign trade. The San Pao Project includes export loans for promoting sales worldwide, relending facility for facilitating exports and 582 (I Cover You) export insurance program.

To achieve the above objectives, Eximbank's future operations are emphasized as follows:

#### (1) Business Strategies

- a. Eximbank will implement its objective mission of "Strengthen Trade Finance and Assist External Trade" thoroughly.
- b. To assist the exporters to target emerging markets in the developing countries and regions in order to diversify and expand Taiwan's export markets.
- c. To actively participate in activities of international Export Credit Agency (ECA) organization, enhance interactions with member countries and advance the Eximbank's standing in the international community.
- d. To strengthen the interactions with Export Credit Agencies of Mainland China and promptly provide financial services to Taiwanese companies in response to latest



developments after the signing of cross-strait MOU and ECFA.

- e. To reinforce the risk assessment of countries, banks and corporates and the data collection of foreign importers' credit information, etc. in order to improve service quality and assist corporations in expanding foreign trade activities.
- f. To enhance R&D and promptly master changes in global economic and financial environment, activities and business operations of financial peers as well as political and economic situations of credit lending countries for decision-making references.

- g. To adopt ECA's management techniques of advanced countries, improve service standards and facilitate business development.

## (2) Business Development

- a. To cope with governmental economic and trade policies, promptly examine and amend relevant business guidelines, provisions of written agreements, terms & conditions, and simplify operating procedures in order to assist corporations in expanding foreign trade.
- b. To develop new service products, enhance business promotion activities, form strategic alliances with commercial banks, assist companies in establishing global distribution, and enlarge Eximbank's business volume.



▲ Eximbank and the Japanese Chamber of Commerce & Industry Taipei jointly conducted "Seminar on How to Utilize the Resources of Eximbank to Expand Global Markets". (Photo taken on June 23, 2009)



- c. To maintain close relationship with the Central Bank of the Republic of China (Taiwan), the National Development Fund of Executive Yuan, the SME Development Fund of Ministry of Economic Affairs, the Overseas Credit Guarantee Fund, the Bureau of Foreign Trade of Ministry of Economic Affairs and other units, seek external capital resources for expanding businesses.

### (3) Replenishing Working Capital and Export Credit Insurance Reserves

- a. To issue financial debentures promptly together with the relevant financial operations, attain required working capital for supporting the financing business development.
- b. To accelerate the accumulation of Eximbank's equity capital and strengthen operational capability, Eximbank will retain all of its earnings in legal reserve.

### (4) Enhancing Professional Capabilities

- a. To proactively implement the “New Cheng Ho Plan ” and assist corporations in developing global markets via the capabilities of a specialized bank.
- b. To keep sound operation and create proper profits, Eximbank will evaluate industry development and international competitiveness, timely examine interest rates and fees structures as well as cost-benefit analysis of various businesses and make adjustments when necessary.
- c. In business operations, Eximbank will evaluate its operating conditions and the actual needs of corporations, relax the requirements for

credit extension and export credit insurance, expand business scopes, and simplify procedures to improve service quality and give full capabilities of a specialized bank.

### (5) Reinforcing to Promote Work Simplification and Business Information Technology

- a. Based on work function assigned and future business development, Eximbank will make full use of existing human resources, promptly adjust Eximbank's manpower structure, flatten the organizational business units, simplify work processes and work together to expand businesses.
- b. Other than the completion of various information systems already developed, Eximbank will implement a comprehensive business information technology and constantly improve the existing system and the website system in response to business needs, thus the actual operation and management can be exerted every effect.
- c. To strengthen online export credit insurance services, enhance online operational capabilities and usage in the hope of simplifying network service operations, shortening operating processes and elevating service quality.

### (6) Business Diversification

In recent years, responding to changes in global economic and financial environment as well as the practical needs of corporations, Eximbank has introduced several new financial services in succession. In the future, there will be more ongoing initiatives to drive businesses, and

new services will be keenly launched to sustain government policy and the practical needs of companies. These will facilitate corporations engaging in foreign trade, diversify overseas markets and adequately boost Eximbank's business volume.

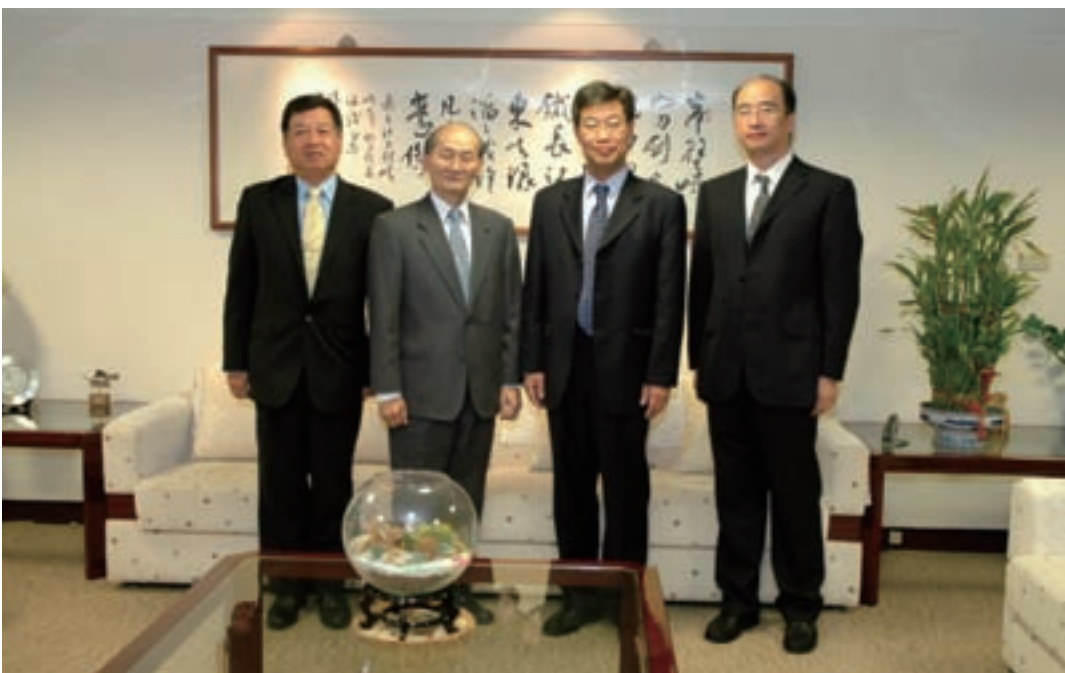
### (7) Research and Development (R&D)

In order to reinforce the operational capabilities to assist corporations in developing foreign trade, Eximbank conducts reviews and improvements on operating systems, contents and practices of existing businesses. Additionally, future changes of global economic environment and Eximbank's business trends are evaluated to determine the R&D subject every year. The research conclusions and recommendations will be used as references for future determination of business strategy and development in

expectation of enhancing Eximbank's business performance.

### (8) Responding to Financial Internationalization

As an international Export Credit Agency (ECA), finding ways to strengthen interactions with members of the Berne Union and thus enhancing services to corporations are the Eximbank's major topics for future internationalization. Additionally, in response to the signing of cross-strait MOU, Eximbank will establish the basis of mutual trust with ECAs in Mainland China to improve financial services to Taiwanese enterprises in China in order to assist corporations in developing cross-strait economic and trade businesses and to sustain Taiwan's economic growth.



▲ Mr. Xiaoyang Le (second right), the Deputy General Manager of Risk Management Department of the Export-Import Bank of China, visited Eximbank. (Photo taken on July 8, 2009)

## 1. Balance Sheets

NT\$ Thousand

Item	Notes	December 31, 2009	December 31, 2008	Percentage Change (%)
		Amount	Amount	
<b>ASSETS</b>		86,992,186	84,993,239	2.35
Cash and Cash Equivalents	Note 4 (1)	260,221	2,324,283	-88.80
Due from the Central Bank and Call Loans to Other Banks	Note 4 (2)	117,872	83,512	41.14
Financial Assets at Fair Value through Profit or Loss	Note 4 (3)	310,941	537,462	-42.15
Receivables – Net	Note 4 (4)	355,140	686,297	-48.25
Loans and Discounts – Net	Note 4 (5)	82,390,562	78,083,320	5.52
Held-to-Maturity Financial Assets – Net		2,900,000	2,600,000	11.54
Other Financial Assets – Net	Note 4 (6)	102,606	102,500	0.10
Fixed Assets – Net	Note 4 (7)	478,220	481,111	-0.60
Intangible Assets – Net	Note 4 (8)	21,639	23,990	-9.80
Other Assets – Net	Note 4 (9)	54,985	70,764	-22.30
<b>TOTAL ASSETS</b>		86,992,186	84,993,239	2.35
<b>LIABILITIES</b>		68,586,289	66,646,146	2.91
Due to the Central Bank and Other Banks		27,438,066	27,455,754	-0.06
Borrowed from the Central Bank and Other Banks	Note 4 (10)	21,239,690	23,598,776	-10.00
Financial Liabilities at Fair Value through Profit or Loss	Note 4 (11)	9,566,720	9,823,826	-2.62
Payables	Note 4 (12)	520,334	571,340	-8.93
Financial Debentures Payable		1,750,000	1,750,000	
Accrued Pension Liabilities		36,262	34,781	4.26
Other Financial Liabilities	Note 4 (13)	5,875,472	1,632,800	259.84
Other Liabilities	Note 4 (14)	2,159,745	1,778,869	21.41
<b>TOTAL LIABILITIES</b>		68,586,289	66,646,146	2.91
<b>EQUITY</b>		18,405,897	18,347,093	0.32
Capital		12,000,000	12,000,000	
Retained Earnings		5,648,256	5,466,938	3.32
Legal Reserve		5,648,256	5,466,938	3.32
Other Equity		757,641	880,155	-13.92
Unrealized Revaluation Increments		118,819	118,819	
Cumulative Translation Adjustments		638,822	761,336	-16.09
<b>TOTAL EQUITY</b>		18,405,897	18,347,093	0.32
<b>TOTAL LIABILITIES AND EQUITY</b>		86,992,186	84,993,239	2.35

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

(1) Loan commitments that customers have yet to draw down totaled NT\$13,263,495 thousand.

(2) Various guarantees totaled NT\$5,972,571 thousand.

2. The 2008 account has been recognized by the Ministry of Audit, the R.O.C. The final accounts of 2009 are still subject to audit.

3. December 31, 2009 - US\$1=NT\$32.176

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



## 2. Income Statements

NT\$ Thousand

Item	Notes	January 1, 2009 – December 31, 2009		January 1, 2008 – December 31, 2008		Percentage Change (%)
		Sub-Total	Total	Sub-Total	Total	
Interest Revenue		1,531,297		2,889,852		-47.01
Minus : Interest Expenses		750,533		1,786,008		-57.98
Net Interest Income			780,764		1,103,844	-29.27
Non-Interest Income			263,508		92,558	184.70
Net Fees and Commissions	Note 4 (15)	88,139		69,487		26.84
Gains (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss	Note 4 (16)	183,349		-24,517		847.84
Foreign Exchange Gains (Losses)		3,513		-4,450		178.94
Others	Note4 (17)	-11,493		52,038		-122.09
Net Operating Income			1,044,272		1,196,402	-12.72
Bad Debt Expenses	Note 4 (18)		29,803		171,807	-82.65
Operating Expenses			494,304		492,693	0.33
Personnel Expenses		364,073		361,467		0.72
Depreciation and Amortization		25,361		25,049		1.25
Other Business and Administrative Expenses		104,870		106,177		-1.23
Net Income before Tax			520,165		531,902	-2.21
Income Tax			-66,870		-65,332	-2.35
Net Income			453,295		466,570	-2.85

Note : The 2008 account has been recognized by the Ministry of Audit, the R.O.C. The final accounts of 2009 are still subject to audit.



### 3. Statements of Cash Flows

NT\$ Thousand

Item	January 1, 2009 – December 31, 2009		January 1, 2008 – December 31, 2008	
	Sub-Total	Total	Sub-Total	Total
Cash Flows from Operating Activities :		852,326		1,054,848
Net Income (Net Loss)		453,295		466,570
Adjustments :		399,031		588,278
Gains, Losses and Other Adjustments that Did Not Impact Cash Flow		136,923		269,897
Depreciation and Amortization	25,675		24,641	
Bad Debt Expenses	32,926		163,929	
Losses (Gains) on Disposal of Assets	708		665	
Other Adjustments	77,614		80,662	
Decrease (Increase) in Operating Assets		560,394		-469,647
Decrease (Increase) in Receivables	333,400		29,454	
Decrease (Increase) in Deferred Income Tax Assets	17,867		15,767	
Decrease (Increase) in Financial Assets at Fair Value through Profit or Loss	226,522		-515,294	
Decrease (Increase) in Other Financial Assets	-105		324	
Decrease (Increase) in Other Assets	-17,290		102	
Increase (Decrease) in Operating Liabilities		-298,286		788,028
Increase (Decrease) in Payables	-41,680		210,707	
Increase (Decrease) in Financial Liabilities at Fair Value through Profit or Loss	-257,106		579,270	
Increase (Decrease) in Deferred Income Tax Liabilities	1,087		-3,052	
Increase (Decrease) in Other Liabilities	-587		1,103	
Net Cash Provided by (used in) Operating Activities		852,326		1,054,848
Cash Flows from Investing Activities :		-4,464,963		-6,214,245
Decrease (Increase) in Loans and Discounts	-4,459,359		-7,383,676	
Sale of Equipment	61		37	
Decrease (Increase) in Other Financial Assets			1,200,000	
Decrease (Increase) in Other Assets	-5,665		-30,606	
Net Cash Provided by (used in) Investing Activities		-4,464,963		-6,214,245
Cash flows from Financing Activities :		1,885,324		6,140,318
Increase (Decrease) in Due to the Central Bank and Other Banks	-17,687		4,437,149	
Increase (Decrease) in Borrowed from the Central Bank and Other Banks	-2,359,086		-779,488	
Increase (Decrease) in Financial Debentures Payable			1,000,000	
Increase (Decrease) in Long-Term Liabilities			-847	
Increase (Decrease) in Other Financial Liabilities	4,242,672		1,737,007	
Increase (Decrease) in Other Liabilities	300,729		44,749	
Cash Dividends	-281,304		-298,252	
Net Cash Provided by (used in) Financing Activities		1,885,324		6,140,318
Effects of Exchange Rate Changes		-2,388		20,753
Increase (Decrease) in Cash and Cash Equivalents		-1,729,701		1,001,674
Cash and Cash Equivalents, at the Beginning of Period		5,007,795		4,006,121
Cash and Cash Equivalents, at the End of Period		3,278,094		5,007,795

Note : The 2008 account has been recognized by the Ministry of Audit, the R.O.C. The final accounts of 2009 are still subject to audit.





## 4. Statements of Changes in Equity

January 1 – December 31, 2008 and 2009

NT\$ Thousand

Item	Capital	Retained Earnings		Equity Adjustments		Total
		Legal Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Unrealized Revaluation Increments	
Balance, January 1, 2008	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
Provision for Legal Reserve		181,318	-181,318			
Cash Dividends Appropriated			-271,977			-271,977
Net Income for FY 2009			453,295			453,295
Changes in Cumulative Translation Adjustments				-122,514		-122,514
Balance, December 31, 2009	12,000,000	5,648,256		638,822	118,819	18,405,897

Note : The 2008 account has been recognized by the Ministry of Audit, the R.O.C. The final accounts of 2009 are still subject to audit.



▲ Eximbank held the social welfare activities "Healthy Massage for the Care of Senior Citizen".  
(Photo taken on Sep. 04, 2009)

## 5. Financial Analysis

NT\$ Thousand; %

Item		2009	2008
Operating Ability	Non-Performing Loan Ratio	0.63%	0.59%
	Ratio of Interest Income to Annual Average Loans	1.95%	3.83%
	Total Asset Turnover (times)	1.20	1.41
	Average Operating Income per Employee	5,045	5,952
	Average Profit per Employee	2,190	2,321
Profitability	Return on Tier 1 Capital	2.86%	2.95%
	Return on Assets	0.53%	0.57%
	Return on Equity	2.47%	2.56%
	Net Income Margin	43.41%	39.00%
	Earnings per Share (NT\$ dollars)	0.38	0.39
Financial Structure	Ratio of Liabilities to Assets	78.84%	78.41%
	Ratio of Fixed Assets to Equity	2.60%	2.62%
Growth Rate	Asset Growth Rate	2.35%	9.75%
	Profit Growth Rate	-2.21%	0.13%
Cash Flow	Cash Flow Ratio	2.27%	2.79%
	Cash Flow Adequacy Ratio	236.02%	199.55%
	Cash Flows Sufficiency Ratio	-19.09%	-16.97%
Liquid Reserve Ratio		22.04%	29.14%
Operating Scale	Market Share of Assets	0.28%	0.29%
	Market Shares of Net Worth	0.95%	1.02%
	Market Shares of Loans	0.45%	0.43%

1. The declined ratio of interest income over average loans outstanding in 2009 was primarily due to a substantial decrease in interest rates in 2009.
2. The 2009 asset growth rate was lower than that of 2008, mainly due to a decrease of loans outstanding growth rate in 2009.
3. The 2009 profit growth rate was lower than that of 2008, mainly due to a huge decrease of interest rate, a decrease of net interest income and a decrease of net income before tax in 2009.

Note : The 2008 account has been recognized by the Ministry of Audit, the R.O.C. The final accounts of 2009 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 =  $\frac{\text{Net Operating Income (Note 1)}}{\text{Number of Employees}}$
- (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) Net Income Margin =  $\frac{\text{Net Income}}{\text{Net Operating Income}}$
- (5) Earnings per Share =  $\frac{\text{Net Income} - \text{Dividends from Preferred Stocks}}{\text{Weighted Average Outstanding Shares (Note 2)}}$



▲ Mr.Somporn Chitphentom (second right), the Executive Vice President of the Export-Import Bank of Thailand, visited Eximbank. (Photo taken on Oct. 16, 2009)

### 3. Financial Structure

- (1) Ratio of Liabilities to Assets = Total Liabilities (Note 3) / Total Assets
- (2) Ratio of Fixed Assets to Equity = Net Fixed Assets / Net Equity

### 4. Growth Rate

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

### 5. Cash 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: Net Operating Income refers to the summation of Interest Income and Non- Interest Income.

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

Note 4: Comments on Cash Flow Analysis:

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



## 6. Capital Adequacy

NT\$ Thousand; %

		Item	2009	2008	
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	5,648,256	5,466,938	
		Special Reserve			
		Accumulated Gains or Losses			
		Minority Interest			
		Equity Adjustments	638,822	761,336	
		Less : Goodwill			
		Less : Unamortized Losses on Sale of Non-Performing Loans			
		Less : Capital Deductions	51,250	51,250	
		Tier 1 Capital	18,235,828	18,177,024	
	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	728,517	669,763	
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	796,086	737,332			
Tier 3 Capital	Short-Term Subordinated Debt				
	Non-Perpetual Preferred Stock				
	Tier 3 Capital				
Self-Owned Capital			19,031,914	18,914,356	
Total Risk-Weighted Assets	Credit Risk	Standardized Approach	56,104,367	51,440,856	
		Internal Ratings-Based Approach			
		Assets Securitization			
	Operational Risk	The Basic Indicator Approach	2,093,792	2,023,302	
		The Standardized Approach / The Alternative Standardized Approach			
		Advanced Measurement Approach			
	Market Risk	Standardized Approach	83,212	116,854	
		Internal Models Approach			
	Total Risk-Weighted Assets			58,281,371	53,581,012
	Capital Adequacy Ratio			32.66%	35.30%
Tier 1 Risk-Based Capital Ratio			31.29%	33.92%	
Tier 2 Risk-Based Capital Ratio			1.37%	1.38%	
Tier 3 Risk-Based Capital Ratio					
Common Equity to Total Assets Ratio			13.79%	14.12%	

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



## 7. Notes to Financial Statements

### Note1. Summary of Significant Accounting Policies and Basis of Measurement

#### (1) Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements :

- a. 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" .
- b. Translation of foreign currency financial statements into local currency financial statements is based on the Schedule of Foreign Currency Settlement Rates published by the Central Bank of the Republic of China (Taiwan).
- c. The US\$/NT\$ exchange rate is based on the domestic interbank spot rate at 10:00 a.m. on December 31, 2009. 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.
- d. 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.

#### (2) Taxes :

- a. 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.
- b. 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) 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:

- a. Investment in Bills Held To Maturity:  
Book value as of closing date was NT\$2,900 million. To maintain the CBC Interbank



Funds Transfer System's pledge requirement, Eximbank purchased the Central Bank's negotiable certificate of deposits to be held to maturity. These certificates are booked at cost and interest is calculated monthly.

b. 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.

c. 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 day was NT\$310.94 million, and was recognized as a financial asset. Any change in fair value is recognized as a current period profit or loss.

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



▲ Eximbank held the activities "Intellectual Journey of Junjianyan Hiking Trail". (Photo taken on Dec. 19, 2009)

### **(a) 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\$9,250 million.

Credit Risk:

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

Market Risk:

This is for hedging purposes. Funding costs for financial debentures may be converted into more 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.

### **(b) 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\$1.36 million.

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 SF1.359 million, to meet loan demands. Exchange differences from fund operations duly reflect the interest rate differences between the two currencies.

#### **d. 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\$9,250 million are recognized as financial liabilities designated at fair value through profit or loss and the changes in fair value shall also be stated in the income statement. Subsequent valuation thereof is based on a model developed by Eximbank. The model adopts the discounted cash flow method, which is widely used by market investors, to determine fair value. (Book value on the day of closing of accounts was NT\$9,566.72 million.) The change in fair value is recognized as a profit or a loss for the current period.

#### **(4) 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.

#### (5) Asset Impairment:

As of December 31, 2009 only, the "book value" of the Eximbank's real estate totaled NT\$ 442.78 million dollars, while its estimated "fair value" totaled NT\$ 929.72 million dollars. After deducting the land value-added tax, scrivener fees and stamp duty and other related costs of NT\$ 33.49 million dollars, the "net fair value" totaled 896.23 million dollars, indicating there was no asset impairment situation as described

in the Statement of Financial Accounting Standards No. 35.

#### (6) Valuation and Amortization of Intangible Assets:

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

#### (7) The Methods of Deferred Asset Valuation Basis and Amortization:

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



▲ Mr. Rueen-Fong Chu (second right), the President of Eximbank, paid a special visit to the companies affected by "the 88 Taiwan Flood" in the south. (Photo taken on Aug. 12, 2009)



## (8) 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 10.4% for executive staff and 14.3% for non-executive staff. Contributions to staff are administered by Eximbank’s Retirement Fund Supervisory Committee, and contributions for non-executive staff and security guards are deposited under the account of the Eximbank 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.

## (9) Income Recognition

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

## (10) Differentiation of Capital Expenditure and Expenses

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

## (11) Gains & Losses from the Disposal of Fixed Assets

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

## (12) Allowance for Doubtful Accounts and Guarantee Liability Reserve

- a. 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.)
- b. The guarantees provided for R.O.C. state-owned enterprises is 0.01% of the outstanding balance, and 0.8% for other guarantees.





### (13) Provisions for Various Insurance Reserves

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

### Note 2. Significant Commitments and Contingent Liabilities

(1) Total assets (liabilities) under trust, agency and guarantee is NT\$ 6,747.16 million including guarantee receivables of NT\$ 5,972.57 million, custodial collections

receivables of NT\$465.74 million joint loans receivable (memo account) NT\$308.20 million, and collaterals of NT\$0.65 million have not been included in the Balance Sheets, and are explained by separate notes.

- (2) No bills receivable (or payable).
- (3) Undisbursed loan commitments of NT\$13,263.50 million.

### 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.



▲ The signing ceremony of Eximbank in collaboration with First Commercial Bank and First P&C Insurance Agency Co., Ltd. to promote export credit insurance. (Photo taken on Jan. 9, 2009)

## Note 4: Details of Significant Accounts ( NT\$ Thousand )

### (1) Cash and Cash Equivalents

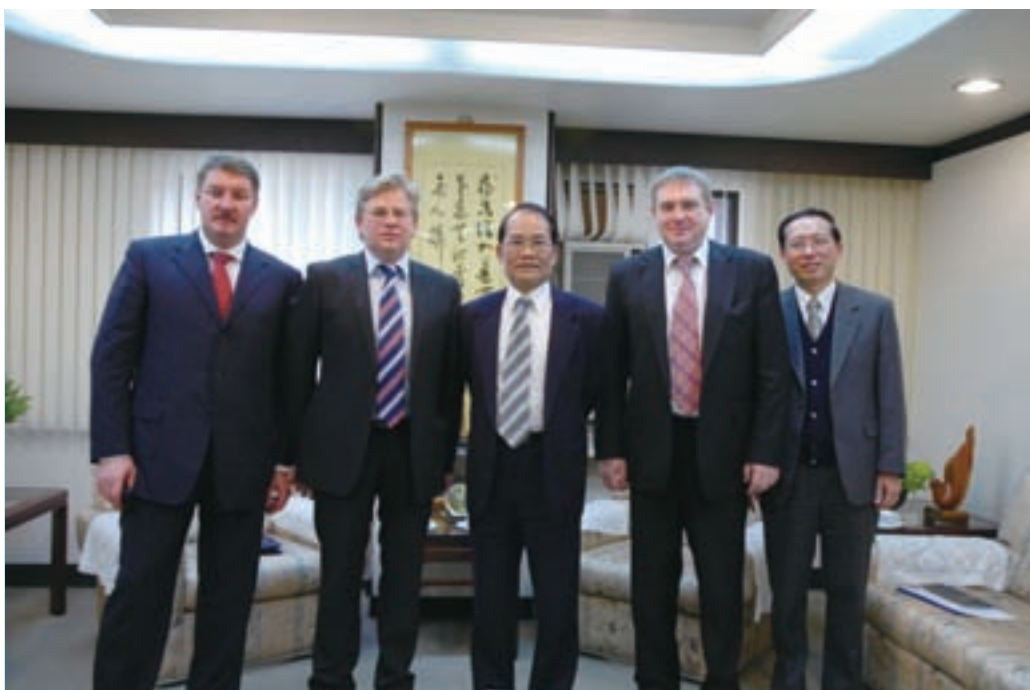
Item	Date	December 31, 2009	December 31, 2008
Cash on Hand		9	9
Petty Cash & Revolving Funds		307	277
Checks for Clearance		71	322
Due from Banks		259,834	2,323,675
<b>Total</b>		<b>260,221</b>	<b>2,324,283</b>

### (2) Call Loans to Other Banks and Due from the Central Bank

Item	Date	December 31, 2009	December 31, 2008
Call Loans to Other Banks		112,616	83,234
Due from the Central Bank		5,256	278
<b>Total</b>		<b>117,872</b>	<b>83,512</b>

### (3) Financial Assets at Fair Value through Profit or Loss

Item	Date	December 31, 2009	December 31, 2008
Financial Assets Held for Trading-Adjustment Valuation		310,941	537,462
<b>Total</b>		<b>310,941</b>	<b>537,462</b>



▲ The Joint-Stock Company "Gorizont" from the Republic of Belarus visited Eximbank. (Photo taken on Jan. 14, 2009)



#### (4) Receivables - Net

Item	Date	December 31, 2009	December 31, 2008
Accounts Receivable		42	
Earned Revenue Receivable		583	679
Interest Receivable		225,965	493,122
Premium Receivable			2
Other Receivable		1,722	3
Forex Spot Receivable		128,688	196,594
Total		357,000	690,400
Allowance for Doubtful Accounts		- 1,860	- 4,103
Net Amount		355,140	686,297

#### (5) Loans and Discounts-Net

Item	Date	December 31, 2009	December 31, 2008
Short-term Loans		5,299,170	6,163,514
Medium-term Loans		41,223,139	35,703,829
Medium-term Secured Loans		5,724,557	5,598,413
Long-term Loans		2,402,425	1,899,315
Long-term Secured Loans		27,719,164	28,890,469
Overdue loans		497,609	366,922
Total		82,866,064	78,622,463
Allowance for Doubtful Accounts		- 475,502	- 539,142
Net Amount		82,390,562	78,083,320

#### (6) Other Financial Assets-Net

Item	Date	December 31, 2009	December 31, 2008
Financial Assets Carried at Cost		102,500	102,500
Short-term Advances		106	
Total		102,606	102,500

#### (7) Fixed Assets-Net

Item	Date	December 31, 2009	December 31, 2008
Land		80,203	80,203
Revaluation Increments-Land		150,171	150,171
Buildings		351,225	351,002
Accumulated Depreciation – Buildings		- 138,822	- 132,851
Machinery & Equipment		70,377	70,532
Accumulated Depreciation – Machinery & Equipment		- 50,869	- 48,959
Transportation Equipment		12,606	12,769
Accumulated Depreciation – Transportation Equipment		- 7,611	- 8,304
Miscellaneous Equipment		28,273	25,673
Accumulated Depreciation – Miscellaneous Equipment		- 19,682	- 19,397
Leasehold Improvements		3,317	1,941
Accumulated Depreciation – Leasehold Improvements		- 968	- 1,669
Net Amount		478,220	481,111

#### (8) Intangible assets - net

Item	Date	December 31, 2009	December 31, 2008
Software		21,639	23,990
Total		21,639	23,990

#### (9) Other Assets-Net

Item	Date	December 31, 2009	December 31, 2008
Inventory of Supplies		187	197
Prepaid Expenses		24,105	6,733
Other Prepayments		93	165
Refundable Deposits		2,099	3,032
Temporary Payments and Suspense Accounts		4,648	18,984
Deferred Income Tax Assets		23,501	41,367
Other Deferred Assets		352	286
Total		54,985	70,764

#### (10) Borrowed from the Central Bank and Other Banks

Item	Date	December 31, 2009	December 31, 2008
Borrowed from the Central Bank		20,557,190	22,970,276
Borrowed from Other Banks		682,500	628,500
Total		21,239,690	23,598,776



▲ The Mongolian National Chamber of Commerce & Industry, Ulaanbaatar Chamber of Commerce & Industry from Mongolia visited Eximbank .  
(Photo taken on Apr. 23, 2009)



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

Item	Date	December 31, 2009	December 31, 2008
Financial Liabilities Held for Trading-Adjustment Valuation			5,211
Financial Liabilities Designated at Fair Value through Profit or Loss		9,250,000	9,250,000
Financial Liabilities Designated at Fair Value through Profit or Loss-Adjustment Valuation		316,720	568,615
Total		9,566,720	9,823,826

(12) Payables

Item	Date	December 31, 2009	December 31, 2008
Accrued Expenses		99,598	97,358
Accrued Interest		154,942	202,048
Tax Payable		44,664	25,904
Dividends (official) and Bonuses Payable		4,862	14,189
Custodial Collections Payable		4,844	1,170
Commissions Payable		227	
Reinsurance Benefits Payable		19,497	
Other Payable		62,996	34,027
Forex Spot Payable		128,704	196,644
Total		520,334	571,340

(13) Other Financial Liabilities

Item	Date	December 31, 2009	December 31, 2008
Funds appropriated for loans		5,875,472	1,632,800
Total		5,875,472	1,632,800

(14) Other Liabilities

Item	Date	December 31, 2009	December 31, 2008
Unearned Premiums		1,076	1,328
Unearned Revenues		1,941	2,276
Estimated Land Value-Added Tax Payable		31,352	31,352
Guarantee Liability Reserve		22,521	30,723
Unearned Premium Reserve		55,296	12,176
Claim Reserve		24,213	32,611
Export Credit Insurance Reserve		1,736,323	1,554,961
Special Claim Reserve		66,286	42,036
Refundable Deposits		1,810	1,729
Custodial Deposits		2,120	2,169
Temporary Receipts and Suspense Accounts		215,720	67,508
Deferred Income Tax Liabilities		1,087	
Total		2,159,745	1,778,869



#### (15) Net Fees and Commissions

Item	Date	January 1 ~ December 31, 2009	January 1 ~ December 31, 2008
Revenues from Fees & Commissions		108,033	77,386
Expenses from Fees & Commissions		19,894	7,899
Net Amount		88,139	69,487

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

Item	Date	January 1 ~ December 31, 2009	January 1 ~ December 31, 2008
Gain on Disposal of Financial Assets		159,530	10,510
Gain (+) / Loss (-) on Valuation of Financial Assets		- 228,035	538,989
Gain (+) / Loss (-) on Valuation of Financial Liabilities		251,854	- 574,016
Net Amount		183,349	- 24,517

#### (17) Other Non - Interest Income

Item	Date	January 1 ~ December 31, 2009	January 1 ~ December 31, 2008
Other Non-Interest Profits		304,163	249,527
Premium Income		195,810	101,923
Reinsurance Commissions		17,728	8,760
Claims Recovered from Reinsurers		16,488	11,106
Unearned Premium Reserve Released		12,176	10,810
Claim Reserve Released		32,611	64,225
Gains from Financial Assets Carried at Cost		15,299	13,322
Other Miscellaneous Income		14,051	39,381
Other Non-Interest Losses		315,656	197,489
Reinsurance Premium		108,792	60,193
Commission Expenses		2,725	218
Insurance Claims & Payments		31,663	
Provision for Unearned Premium Reserve		55,296	12,176
Provision for Special Claim Reserve		24,250	3,342
Provision for Claim Reserve		24,213	32,611
Provision for Export Credit Insurance Reserve		28,875	88,284
Losses on Disposal of Fixed Assets		708	665
Preferential Deposit Interest in Excess		39,134	
Net Amount		- 11,493	52,038

#### (18) Bad Debt Expenses

Item	Date	January 1 ~ December 31, 2009	January 1 ~ December 31, 2008
Bad Debt Expenses for Loans		40,166	161,526
Bad Debt Expenses for Guarantee Receivables		- 8,152	11,766
Bad Debt Expenses for Other Receivables		- 2,211	- 1,485
Total		29,803	171,807

## ▶ VI. Risk Management

### 1. Credit Risk Management System and Capital Requirement

#### (1) Credit Risk Management System

January 1 ~ December 31, 2009

Item	Content
1.Credit Risk Strategy, Objective, Policy and Procedure	<p>In order to effectively implement the credit risk management scheme, Eximbank has stipulated "Risk Management Policies and Procedures" and "Credit Risk Management Guidelines" and established the Credit Committee, which is responsible for reviewing the credit risk of individual cases at and above executive vice presidents' authorization.</p> <p>The credit check and credit evaluation have to be conducted indeed prior to the Eximbank's acceptance of a case. Afterwards, a review and follow-up will also be performed.</p> <p>As domestic and international economic and financial environment deteriorated in early 2009, the government was keenly promoting various measures to revive the economy. In responding to the effective implementation of government policy and under the premise of managing a balance between the needs of business development and risk management, Eximbank has adjusted the credit limits of "sovereign" and "bank" in order to cope with the exporters' substantial demands in financing and export credit insurance.</p>
2.Organizational Structure of Credit Risk Management	<p>The board of directors is the supreme decision-making level of the Eximbank's credit risk management and undertakes the Eximbank's ultimate responsibility of credit risk management. The Credit Committee is responsible for reviewing the credit risk of individual cases at and above executive vice presidents' authorization. Meanwhile, the Department of Risk Management is the specialized unit of credit risk and is in charge of the Eximbank's overall credit risk management matters. The competent department of each business shall supervise and monitor the credit risk implementation of various business units, which shall follow the relevant regulations and provisions of credit risk management and conduct credit risk management.</p>
3.The Scope and Characteristics of Credit Risk Report and Evaluation System	<p>To effectively manage credit risk, Eximbank will periodically reveal the profile of country risk, financial risk and industry risk exposures to the board of directors as the decision-making reference.</p> <p>In order to avoid an excessive concentration of credit risk and strengthen credit risk management scheme, Eximbank has particularly established "Rules for Appraisal of Credit Risk Ceiling on Single Borrower" and revised "Rules for Appraisal of Corporate Credit Ratings" accordingly, as well as "Rules for Appraisal of Group Credit Ratings".</p>
4.The Policies of Credit Risk Hedging or Risk Mitigation, as well as Persistently Effective Strategies and Procedures of Monitoring Tools for Hedging and Risk Mitigation	<p>To actively supervise the credit risk, Eximbank has formulated limits respectively for conglomerates, banks, industries and countries to be monitored and timely reviewed the concentration of credit risk for limits adjustments.</p>
5.Method Applied for Legal Capital Requirement	<p>Eximbank has applied the capital requirement for credit risk in accordance with "Standardized Approach" of New Basel Capital Accord.</p>

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

December 31, 2009

NT\$ Thousand

Type of Exposure	Credit Risk Exposures after Mitigation	Capital Requirement
Sovereign	4,351,368	348,110
Public Sector Entities / non-Central Government		
Bank (including multilateral development banks)	7,038,404	563,072
Corporate (Including Securities and Insurance corp.)	44,018,742	3,521,499
Regulatory Retail Portfolios	11,407	913
Residential Property		
Rights of Securities Investment		
Other Assets	684,446	54,755
Total	56,104,367	4,488,349

## 2. Operational Risk Management System and Capital Requirement

### (1) Operational Risk Management System

January 1 ~ December 31, 2009

Item	Content
1.Operational Risk Strategy and Procedure	In order to effectively implement the operational risk management scheme,Eximbank has stipulated "Risk Management Policies and Procedures" and "Operational Risk Management Guidelines". Relevant regulations and standard operating procedures have been formulated for each business, providing the staff with real-time access and compliance to reduce losses from operational risk.
2.Organizational Structure of Operational Risk Management	The board of directors is the supreme decision-making level of Eximbank's operational risk management and approves the operational risk management guidelines and major decision-makings of Eximbank. The Department of Risk Management is responsible for drafting Eximbank's operational risk management strategies and procedures as well as the establishment of operational risk management scheme. When formulating all operational management regulations, all departments of the head office shall incorporate relevant provisions of operational risk management to achieve risk management . All units shall comply with Eximbank's regulations and provisions of operational risk management and actively master the operational risk which they are in charge of.
3.The Scope and Characteristics of operational Risk Report and Evaluation System	For the establishment of a database regarding internal losses to assist operational risk control, Eximbank has initially established operational risk management scheme. In the event of losses, the corresponding department shall collect relevant information and make a notification.



Item	Content
4.The Policies of operational Risk Hedging or Risk Mitigation, as well as Persistently Effective Strategies and Procedures of Monitoring Tools for Hedging and Risk Mitigation	To actively monitor the operational risk, the auditing office is responsible for conducting the Eximbank's audit-related business. In addition, Eximbank has also established information security protection mechanism and made an emergency contingent plan to ensure that in the event of emergency, the business can maintain the operation and mitigate the losses to the lowest degree.
5.Method Applied for Legal Capital Requirement	Eximbank has applied the capital requirement for operational risk in accordance with "Basic Indicator Approach" of New Basel Capital Accord.

## (2) Operational Risk-based Capital Requirement

December 31, 2009

NT\$ Thousand

FY	Gross Profit	Capital Requirement
2007	1,132,730	
2008	1,157,686	
2009	1,070,062	
Total	3,360,478	168,024

## 3. Market Risk Management System and Capital Requirement

### (1) Market Risk Management System

January 1 ~ December 31, 2009

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

## (2) Market Risk-based Capital Requirement

December 31, 2009

NT\$ Thousand

Risk	Capital Requirement
Interest Rate Risk	
Equity Position Risk	
Foreign Exchange Risk	6,657
Commodity Risk	
Total	6,657

## 4. Liquidity Risk

(1) Duration analysis of assets and liabilities as follows:

a. Term structure analysis of NTD-denominated assets and liabilities  
(Main Assets and Liabilities)

December 31, 2009

NT\$ Thousand

	Total	Dollars amount for term to maturity				
		Within 1 month	1 month ~ 3 months	3 months ~ 6 months	6 months ~ 12 months	over 1 year
Major Capital Inflow	44,746,118	4,051,906	2,131,056	944,740	2,429,780	35,188,635
Major Capital Outflow	31,507,972	8,471,223	2,854,034	4,185,775	881,159	15,115,781
Capital Gap	13,238,146	- 4,419,316	- 722,978	- 3,241,035	1,548,621	20,072,854

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





## b. Term structure analysis of USD-denominated assets and liabilities (Main Assets and Liabilities)

December 31, 2009

US\$ Thousand

	Total	Dollars amount for term to maturity				
		Within 1 month	1 month ~ 3 months	3 months ~ 6 months	6 months ~ 12 months	Over 1 year
Major capital inflow	1,149,232	53,558	34,229	55,435	140,545	865,464
Major capital outflow	947,898	283,155	30,952	31,525	36,383	565,883
Capital gap	201,334	-229,596	3,277	23,910	104,162	299,582

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

### (2) The Management of Asset Liquidity and Funding Gap

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



## ▶ VII. Head Office and Branches

### Head Office

8F., No.3, Nanhai Road,  
 Taipei City 10006, Taiwan, R. O. C  
 TeI : 886-2-2321-0511  
 Fax : 886-2-2394-0630  
 http : //www.eximbank.com.tw  
 e-mail : eximbank@eximbank.com.tw

### Kaohsiung Branch

8F., No.74, Chung Cheng 2nd Road,  
 Kaohsiung City 80263, Taiwan, R. O. C  
 TeI : 886-7-224-1921  
 Fax : 886-7-224-1928  
 e-mail : kh@eximbank.com.tw

### Taichung Branch

5F., No.1-18, Sec. 2, Taichungkun Road,  
 Taichung City 40756, Taiwan, R. O. C  
 TeI : 886-4-2322-5756  
 Fax : 886-4-2322-5755  
 e-mail : tc@eximbank.com.tw

### Hsinchu Branch

8F-6, No. 251, Fuxing 1st St., Zhubei City  
 30271, Hsinchu County, Taiwan, R. O. C  
 TeI : 886-3-658-8903  
 Fax : 886-3-658-8743  
 e-mail : tb@eximbank.com.tw

### Offshore Banking Branch

7F., No.3, Nanhai Road,  
 Taipei City 10006, Taiwan, R. O. C  
 TeI : 886-2-2321-0511  
 Fax : 886-2-2341-2517  
 e-mail : obu@eximbank.com.tw

### Representative Office in Warsaw, Poland

ul. Domaniewska 39,  
 02-672 Warsaw, Poland  
 TeI : 4822-288-8206  
 Fax : 4822-288-8207  
 e-mail : eximwarsaw@exim.it.pl

### Representative Office in Sao Paulo, Brazil

Alameda Santos, 234, 6 Andar,  
 CEP 01418-000,  
 Sao Paulo – SP, Brazil  
 TeI : 5511-3283-3392  
 Fax : 5511-3253-4802  
 e-mail : eximsp@globo.com

### Representative Office in Kuala Lumpur, Malaysia

Letter Box No. 85,  
 22nd Floor, UBN Tower, No. 10, Jalan P.Ramlee,  
 50250 Kuala Lumpur, Malaysia  
 TeI : 603-2070-6689  
 Fax : 603-2078-6689  
 e-mail: eximkl@gmail.com



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>

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