



The Export-Import Bank of the Republic of China

Annual Report 2014



**The Export-Import Bank of the Republic of China**  
**Annual Report 2014**

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Vision

## Strengthen Trade Finance and Assist External Trade

Supporting government economic and trade policies by providing financial services to assist manufacturers in developing foreign trade.  
Participating in international financial activities so as to enhance international economic cooperation.

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

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# CONTENTS

## ANNUAL REPORT 2014

<b>I</b>	<b>Operating Performance Summary</b>	<b>3</b>
<b>II</b>	<b>Business Report</b>	<b>4</b>
	1. Mission	4
	2. Key Operation Strategies and Achievements	4
	3. Credit Rating	13
<b>III</b>	<b>Bank Profile</b>	<b>14</b>
	1. Profile	14
	2. Organization	15
<b>IV</b>	<b>Operations Overview</b>	<b>19</b>
	1. Business Overview	19
	2. Market Overview	20
	3. Social Responsibility	23
	4. Prospects	24
<b>V</b>	<b>Financial Statements</b>	<b>25</b>
	1. Balance Sheets	25
	2. Comprehensive Income Statements	27
	3. Statements of Cash Flows	28
	4. Statements of Changes in Equity	30
	5. Financial Analysis	31
	6. Capital Adequacy	33
	7. Notes to Financial Statements	34
<b>VI</b>	<b>Risk Management</b>	<b>56</b>
	1. Credit Risk Management System and Capital Requirement	56
	2. Operational Risk Management System and Capital Requirement	59
	3. Market Risk Management System and Capital Requirement	61
	4. Liquidity Risk	63
<b>VII</b>	<b>Head Office and Branches</b>	<b>64</b>



# I. Operating Performance Summary

TWD Million

Year	FY 2014	FY 2013
Total Operating Revenues	1,978	1,782
Total Operating Expenses	1,492	1,359
Net Income Before Tax	486	423
Profits per Employee Before Tax	2.38	2.09
Loans Outstanding (Average)	95,553	91,238
Guarantees Undertaken	15,205	13,616
Export Credit Insurance Underwritten	100,881	90,056
	(December 31, 2014)	(December 31, 2013)
Total Assets	100,238	97,875
Net Equity	19,792	19,116
Capital Adequacy Ratio (%)	26.31	26.96

The final accounts of FY 2014 are subject to audit.

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



## II. Business Report

### 1. Mission

The Export-Import Bank of the Republic of China (Eximbank) is a specialized financial institution established in accordance with The Export-Import Bank of the Republic of China Act. Eximbank's vision is "to strengthen trade finance and assist external trade." In line with government economic, trade and finance policies, Eximbank's primary objectives are to enhance employment and maintain domestic economic growth, facilitate financial and export credit insurance services, and help local firms expand foreign trade. Eximbank offers medium and long-term financing and guarantee services to help local firms expand exports of capital goods, undertake overseas construction projects, import precision

machinery and essential industrial raw materials, and introduce foreign technology into Taiwan. Meanwhile, Eximbank provides export credit insurance and overseas investment insurance to protect local exporters and investors against commercial and political risks. With Eximbank's services, local enterprises can expand external trade.

### 2. Key Operation Strategies and Achievements

Eximbank's average loans outstanding in 2014 was TWD95,553 million, a year-on-year growth rate of 4.73% compared to 2013, and guarantees totaled TWD15,205 million, a year-on-year growth rate of 11.67% from 2013. The export



Chairman of the Board of Directors  
Rueen-Fong Chu

credit insurance underwritten by Eximbank was TWD100,881 million, an increase of 12.02% from 2013. A summary of key operation strategies and achievements for 2014 is as follows:

### **(1) TWD20 Billion Fundraising Plan in Response to the Goods Export Transformation Action Plan**

In July 2014, the Executive Yuan approved the Goods Export Transformation Action Plan, which was tailor-made to boost exports by Taiwan. Eximbank, which was tasked with market expansion, sought to strengthen its role as an export bank by improving the finance support it can offer. In order to expand export financing, insurance and credit guarantee capacity, Eximbank will raise TWD20 billion over the course

of three years. The extra funds will assist local exporters in delivering goods to potential markets around the world.

### **(2) Supporting Trade Policies and Exports by Expanding Business Opportunities for Exporters**

- ① In order to stimulate the domestic export environment by raising export competitiveness, the Ministry of Economic Affairs helps enterprises expand exports through trade promotion fund. Eximbank handles policy-driven export loans to help Taiwanese enterprises expand external trade.





② In 2014, Eximbank approved 98 applications under a program designed to strengthen and stimulate export loans. It boosted export trade by TWD6.12 billion, exceeding the initial target of TWD5.8 billion by 5.52%. The program helped domestic exporters raise their international competitiveness, expand markets and stimulate export trade. It fulfilled Eximbank's core objectives: to strengthen trade finance and assist external trade.

③ By extending credit to emerging markets in Southeast Asia, Central and South America, East Europe, the Middle East, Asia, and Africa, Eximbank fulfilled government trade policy. Eximbank helped Taiwanese enterprises compete for orders, build sales channels, and diversify risk. In emerging markets in 2014, Eximbank approved TWD9,805 million in export loans, or 62.72% of total approved export loans and underwrote export credit insurance of TWD49,878 million, or 49.44% of total underwritten export insurance.

④ In line with government export expansion policy, Eximbank offers Relending Facility program. It is a bank-to-bank arrangement in which Eximbank extends credit lines to domestic and foreign financial institutions in support of financing their local clients' importation from Taiwan exporters. Eximbank develops Relending Facility mainly in emerging markets. Since risk is higher in those markets, Taiwanese exporters, hard to obtain financing from commercial banks, rely on the relending facility model to boost trade and competitiveness. By the end of 2014, Eximbank had cooperated with banks located in the United States and 22 emerging markets, including Brazil, Chile, the Dominican Republic, Honduras, Russia, Turkey, Cambodia, India, Indonesia, Myanmar, Philippines, Thailand and Vietnam. It had approved USD655 million in total credit lines to 62 financial



President  
Shui-Yung Lin

institutions around the world. In the future, in order to assist Taiwan manufacturers in export, Eximbank will continue to follow government trade policy and market needs by developing Relending Facility program in key expansion markets.

- ⑤ In line with strategies contained in the Goods Export Transformation Action Plan, Eximbank assists Taiwanese enterprises in building a presence in Regional Comprehensive Economic Partnership (RCEP) markets. It helps expand Association of Southeast Asian Nations (ASEAN) and Indochina markets as well. And it gathers economic, financial, industrial and legal information from Southeast Asian nations to serve as references for Taiwanese enterprises and trade agencies. On December 11, 2014, the Financial Supervisory Commission granted approval for Eximbank to apply for a representative office in Bangkok, Thailand. Office preparations will begin following approval from the Thai Central Bank.

### (3) Collaborating With the National Development Council to Promote Medium and Long-term Financing for Machinery and Equipment Export, Overseas Investment, and Enterprises Entering Overseas Markets

- ① The Executive Yuan is committed to integrating traditional and high-tech industries as it ventures to turn the machinery industry into the nation's next trillion industry. To make local enterprises more international, it encourages investment in overseas factories, international resources and marketing channels. The National Development Council (NDC) provides medium and long-term capital to offer loans at preferential rates to domestic enterprises.





A ceremony was held to praise institutions that contributed to a Taiwan-Iran currency settlement mechanism for trade. Vice President Den-Yih Wu (first from the left) awarded Eximbank for assisting Taiwanese enterprises in overcoming international sanctions to the benefit of Taiwanese and Iranian enterprises. (December 2014)

② Since May 10, 2006, Eximbank has conducted the Loans for the Machinery and Equipment Export Financing Plan and the Loans for the Overseas Investment Financing Plan. On March 27, 2013, it signed the Loans for the Export of Green Energy and Industrial Equipment protocol with the NDC. These initiatives are open to joint participation by domestic public and private banks. As the managing bank, Eximbank oversees inter-bank contractual signing and loan distribution (repayment) and applies to the NDC for utilization. Through the end of 2014, there were 502 accumulated cases with total approved loans of TWD17.495 billion.

③ Eximbank established a designated task force that solves export financing

problems among local enterprises. By offering customized solutions for expanding overseas markets, the task force boosts factory establishment and other medium and long-term export endeavors.

#### **(4) Using Reinsurance to Enhance Export Credit Insurance Underwriting Capacity, Joining Export Insurance Organization Affairs, Holding International Meetings, and Cooperating with Financial Institutions and Export Credit Agencies**

① In order to strengthen underwriting capacity and export credit insurance operations, in 2014 Eximbank re-signed a favorable reinsurance contract with the Central

Reinsurance Corporation. The agreement raised insurance underwriting capacity by transferring a portion of risk to the Corporation.

- ② As a member of the Berne Union (a global export insurance organization), Eximbank was honored to chair sessions for the 2014 Regional Cooperation Group Meetings (RCG Meeting). The sessions took place on May 6 and October 19, on the eve of Berne Spring and Fall Meetings, respectively.
- ③ On July 21 and 22, 2014, Eximbank hosted the Berne Union 7th RCG CEO Meeting in Hong Kong. The meeting was joined by 10 Berne Union members from the Asia region. The group deliberated on developing regional cooperation in Asia and reached agreement on expanding reinsurance cooperation within Asia region.
- ④ In order to follow international trade development and transnational cooperation trend, Eximbank had signed cooperation agreements with official export credit agencies from 18 nations by the end of 2014. Hopefully, will help Taiwanese enterprises expand globally.
- ⑤ By the end of 2014, Eximbank had signed cooperation agreements to promote export credit insurance with 27 government-owned and private banks. Therefore, these will enhance operating capacity of export credit insurance of Eximbank.

## **(5) Aiding Government Infrastructure Plans, Domestic Economic Development, and Overseas Business Opportunities for Local Construction Firms**

- ① Major infrastructure construction and planning serve as engines of national economic growth. Over the past several decades, nations across the world, whether developed or developing, have poured money into infrastructure projects to stimulate their economies and Taiwan is no exception. In recent years it has built freeways, mass rapid transit lines, high-speed rail, bridges and tunnels. Through greater public expenditures, it has sought to spark consumer demand and economic development. Since infrastructure in Taiwan is nearing completion, there is limited room for domestic growth. It is therefore urgent that domestic enterprises set their sights overseas.
- ② Eximbank assists government infrastructure plans by providing loans and guarantees for infrastructure construction and planning. These services are also offered to domestic construction firms embarking on overseas market expansion and contracts. In 2014, Eximbank underwrote related guarantees totaling about TWD15.205 billion, exceeding its target of TWD9.5 billion by 60.05%.



Joining Eximbank in celebration of its 35th anniversary were Senior Advisor to the President Sean C. Chen (speaking), Finance Minister Sheng-Ford Chang, Financial Supervisory Commission Chairman Ming-Chung Tseng, Deputy Minister of the Ministry of Economic Affairs Shih-Chao Cho, and Hiwin Technologies Corp. Chairman Eric Y. T. Chuo. (January 2014)

## **(6) Providing Finance Support to Help SMEs Expand Overseas Markets**

- ① A majority of Taiwanese enterprises are SMEs. For years, they have made major contributions to the economy and development of external trade. Most of them, however, are ill-equipped to respond to challenges posed by globalization and stiffer competition. Eximbank meets their needs by providing timely financial assistance.
- ② Eximbank contributes to the SME Development Fund by providing the financing that SMEs need to compete for orders and expand external trade markets. Average balance of loans extended to SMEs in 2014 was TWD7.4 billion, which was 4.23% higher than in 2013.
- ③ Rapidly changing political and economic situations and instability in emerging markets are just some of the many trade risks that enterprises face. A primary task of SMEs engaging in international trade is to assess the creditworthiness of potential foreign buyers. As part of its commitment to service, Eximbank established an SME export credit insurance service window. It has cooperated with more than 30 international credit agencies over the years to help SMEs assess potential buyers to avoid the bad debt risks associated with international trade. Eximbank's year-on-year export credit insurance underwriting growth in 2014 was 16.89%, and approximately 80% of clients were SMEs.

## (7) Cooperating with Trade Related Organizations to Promote Export Trade

In order to assist domestic enterprises with expanding exports and improving cooperation with trade organizations, in 2014 Eximbank renewed a Cooperation Agreement with the Taiwan External Trade Development Council (TAITRA). Besides joint business promotion activities and conferences, Eximbank introduces its business at important TAITRA exhibitions. Expanded cooperation includes building mechanisms for the exchange of business data, so trade and financial information can be delivered to enterprises at any time. As Eximbank and TAITRA work closely to provide export guidance to businesses, Taiwan can raise competitiveness, expand overseas markets and business opportunities, and accelerate economic development.

## (8) Expanding Business Outreach and International Financial Cooperation Through International Syndicated Loans

- ① Eximbank participates in international syndicated loans to strengthen business ties with international financial institutions while expanding its business scope and niche. In 2014, as global economic recovery continued, Eximbank maintained a cautious attitude when selecting reputable borrowers to balance risk and revenues of the loans .
- ② In 2014, Eximbank participated in international syndicated loans totaling USD101.5 million. Borrowers consisted of 13 financial institutions across Turkey, Brazil, Chile, Panama, India, Indonesia, the United Arab Emirates, Mongolia, and two international organizations. The loans expanded financial cooperation and business outreach and contributed to Eximbank's revenues as well.







## **(9) Innovative Development, Streamlined Workflow and Improved Service**

- ① Rapid changes in financial environments led Eximbank to revise its credit extension policies in 2014. It modified essential guidelines for conducting medium and long-term export loans and guarantees in line with government export promotion and raising export credit extension. IT also revised guidelines for conducting overseas investment financing and guarantees in response to needs of enterprises conducting overseas investments.
- ② To respond to trend of trade globalization and to increase service efficiency and quality, "Approval Procedures and Standards for Credit Limits of Buyers and Issuing Banks" were revised. Approval standards for credit limits of small-scale buyers were added to the "Buyer Simple Rating and Credit Limit Petition Form". Besides, before purchasing GlobalSure Credit Insurance, to inquire check credit from Taiwan Clearing House could be an alternative to inquire credit information from Joint Credit Information Center. Furthermore, by way of "Policy Endorsement" to indicate "Maximum Liability Limit", part of subsidiaries under one group or a whole group can be covered.

- ③ Eximbank built an online system to apply for credit insurance. Designed with operational needs, current trade environment and client-oriented approach, the system provides user-friendly platform to strengthen customer service. Final tests were completed by the end of 2014, and the platform was expected to be launched by January 2015. At that time, it will improve efficiency in operation.

## **(10) Strengthening Country, Financial, and Industrial Risk Management**

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

• Russia

• Europe

• China



### (11) Training Finance Professionals to enhance expertise

- ① Eximbank established an annual training program for employees and carried it out in order to strengthen their financial expertise. Employees attended meetings hosted by professional financial research training organizations and Eximbank's theme-based training courses with experts and professors as lecturers. In 2014, Eximbank's hosted 25 specialized and regulatory topic speeches along with 17 report-based seminars to present knowledge gained on international trips. Total attendance at these events was 1,981. By expanding professional knowledge, Eximbank positioned itself to satisfy new business development needs.
- ② Eximbank also encourages employees to take research and study activities held by international insurance organizations or export credit institutions. Twelve trips were made by employees for this purpose in 2014 to gain and bring back new experiences. Employees also made 23 trips to international finance or insurance meetings or ,and visit to foreign export credit organizations. These trips resulted in valuable information sharing related to international finance and insurance business, enabling Eximbank to improve its business quality and effectiveness.

## 3. Credit Rating

- (1) In order to increase the number of partners, lower the cost of funding, and thereby provide more competitive interest rates and services to enterprises, Eximbank commissioned Fitch Ratings to affirm its credit rating. Fitch gave Eximbank the highest IDR Rating among all banks in Taiwan. Eximbank is a 100% state-owned policy bank with IDR rating aligned with Taiwan's sovereign rating, showing that Eximbank has strong support of the government , excellent capital standards, asset quality, and credit standing, as well as high capability of honoring its debts.

- (2) Fitch announced its ratings for Eximbank on November 10, 2014:

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

The short-term foreign currency IDR was F1

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

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

The support rating was 1



## III. Bank Profile

### 1. Profile

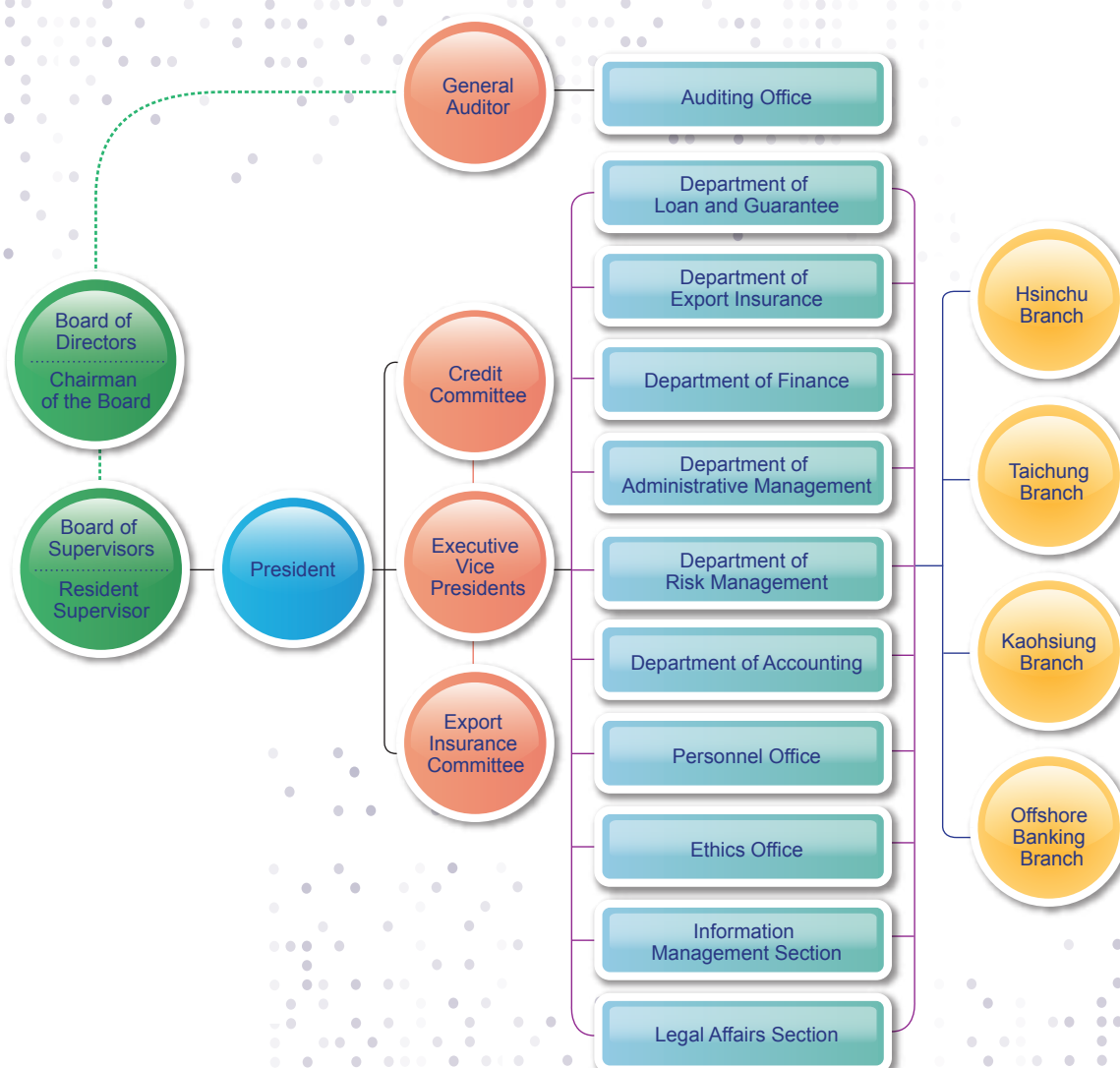
Eximbank was established on January 11, 1979, under the Statute of The Export-Import Bank of the Republic of China Act. It is a state-owned bank supervised by the Ministry of Finance with a mission of promoting export trade and developing the economy and a vision of strengthening trade finance and assisting external trade. Eximbank's main objective is to support government economic and trade policies by providing financing, guarantees, and export credit and investment

insurance to help enterprises expand external trade and overseas investments. By increasing international cooperation, it also ensures the steady and continuous development of Taiwan's economy.

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

## 2. Organization

### (1) Organization Chart





## (2) Board of Directors and Supervisors



Chairman of the Board of Directors  
Rueen-Fong Chu



Managing Director  
Shui-Yung Lin



Managing Director  
Yu-Jer Sheu



Director  
Sun-Yuan Lin



Director  
Zhen-Ni Yang



Director  
Yu-Chyng Wang



Director  
Shang-Hsi Liao



Resident Supervisor  
Hsiu-Ming Lin



Supervisor  
Hui-Mei Chen



Supervisor  
Bi-Chen Tsai

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

### (3) Principal Managers and General Auditor

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





Executive Vice  
President

Hwa-Yu Mo

President

Shui-Yung Lin

Chairman of the Board  
of Directors

Rueen-Fong Chu

Executive Vice  
President

Song-Bin Huang

General Auditor

Pei-Jean Liu



## IV. Operations Overview

### 1. Business Overview

Below is a summary of Eximbank's loan, guarantee, and export credit insurance business in 2014:

#### (1) Loans

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

Eximbank's loan portfolio mainly consists of medium and long-term loans. In 2014, the average balance of these loans totaled TWD82,496 million, accounting for 86.34% of total loans.

#### (2) Guarantees

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

In 2014, Eximbank's guarantees (based on amount underwritten) consisted of 48.98% major public construction guarantees, 35.39% import guarantees, 10.30% overseas construction guarantees, 5.25% export guarantees, and 0.08% other guarantees.

#### (3) Export Credit Insurance

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

Export credit insurance underwritten in 2014 totaled TWD100,881 million, an increase of 12.02% compared to 2013.



## 2. Market Overview

### (1) Domestic and Global Financial Conditions

The global economy in 2014 remained on the path to recovery but at times lacked punch. Failure to meet expectations was primarily attributed to slow recovery in the eurozone. High unemployment and the risk of low inflation remained, with the potential for deflation and recession. Signs of recovery in the United States were stronger, but the impact of slumping international oil prices on shale oil producers eroded growth. In Japan, a consumption-tax hike in April caused consumer purchases to plummet and dimmed economic prospects. Other factors that played a role in weak global economic growth included the end of rapid economic growth in emerging economies, the

Ukraine-Russia crisis and conflict in the Middle East. The IMF revised its 2014 global growth forecast figure downward from 3.4% to 3.3%.

In terms of currency policy, as the United States gradually ended quantitative easing, Japan and Europe kept the loose monetary policies of the previous year. On December 10, 2013, the US Federal Reserve announced that its debt purchases of USD85 billion a month would be tapered by USD10 billion a month from January 2014. With progress apparent in economic and labor markets, in October 2014 the Fed ended the purchases outright. In Japan and Europe, however, the economies remained frail. Their Central Banks took a more expansionary monetary policy stance in order to spark economic growth by boosting investment and manufacturing capacity.



Finance Minister Sheng-Ford Chang (fifth from the right) awarded financial institutions for excellence in export insurance referral services in 2014. (January 2015)



In terms of global trade, as world economic growth remained slow, import demand dropped. Tense geopolitical situations – such as trade embargoes between Russia and the West over the Ukraine crisis, continuing conflict in the Middle East, and the spread of the Ebola virus disease in the West Africa – impacted global trade. The World Trade Organization (WTO) slashed its forecast for world trade growth in 2014 from 4.7% to 3.1%, a figure far below the 5.2% average growth of the previous 20 years. The WTO, which believes that global economic growth is dependent on the free flow of goods, considered increased trade opportunities and lower trade costs as the best methods for stimulating global trade.

In 2014, Taiwan's total export value was USD313.8 billion, 2.7% higher than 2013 and the highest level in recent years. Its three main export partners (countries/regions) were Mainland China (including Hong Kong), the Association of Southeast Asian Nations (ASEAN) and the United States. Electronics products performed best, recording 13.5% growth, with strong growth also apparent among transportation equipment and machinery. The effects of slumping global oil

prices hurt petrochemical product exports, which rose over the first half of the year before falling. As overall exports grew, enterprises invested more in raw material purchases and capital equipment. Imports rose 1.6% year-on-year. According to the IMF, economic growth in Taiwan was 3.5%, higher than the 2.1% growth from the previous year. From 2013 to 2014, annual growth in the Consumer Price Index rose from 0.8% to 1.4% while unemployment fell from 4.2% to 4%.

In terms of financial markets, the United States ended quantitative easing and said that it would closely monitor economic performance before deciding on a timetable for raising interest rates. The added operational costs that higher rates would bring to the finance industry, combined with weak global growth and stricter capital and liquidity requirements under Basel III, cast an uncertain outlook over the global finance industry. Additionally, the sluggish domestic recovery led the Central Bank of the ROC to maintain its loose monetary policy as an instrument for sparking economic activity. Abundant capital in financial markets and continued low interest rates contributed to persistent competition in finance.



## (2) Credit Market Overview

Looking back at 2014, recovery was well underway in the United States, but the risk of deflation and unemployment in the eurozone was a recipe for minuscule growth. Growth in Mainland China slowed, relations were tense between Russia and the West, and the prices of oil and other raw materials plummeted. Silver linings in the global economy were covered by a cloak of uncertainty. In Taiwan, meanwhile, a moderate recovery was underway in 2014. Imports and exports rose compared to 2013, and most monitoring indicators were green.

In order to boost the domestic economy, in 2014 Eximbank implemented a program for strengthening export loans while assisting major government infrastructure projects. It raised lines of credit for exports, overseas construction, major infrastructure projects, medium and long-

term imports, overseas investment, and loans for international enterprises. In 2014, year-on-year growth in Eximbank's loan and guarantee businesses were 4.73% and 11.67%, respectively.

## (3) Export Credit Insurance Market Overview

Based on customs statistics, Taiwan's external trade was USD588.0 billion in 2014. Total export value was USD313.8 billion and total import value was USD274.2 billion. Trade surplus was USD39.6 billion. In terms of export markets, Taiwan benefitted from flourishing demand for electronics products, which accounted for 31.9% of total exports. Overall exports hit a record high and exports to all major markets were higher than in 2013, including 2.6% growth in Asia and 3.5% growth in Europe. In terms of Eximbank's export credit insurance underwriting, in 2014 the top two regions remained Asia and Europe, accounting



for 47.82% and 18.55% of the total. Underwritten value rose by more than 20% in Asia and close to 10% in Europe. Electronics products – including computer, communications and audio-visual items – accounted for 38.44% of total underwritten amount, more than any other industry. Data show that Eximbank's insurance business was in line with government policy and Taiwan's trade development. By giving enterprises a chance to mitigate trade risks, Eximbank can not only help them maintain export volume but also expand emerging markets. Therefore, it is the ultimate aim that Eximbank can cultivate Taiwan richly while reaching out to the world and diversify risk well.

### 3. Social Responsibility

#### (1) Environmental Awareness on Energy Saving and Carbon Emission Reduction

Eximbank has launched a project to reduce consumption of power, gasoline, water and paper, to conform with government's policies of energy saving and green purchasing. Compare to previous year, Eximbank's power, gasoline and paper consumption dropped by 0.07%, 0.47%, 4.22% respectively, while use of water increased by 0.44%. The program demonstrated Eximbank's commitment to the environment protection.



In order to promote cooperation with the European Bank for Reconstruction and Development (EBRD) and advance bilateral trade development, the Chairman of the Board of Directors, Rueen-Fong Chu, signed a memorandum of cooperation with the president of the EBRD, Sir Suma Chakrabarti. (March 2015)



## (2) Events on Corporate Social Responsibility

Social care is an important part of Eximbank's business. It actively supports charitable events, with the aim of achieving significant results through efforts by encouraging more participation among employees. Eco-protection walks and litter pick-up hikes were held throughout the year. Eximbank also sponsored a painting exhibition held by Eden Social Welfare Foundation, the largest NGO for the disabled in Taiwan.

## 4. Prospects

While political and economic changes occur at home and overseas, Eximbank needs to take on greater policy-based responsibilities. As a major contributor to national economic development, it must strengthen risk assessment, change operational models, raise service quality and efficiency, and control costs. Amid fierce international competition, it will then be better equipped to help Taiwanese exporters expand international trade and trade exchanges.

Exports are the pillar of economic growth in Taiwan. Their growth rate has fallen since 2000, however, due in part to the rise of global Korean brands and low-cost brands from Mainland China. Export growth in Taiwan even trails the average global growth rate. Faced with these conditions and changes wrought by the global financial crisis, in July 2014 the Executive Yuan approved the Goods Export Transformation Action Plan. Eximbank, which was tasked with market expansion, sought to strengthen its role as an export bank by expanding its export financing, insurance and credit guarantee capacity. It can then better assist local exporters in delivering goods to potential markets around the world.

Looking ahead to the future, globalization will bring even stiffer competition. Eximbank believes, however, that by adhering to its vision – To Strengthen Trade Finance and Assist External Trade – it will be able to use its current foundation to assist the Executive Yuan in implementing the Goods Export Transformation Action Plan. As it brings development to another level, it will turn a new page in Taiwan's export sector.



# V • Financial Statements

## 1. Balance Sheets

TWD Thousand

Item	Notes	December 31, 2014		December 31, 2013	
		Amount	%	Amount	%
<b>Assets</b>					
Cash and Cash Equivalents	Note 5 (1)	61,011	0.06	40,254	0.04
Due from the Central Bank and Call Loans to Other Banks	Note 5 (2)	1,034	0.00	34,137	0.03
Financial Assets at Fair Value through Profit or Loss	Note 5 (3)	163,285	0.16	93,668	0.10
Securities purchased under resll agreements		159,619	0.16		
Receivables – Net	Note 5 (4)	269,448	0.27	419,002	0.43
Loans and Discounts – Net	Note 5 (5)	92,158,400	91.94	89,654,765	91.60
Held-to-Maturity Financial Assets – Net		6,500,000	6.49	6,800,000	6.95
Other Financial Assets – Net	Note 5 (6)	253,115	0.25	253,621	0.26
Property and Equipment – Net	Note 5 (7)	515,928	0.51	475,847	0.49
Intangible Assets–Net	Note 5 (8)	35,102	0.04	25,386	0.02
Deferred Income Tax Assets – Net		91,626	0.09	49,817	0.05
Other Assets – Net	Note 5 (9)	29,578	0.03	28,178	0.03
<b>Total Assets</b>		<b>100,238,146</b>	<b>100.00</b>	<b>97,874,675</b>	<b>100.00</b>
<b>Liabilities</b>					
Due to the Central Bank and Other Banks		31,258,374	31.18	34,263,864	35.01
Borrowed Funds from the Central Bank and Other Banks	Note 5 (10)	15,533,579	15.50	15,701,382	16.04
Financial Liabilities at Fair Value through Profit or Loss	Note 5 (11)	8,008,200	7.99	5,801,950	5.93
Payables	Note 5 (12)	314,951	0.31	517,774	0.53



Item	Notes	December 31, 2014		December 31, 2013	
		Amount	%	Amount	%
Current Period Income Tax Liabilities		66,376	0.07	28,987	0.03
Financial Debentures Payable	Note 5 (13)	8,999,526	8.98	7,999,698	8.17
Other Financial Liabilities	Note 5 (14)	14,153,869	14.12	12,395,245	12.67
Provisions	Note 5 (15)	764,339	0.76	658,124	0.67
Deferred Income Tax Liabilities		45,898	0.05	42,016	0.04
Other Liabilities	Note 5 (16)	1,301,060	1.30	1,349,326	1.38
Total Liabilities		80,446,172	80.26	78,758,366	80.47
Equity					
Capital		12,000,000	11.97	12,000,000	12.26
Retained Earnings					
Legal Reserve		6,388,244	6.37	6,207,239	6.34
Special Reserve		1,149,137	1.15	1,046,916	1.07
Other Equity		254,593	0.25	-137,846	-0.14
Total Equity		19,791,974	19.74	19,116,309	19.53
Total Liabilities and Equity		100,238,146	100.00	97,874,675	100.00

Note: Figures for 2014 are subject to audit; Figures for 2013 have been recognized by the Ministry of Audit, ROC.



In July 2014 in Hong Kong, the Chairman of the Board of Directors, Rueen-Fong Chu (sixth from the right), chaired sessions for the 7th RCG CEO Meeting of Berne Union. (July 2014)



## 2. Comprehensive Income Statements

TWD Thousand

Item	Notes	January 1, 2014 – December 31, 2014		January 1, 2013– December 31, 2013		Percentage Change (%)
		Amount	%	Amount	%	
Interest Revenue		1,491,531	119.99	1,388,680	123.29	7.41
Minus: Interest Expenses		374,336	30.11	350,141	31.09	6.91
Net Interest Income		1,117,195	89.87	1,038,539	92.21	7.57
Non-Interest Income						
Net Fees and Commissions	Note 5 (17)	34,376	2.77	28,970	2.57	18.66
Gains (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss	Note 5 (18)	-33,276	-2.68	-53,481	-4.75	37.78
Foreign Exchange Gains (Losses)		5,043	0.41	16,957	1.51	-70.26
Net Export Credit Insurance Income	Note 5 (19)	170,368	13.71	124,451	11.05	36.90
Other Non-Interest Income	Note 5 (20)	-50,634	-4.07	-29,103	-2.58	-73.98
Net Operating Income		1,243,072	100.00	1,126,333	100.00	10.36
Bad Debt Expense and Provision of Reserves for Guaranteed Liability	Note 5 (21)	273,753	22.02	236,316	20.98	15.84
Operating Expenses						
Employee Benefits Expenses		339,256	27.29	341,482	30.32	-0.65
Depreciation and Amortization		23,665	1.90	23,409	2.08	1.09
Other Business and Administrative Expenses		120,821	9.72	102,097	9.06	18.34
Net Income Before Tax		485,577	39.06	423,029	37.56	14.79
Income Tax		-33,066	-2.66	-33,467	-2.97	1.20
Net Income		452,511	36.40	389,562	34.59	16.16
Other Comprehensive Income						
Exchange Differences Caused by Translation of Financial Statements of Offshore Branches		392,439	31.57	135,857	12.06	188.86
Actuarial Gains and Losses of Defined Benefit Plans		9,127	0.73	237	0.02	-
Income Tax		-1,551	-0.12	-41	0.00	-
Other Comprehensive Income (After Tax)		400,015	32.18	136,053	12.08	194.01
Total Comprehensive Income		852,526	68.58	525,615	46.67	62.20
Earnings per Share		0.38		0.32		
Basic and Diluted		0.38		0.32		

Note 1: Figures for 2014 are subject to audit; Figures for 2013 have been recognized by the Ministry of Audit, ROC.

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



### 3. Statements of Cash Flows

TWD Thousand

Item	January 1, 2014 – December 31, 2014		January 1, 2013 – December 31, 2013	
	Subtotal	Total	Subtotal	Total
<b>Cash Flows from Operating Activities:</b>				
Continuing Operations Income (Losses) Before Income Tax		485,577		423,029
Net Income (Net Loss) Before Income Tax		485,577		423,029
Adjustments:		-6,217,143		4,846,351
Income and Losses with No Impact on Cash Flow		-536,221		-589,520
Bad Debt Expense and Provision of Reserves for Guaranteed Liability	407,105		253,277	
Depreciation	12,715		13,738	
Amortization	10,950		9,670	
Interest Income	-1,491,531		-1,388,680	
Interest Expense	515,559		503,341	
Loss (Gain) on Disposal of Assets	369		278	
Other Adjustments	8,612		18,856	
Assets/Liability Changes Related to Operating Activities		-5,680,922		5,435,871
(Increase) Decrease in Loans and Discounts	-2,430,637		92,536	
(Increase) Decrease in Receivables	120,822		148,262	
(Increase) Decrease in Financial Assets at Fair Value through Profit or Loss	-69,617		97,667	
(Increase) Decrease in Other Assets	-796		2,368	
Increase (Decrease) in Due to the Central Bank and Other Banks	-3,005,490		5,280,769	
Increase (Decrease) in Payables	-196,346		-96,031	
Increase (Decrease) in Financial Liabilities at Fair Value through Profit or Loss	-93,750		-91,875	
Increase (Decrease) in Other Liabilities	-5,108		2,175	
Interest Paid		-525,547		-511,034
Interest received		1,520,265		1,394,195
Income Tax Paid		-35,155		-30,995
<b>Net Cash Provided by (Used in) Operating Activities</b>		<b>-4,772,003</b>		<b>6,121,546</b>

Item	January 1, 2014 – December 31, 2014		January 1, 2013 – December 31, 2013	
	Subtotal	Total	Subtotal	Total
<b>Cash Flows from Investing Activities</b>				
Purchase of Property and Equipment	-53,166		-4,840	
Sale of Property and Equipment	2		2	
Decrease (Increase) in Other Financial Assets			12,500	
Decrease (Increase) in Other Assets	-21,271		-2,302	
Dividend received	20,369		18,927	
<b>Net Cash Provided by (Used in) Investing Activities</b>		<b>-54,066</b>		<b>24,287</b>
<b>Cash Flows from Financing Activities:</b>				
Increase (Decrease) in Borrowed Funds from the Central Bank and Other Banks	-167,803		-1,425,298	
Increase (Decrease) in Financial Debentures Payable	1,000,000		-2,000,000	
Increase (Decrease) in Other Financial Liabilities	4,058,623		1,570,187	
Increase (Decrease) in Other Liabilities	-43,158		-13,120	
Cash Dividends	-173,521		-183,487	
<b>Net Cash Provided by (Used in) Financing Activities</b>		<b>4,674,141</b>		<b>-2,051,718</b>
<b>Effect of Changes in Foreign Exchange Rates on Cash and Cash Equivalents</b>		<b>-799</b>		<b>13,210</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		<b>-152,727</b>		<b>4,107,325</b>
<b>Cash and Cash Equivalents, Beginning of year</b>		<b>6,874,391</b>		<b>2,767,066</b>
<b>Cash and Cash Equivalents, End of year</b>		<b>6,721,664</b>		<b>6,874,391</b>
<b>Composition of Cash and Cash Equivalents:</b>				
Cash and Cash Equivalents Listed on the Balance Sheet		61,011		40,254
Due from the Central Bank and Call Loans to Banks Satisfying the Definition of Cash and Cash Equivalents in IAS 7		1,034		34,137
Securities Sold Under Agreements to Repurchase Satisfying the Definition of Cash and Cash Equivalents in IAS 7		6,659,619		6,800,000
<b>Cash and Cash Equivalents, End of year</b>		<b>6,721,664</b>		<b>6,874,391</b>



## 4. Statements of Changes in Equity

January 1 – December 31, 2013 and 2014

TWD Thousand

Item	Attributable to Owners of the Controlling Entity					Total
	Capital	Retained Earnings			Other Equity Items	
		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Caused by Translation of Financial Statements of Offshore Branches	
Balance, January 1, 2013	12,000,000	6,051,414	972,246		-273,703	18,749,957
Provision for Legal Reserve		155,825		-155,825		
Provision for Special Reserve			74,670	-74,670		
Cash Dividends Appropriated				-159,263		-159,263
Net Income for FY 2013				389,562		389,562
Other Comprehensive Income for FY2013				196	135,857	136,053
Balance, December 31, 2013	12,000,000	6,207,239	1,046,916	—	-137,846	19,116,309
Provision for Legal Reserve		181,005		-181,005		
Provision for Special Reserve			102,221	-102,221		
Cash Dividends Appropriated				-176,861		-176,861
Net Income for FY 2014				452,511		452,511
Other Comprehensive Income for FY 2014				7,576	392,439	400,015
Balance, December 31, 2014	12,000,000	6,388,244	1,149,137	—	254,593	19,791,974



## 5. Financial Analysis

TWD Thousand; %

Item		Year	FY2014	FY 2013
Operating Ability	Non-Performing Loan Ratio		0.82%	0.28%
	Ratio of Interest Income to Annual Average Loans		1.45%	1.43%
	Total Asset Turnover (Times)		1.25	1.17
	Average Operating Income per Employee		6,093	5,576
	Average Profit per Employee		2,218	1,929
Profitability	Return on Tier 1 Capital		2.66%	2.35%
	Return on Assets		0.46%	0.41%
	Return on Equity		2.33%	2.06%
	Net Income to Net Operating Income		36.40%	34.59%
	Earnings per Share (TWD)		0.38	0.32
Financial Structure	Ratio of Liabilities to Assets		80.26%	80.47%
	Ratio of Property and Equipment to Equity		2.61%	2.49%
Growth Rate	Asset Growth Rate		2.41%	3.91%
	Profit Growth Rate		14.79%	-3.39%
Cash Flow	Cash Flow Ratio		-12.06%	15.08%
	Cash Flow Adequacy Ratio		974.45%	3,300.89%
	Cash Flow Sufficiency Ratio		8,826.25%	25,205.03%
Liquid Reserve Ratio			544.86%	57.10%
Total Secured Loans to Interested Parties			-	-
Total Secured Loans to Interested Parties as a Percentage of Total Loans			-	-
Operating Scale	Market Share of Assets		0.24%	0.25%
	Market Share of Net Worth		0.69%	0.73%
	Market Share of Loans		0.37%	0.38%

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

1. The increase in non-performing loan ratio in 2014 was mainly caused by the large overdue loans newly recorded.
2. The decrease in asset growth rate in 2014 was mainly attributed to increase Eximbank's high-quality liquid assets in 2013 in order to raise its liquidity coverage ratio. Asset increased in 2013 included Central Bank negotiable certificates of deposit and held-to-maturity financial assets.
3. The increase in profit growth rate in 2014 was mainly due to the increase in the credit and export credit insurance business, which led to the growth in net profit.
4. The decreases in various cash flow ratios in 2014 was mainly attributed to the increases in discounts and loans, which led to a decrease in net cash provided by operating activities.
5. The increase in liquid reserve ratio in 2014 was mainly attributed to the reduction in TWD interbank borrowing.



Note 1: Eximbank adopted IFRSs for compilation of its financial reports from 2013. The final accounts of 2014 are subject to audit while the 2013 accounts have been recognized by the Ministry of Audit, ROC.

Note 2: Financial Formulae

1. Operating Ability

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

2. Profitability

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

3. Financial Structure

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

4. Growth Rates

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

5. Cash Flows (Note 6)

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

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

7. Operating Scale

- (1) Market Share of Assets = Total Assets / Total Assets of All Financial Institutions Available for Deposits and Loans (Note 7)
- (2) Market Share of Net Worth = Net Worth / Total Net Worth of All Financial Institutions Available for Deposits and Loans
- (3) Market Share of Loans = Total Loans / Total Loans of All Financial Institutions Available for Deposits and Loans

Note 3: Liabilities exclude guarantee reserve and reserve for accident losses.

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

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

Note 6: Comments on Cash Flow Analysis

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

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

## 6. Capital Adequacy

TWD Thousand; %

Item			Year	FY 2014	FY 2013
Self-Owned Capital	Common Equity			18,563,308	17,999,514
	Additional Tier 1 Capital			-	-
	Tier 2 Capital			1,029,061	785,280
	Self-Owned Capital			19,592,369	18,784,794
Total Risk-Weighted Assets	Credit Risk	Standardized Approach		72,308,063	67,883,097
		Internal Ratings-Based Approach		-	-
		Assets Securitization		-	-
	Operational Risk	The Basic Indicator Approach		1,971,253	1,767,197
		The Standardized Approach / The Alternative Standardized Approach		-	-
		Advanced Measurement Approach		-	-
	Market Risk	Standardized Approach		180,631	17,564
		Internal Models Approach		-	-
	Total Risk-Weighted Assets			74,459,947	69,667,858
Capital Adequacy Ratio				26.31%	26.96%
Tier 1 Risk-Based Capital Ratio				24.93%	25.84%
Common Equity to Risk-Based Capital Ratio				24.93%	25.84%
Leverage Ratio				15.88%	16.37%

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

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

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

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



## 7. Notes to Financial Statements

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

#### I. Declaration of Compliance

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

#### II. Preparation Base

##### 1. Measurement Bases

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

##### 2. Functional Currency and Presentation Currency

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

## III. Foreign Currency Transactions

### 1. Foreign Currency Transactions

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

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

### 2. Translation of foreign currency financial statement

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





The Director-General of the National Treasury Administration, Joanne Ling, gave a speech at Eximbank on sound financial administration. (August 2014)

## IV. Financial Instruments

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

### 1. Financial Assets

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

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

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

measured at fair value through profit or loss.

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

#### (2) Held-to-maturity Financial Assets

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

#### (3) Loans and receivables

Loans and receivables include those that are bank-originated and those that are non-bank-originated. Bank-originated loans and receivables refer to those that are generated when the Bank provides money, goods or services to the debtors. Non-bank-originated

loans and receivables refer to all the loans and receivables that are not originated by Eximbank. The initially recognized fair value (generally the transaction price), major transaction costs, major paid or received fees, discounts and premium of loans and receivables are considered for accounting and subsequently measured based on the effective interest method in accordance with relevant regulations. However, according to Paragraphs 7 and 10 of Article 10 of the Regulations Governing the Preparation of Financial Reports by Public Banks, loans and receivables that have minimal effect on discounting can be measured at the original amount.

#### (4) Financial Assets Carried at Cost

Investments on equity instruments whose fair value cannot be reliably measured are estimated at their original cost initially recognized. If there is objective evidence

indicating that a financial asset is impaired, a loss is recognized. Subsequent reversal of such impairment loss is not allowed.

#### (5) Securities traded under repurchase or resell Agreements

Securities traded by Eximbank under repurchase or resell agreements are accounted for under the financing method. For securities traded under repurchase or resell agreements, the interest expenses or interest incomes are recognized as incurred at the date of sale and purchase and the agreed period of sale and purchase. The repo trade liabilities, bond liabilities, reverse repo trade bills and bond investments are recognized at the date of sale or purchase.

#### (6) Impairment of Financial Assets

- ① At the end of each reporting date, Eximbank conducts an evaluation to determine whether any objective evidence



The Honduras Trade Investment Representative for Asia, Arnaldo Castillo Figueroa, and the Investment Promotion Director, Yankel Antonio Rosenthal Collejo, visited Eximbank to enhance bilateral trade cooperation. (November 2014)



In order to increase international cooperation, during the 2014 Berne Union Spring Meeting, President Shui-Yung Lin (left) and the Executive Vice President of the official export credit agency of Finland, (Finnvera), Mr. Topi Vesteri, signed a cooperation agreement. (May 2014)

exists which would indicate that an asset may have been impaired. If such evidence is found, an impairment loss is recognized. The amount of impairment loss is the difference between the book value of the financial asset and the estimated present value based on future cash flow discounted with the original effective interest rate. In cases where there is no objective evidence of impairment for an individually assessed financial asset, losses are estimated based on a collective assessment of assets with similar credit risk characteristics. Estimated future cash flows of portfolios, including estimated consolidated losses, are based on the historical losses of each portfolio.

- ② The book value of financial assets is reduced by the allowance account. The amount of impairment loss is recognized

as the profit or loss of the current period. When determining the amount of impairment loss, the estimate of expected future cash flow includes the recoverable amount from collateral and related insurance.

- ③ Debt which is confirmed to be uncollectible is written off upon approval by the Board of Directors. Bad debt already written off that is collected in part or full should be reflected in the allowance for doubtful accounts.
- ④ If the amount of impairment loss decreases in the subsequent period, and the respective reduction is related to incidents after the loss was recognized (i.e. improvement of credit ratings of the debtor), then previously recognized impairment losses will be adjusted by



The Senior Director of the Bank of Thailand led a delegation to Eximbank to learn more about Eximbank's export credit insurance and assistance to SME exporters. (November 2014)

reversing the allowance account. Such reversal shall not cause the carrying value of the financial asset to be greater than the amortized cost as if the loss was not recognized. The reversal amount shall be recognized as profit or loss of the current period.

#### (7) Derecognizing Financial Assets

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

## 2. Financial Liabilities

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

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

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

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

#### (2) Financial liabilities measured at amortized cost

Financial liabilities that are not classified as "financial liabilities at fair value through profit or loss" are measured at amortized cost. Interbank deposits, accounts payables,



due from the Central Bank and call loans to banks and debt securities issued that are not classified as financial liabilities at fair value through profit or loss are also of this category

### (3) Derecognizing Financial Liabilities

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

## V. Property and Equipment

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

## VI. Intangible Assets

Eximbank's intangible asset is all computer software, which is recognized at cost. Amortization of intangible assets is computed using the straight-line method over the economic service life, with a maximum estimated service life of five

years. Subsequent measurements are based on the cost model Eximbank applies. Residual value, amortization periods and amortization methods are reviewed at the end of the reporting period, and any changes in estimates will be applied prospectively.

## VII. Non-financial Asset Impairment

In accordance with IAS No. 36 "Impairment of Assets", when there is any indication that an asset may be impaired, Eximbank will evaluate the asset or its cash generating unit. An impairment loss is recognized when the recoverable amount (the higher of the fair market value or the value in use) is found to be less than the book value. On the end date of reporting, if the evaluation produces evidence indicating the recognized impairment loss of an asset in the prior year no longer exists or has reduced, the recoverable amount should be re-measured. Reversal of impairment loss is recognized when the recoverable amount of the asset has increased. However, the book value after the reversal should not exceed the depreciated or amortized book value of the asset assuming no impairment loss was recognized.

## VIII. Allowance for bad debt and guarantee reserve

### 1. Loans

In accordance with the definition of impairment loss of loans and accounts receivables stated in IAS No. 39, the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans announced by the FSC, and Eximbank Guidelines for Asset Evaluation and



Loss Reserve, Eximbank evaluates debtors' collateral, length of time overdue and allocates an appropriate allowance for bad debt on the balance sheet date according to which of the two is the higher at the time.

## 2. Guarantee reserve

Eximbank's guarantee business focuses mainly on performance obligations, which are not classified as financial guarantee contracts. Therefore, reserve for guarantees is allocated as 1% in accordance with IAS No. 37 and the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans released by the FSC.

## IX. Export credit Insurance related Reserve

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

## X. Employee Benefits

### 1. Short-term employee benefits

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

## 2. Retirement benefits

- (1) Pensions: For employees covered by the old labor pension scheme, Eximbank annually calculates the actuarial net pension costs in accordance with the Regulations for the Allocation and Management of Workers' Retirement Reserve Funds and IAS No. 19, and recognizes the costs under the item "pension or resignation pay". Meanwhile, Eximbank makes contributions (calculated as total payroll of the year times actuarial contribution ratio) to Eximbank's "Pension Fund Supervisory Commission" for the use of staff and the designated account in the Bank of Taiwan, "Pension Fund Supervisory Commission", for the use of workers and security personnel. For employees covered by the new labor pension scheme, the Bank makes contributions (6% of the employees' salary) to the employees' individual pension accounts at the Bureau of Labor Insurance, and recognizes the contribution costs under the item "Employee and Worker Pension Fund and Resignation Pay".
- (2) In accordance with IAS No. 19, Eximbank calculates the actuarial net pension costs and recognizes the costs under the item "Retirement Benefit Payments".
- (3) Eximbank recognizes pension liabilities on the balance sheet after calculating the actuarial present value of defined benefit obligations less the fair value of the pension fund and adjusts for unrecognized net gains and losses of pension and the net amount after recognizing service costs in the prior



President Shui-Yung Lin (first from the right) attended the 2014 Zhejiang-Taiwan Cooperation Week and the 2014 Zhejiang (Hangzhou) Taiwan Brand Exposition. By learning about the Mainland China market and exploring new business and cooperation opportunities, Eximbank could better assist Taiwanese enterprises in expanding the Mainland China market. (October 2014)

period. The defined benefit obligations are measured annually by actuaries applying the Projected Unit Credit Method. The actuarial present value of defined benefit obligations are the discounted amount of estimated future cash flows calculated by actuaries, taking into consideration the currency of the retirement benefit obligations and the yields of high-quality corporate bonds with same maturity dates. According to the defined benefit plan actuarial report, the total defined benefit obligation of Eximank as at the end of 2014 is TWD632,736 thousand. The amount of the allocated plan asset is TWD363,602 thousand. The amount of employee benefit reserve liability is TWD271,946 thousand (including the amount payable to the Chairman and President amounting to TWD2,812 thousand).

- (4) Actuarial gains or losses are recognized as incurred as other comprehensive income. Service costs from the prior period are recognized as current gains and losses, except for cases where changes to the pension plan are subject to whether employees continue to provide services in a particular period (vested period) and therefore the costs are amortized during the vested period using the straight-line method.

### 3. Employee Preferential Deposit

- (1) Eximbank provides employee preferential deposits, including fixed amount preferential deposits for employees in-service and fixed amount preferential retirement deposits for retired and in-service employees. The excess interest of these preferential deposits forms part of employee benefits.



(2) The excess interest Eximbank pays to the preferential deposits for employees in-service is calculated on an accrual basis monthly and recognized as "interest of preferential deposit" of "Non-operating expenses". According to Article 30 of the Regulations Governing the Preparation of Financial Reports by Public Banks, the excess interest paid to the preferential retirement deposits apply to the provisions on confirmed benefit programs of IAS No. 19. The actuarial estimations regarding the mentioned benefit program are in accordance with the competent authority's regulations. However, the reported values of the program are estimated. Therefore, in future cases where the amounts the Bank pays are different from the estimated value of

retirement benefit obligations, the difference is viewed as changes in accounting estimates and will be recognized in gains and losses in the year when the changes occur.

## XI. Recognizing income and expenses

### 1. Interest revenue and expenses

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



The Chairman of the Board of Directors, Rueen-Fong Chu (first from the right), attended a 2014 Trade Mission to Malta and Czech Republic, hosted by the Chinese International Economic Cooperation Association. The mission helped local enterprises expand markets in central and southern Europe. (June 2014)



## 2. Fee income

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

## 3. Dividend income

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

## XII. Income tax

### 1. Current income tax

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

### 2. Deferred income tax

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

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

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

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

## Note 2. Source of significant accounting judgments and estimation uncertainty

### 1. Impairment losses on loans

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



## II. Fair value of financial instruments

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

## III. Income tax

The final amount of tax payments are determined through various transactions and calculations. Differences might emerge with some transactions and calculations due to differences between the definitions of the tax authorities and Eximbank,

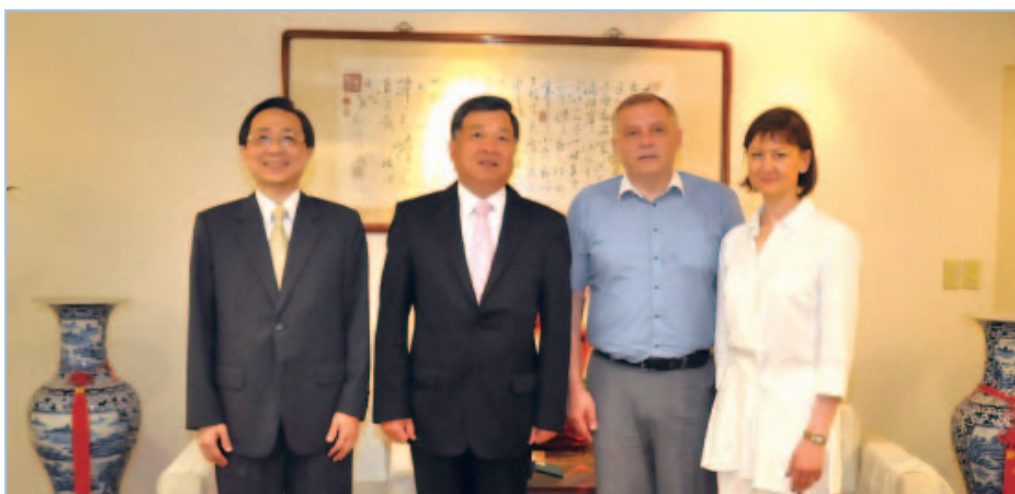
leading to differences between the final actual tax amount and the estimates. Eximbank recognizes the related income tax and deferred income tax items based on an estimation of whether an additional tax might be incurred due to the transaction or calculation. Differences between the final tax amount and the original amount recognized will affect the recognized income tax and deferred tax.

## IV. Post-employment benefits

1. The present value of retirement benefit obligations is based on actuarial calculations based on several assumptions. Any changes in these assumptions will affect the carrying value of retirement benefit obligations.
2. Assumptions used for determining the net pension cost (income) include discount rates. Eximbank determines the appropriate



The Taipei Department of Economic Development, the Importers and Exporters Association of Taipei and Eximbank signed a strategic alliance cooperation memorandum on May 26, 2014. Their goal was to help enterprises expand emerging markets and win orders. (May 2014)



The Director-General of the Association of Lithuanian Chambers of Commerce, Industry and Crafts, Mr. Amb. Rimantas Šidlauskas, visited Eximbank to strengthen bilateral trade. (July 2014)

discount rates at the end of each year, and the rates are used to estimate the present value of future cash flows of retirement benefit obligation payments. To determine the appropriate discount rates, Eximbank considers the yields of high-quality corporate bonds or government bonds (in the same currency used to pay retirement benefits and with maturity in the same period of relevant pension liabilities).

3. In estimating the excess interest gained by retired employees via preferential deposits (of retirement benefit obligations), the actuarial assumptions are in accordance with Order Jin-Guan-Yin-Fa-Tze No. 10110000850 and applies the following principles: discount rate should be 4% or above, withdrawal rate of pension preferential deposit should be 1% or above, and the probability of changes in preferential deposit programs is assumed to be 50%. In future cases where the amounts

paid are different from the estimated value of retirement benefit obligations, the difference is viewed as changes in accounting estimates and will be recognized in gains and losses of the year when the changes occur.

### Note 3: Disclosure of Significant Commitments, Contingent Assets, and Contingent Liabilities

1. The following are not recognized on the balance sheet but are addressed in the footnotes: assets (liabilities) under trust, agency, and guarantee of TWD14,246,833 thousand, including guarantee receivables of TWD13,659,850 thousand, custodial collections receivables of TWD518,818 thousand, joint loans receivables (memo account) of TWD67,229 thousand, and collateral of TWD936 thousand.



2. No bills receivable (or payable).
3. Undisbursed loan commitments of TWD20,369,229 thousand.

#### Note 4: Financial Information of the Operating Segments

Eximbank's results of operating segments are periodically reviewed by the chief operating

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

### Eximbank Financial Information of Operating Segments Fiscal Years 2014 and 2013

TWD Thousand

	FY2014			FY2013		
	Credit Business	Export Credit Insurance Business	Total	Credit Business	Export Credit Insurance Business	Total
<b>Net Interest Income</b>	<b>1,097,065</b>	<b>20,130</b>	<b>1,117,195</b>	<b>1,018,989</b>	<b>19,550</b>	<b>1,038,539</b>
<b>Non-Interest Income</b>	<b>-22,352</b>	<b>148,229</b>	<b>125,877</b>	<b>-21,149</b>	<b>108,943</b>	<b>87,794</b>
Net Fees and Commissions	29,380	4,996	34,376	23,878	5,092	28,970
Gains (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss	-33,276		-33,276	-53,481		-53,481
Foreign Exchange Gains (Losses)	5,043		5,043	16,957		16,957
Net Export Credit Insurance Income		170,368	170,368		124,451	124,451
Other Non-Interest Income	-23,499	-27,135	-50,634	-8,503	-20,600	-29,103
<b>Net Operating Income</b>	<b>1,074,713</b>	<b>168,359</b>	<b>1,243,072</b>	<b>997,840</b>	<b>128,493</b>	<b>1,126,333</b>
<b>Bad Debt Expense and Provision of Reserves for Guaranteed Liability</b>	<b>273,753</b>		<b>273,753</b>	<b>236,316</b>		<b>236,316</b>
<b>Operating Expenses</b>	<b>308,124</b>	<b>175,618</b>	<b>483,742</b>	<b>289,422</b>	<b>177,566</b>	<b>466,988</b>
<b>Net Income (Losses) Before Tax</b>	<b>492,836</b>	<b>-7,259</b>	<b>485,577</b>	<b>472,102</b>	<b>-49,073</b>	<b>423,029</b>

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

## Note5: Details of Significant Accounts

### 1. Cash and Cash Equivalents

Item	Date	December 31, 2014	December 31, 2013
Cash on Hand		18	9
Petty Cash & Revolving Funds		241	241
Checks for Clearance		91	110
Due from Banks		60,661	39,894
Total		61,011	40,254

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

Item	Date	December 31, 2014	December 31, 2013
Due from the Central Bank		1,034	34,137
Total		1,034	34,137

### 3. Financial Assets at Fair Value through Profit or Loss

Item	Date	December 31, 2014	December 31, 2013
Valuation Adjustments of Financial Assets Held for Trading		163,285	93,668
Total		163,285	93,668

### 4. Receivables – Net

Item	Date	December 31, 2014	December 31, 2013
Receivables		8	37
Earned Revenue Receivable		720	716
Interest Receivable		205,816	235,701
Accounts Receivable Factoring without Recourse		40,419	16,438
Premium Receivable		14	25
Claims Recoverable from Reinsurers		0	0
Other Receivable		23,656	19,452
Forex Spot Receivable		0	148,971
Total		270,633	421,340
Allowance for Doubtful Accounts		-1,185	-2,338
Net Amount		269,448	419,002



Burkina Faso's Defense Minister (Mr. S. E. M. Yipènè Djibrill BASSOLE) and its Ambassador (Ms. S. E. Mme Céline YODA KONKCBO) led a delegation to Eximbank to strengthen bilateral trade cooperation. (June 2014)

## 5. Loans and Discounts – Net

Item \ Date	December 31, 2014	December 31, 2013
Short-Term Loans	13,504,978	11,172,941
Short-Term Secured Loans	30,000	49,000
Medium-Term Loans	52,346,600	50,841,406
Medium-Term Secured Loans	3,776,537	4,759,315
Long-Term Loans	1,788,441	1,735,624
Long-Term Secured Loans	21,062,140	21,709,874
Overdue Loans	739,799	235,597
Total	93,248,495	90,503,757
Allowance for Doubtful Accounts	-1,084,287	-842,032
Discount of Premium	-5,808	-6,960
Net Amount	92,158,400	89,654,765



**6. Other Financial Assets – Net**

Item	Date	December 31, 2014	December 31, 2013
Reinsurance Reserve Assets		163,115	163,621
Financial Assets Carried at Cost		90,000	90,000
Net Amount		253,115	253,621

**7. Property and Equipment – Net**

Item	Date	December 31, 2014	December 31, 2013
Land		93,868	80,203
Revaluation Increments – Land		186,420	186,420
Buildings		388,497	352,812
Accumulated Depreciation – Building		-169,621	-163,217
Machinery and Equipment		50,975	49,774
Accumulated Depreciation – Machinery and Equipment		-39,961	-36,520
Transportation Equipment		10,710	10,985
Accumulated Depreciation – Transportation Equipment		-9,793	-9,560
Miscellaneous Equipment		25,926	26,629
Accumulated Depreciation – Miscellaneous Equipment		-21,093	-21,886
Leasehold Improvements		0	2,401
Accumulated Depreciation – Leasehold Improvements		0	-2,194
Net Amount		515,928	475,847

**8. Intangible Assets – Net**

Item	Date	December 31, 2014	December 31, 2013
Software		35,102	25,386
Total		35,102	25,386



## 9. Other Assets – Net

Item \ Date	December 31, 2014	December 31, 2013
Inventory of Supplies	234	299
Prepaid Expenses	27,322	26,544
Other Prepayments	92	10
Refundable Deposits	803	803
Temporary Payments and Suspense Accounts	1,008	302
Other Deferred Assets	119	220
Total	29,578	28,178

## 10. Borrowed Funds from the Central Bank and Other Banks

Item \ Date	December 31, 2014	December 31, 2013
Borrowed Funds from the Central Bank	15,533,579	15,587,382
Borrowed Funds from Other Banks	0	114,000
Total	15,533,579	15,701,382

## 11. Financial Liabilities at Fair Value through Profit or Loss

Item \ Date	December 31, 2014	December 31, 2013
Valuation Adjustments of Financial Liabilities Held for Trading	0	7,917
Designated as Financial Liabilities at Fair Value through Profit or Loss	8,000,000	5,700,000
Valuation Adjustments of Designated as Financial Liabilities at Fair Value through Profit or Loss	8,200	94,033
Total	8,008,200	5,801,950

## 12. Payables

Item \ Date	December 31, 2014	December 31, 2013
Accrued Expenses	90,832	95,863
Accrued Interest	137,047	146,864
Tax Payable	7,698	2,925
Dividends (Official) and Bonuses Payable	7,601	4,261
Accounts Payable Factoring without Recourse	4,327	2,590
Custodial Collections Payable	1,498	4,573
Commissions Payable	165	108
Reinsurance Benefits Payable	13,501	18,175
Other Payable	52,282	93,515
Forex Spot Payable	0	148,900
Total	314,951	517,774





### 13. Financial Debentures Payable

Item	Date	December 31, 2014	December 31, 2013
Financial Debentures Payable		9,000,000	8,000,000
Discount on Financial Debentures Payable		-474	-302
Total		8,999,526	7,999,698

### 14. Other Financial Liabilities

Item	Date	December 31, 2014	December 31, 2013
Funds Appropriated for Loans		14,153,869	12,395,245
Total		14,153,869	12,395,245



In order to promote social welfare activities, Eximbank signed an agreement to rent paintings from the Eden Social Welfare Foundation. Besides assisting disadvantaged groups, the arrangement beautified the Eximbank office environment. (July 2014)

## 15. Provisions

Item	Date	December 31, 2014	December 31, 2013
Guarantee Liability Reserve		136,599	54,775
Unearned Premium Reserve		102,553	103,992
Claim Reserve		253,241	234,432
Employee Benefits Liability Reserve		271,946	264,925
Total		764,339	658,124

## 16. Other Liabilities

Item	Date	December 31, 2014	December 31, 2013
Unearned Premiums		687	1,040
Unearned Revenues		66,837	71,592
Refundable Deposits		2,084	3,184
Custodial Deposits		2,057	2,106
Temporary Receipts and Suspense Accounts		28,190	53,818
Funds Appropriated for Export Credit Insurance		1,201,205	1,217,586
Total		1,301,060	1,349,326

## 17. Net Fees and Commissions

Item	Date	January 1, 2014 – December 31, 2014	January 1, 2013 – December 31, 2013
Revenue from Fees and Commissions		55,227	48,001
Expenses from Fees and Commissions		20,851	19,031
Net Amount		34,376	28,970



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

Item	Date	January 1, 2014 – December 31, 2014	January 1, 2013 – December 31, 2013
Interest income of financial assets (+)		177	0
Gain on Disposal of Financial Assets		86,574	97,459
Gain (+) / Loss (-) on Valuation of Financial Assets		-64,724	-95,717
Interest Expenses of Financial Liabilities (-)		-141,223	-153,200
Loss on Disposal of Financial Liabilities (-)		-1,530	-195
Gain (+) / Loss (-) on Valuation of Financial Liabilities		87,450	98,172
Net Amount		-33,276	-53,481

**19. Net Export Credit Insurance Income**

Item	Date	January 1, 2014 – December 31, 2014	January 1, 2013 – December 31, 2013
Export Credit Insurance Income		380,409	301,895
Premium Income		277,251	263,925
Reinsurance Commissions Income		44,647	22,971
Claims Recovered from Reinsurers		56,981	14,999
Unearned premium reserve collected		1,530	0
Export Credit Insurance Costs		210,041	177,444
Reinsurance Premium		119,290	113,895
Commission Expenses		2,478	2,753
Insurance Claims Payments		68,867	7,922
Provision for Unearned Premium Reserve		0	6,542
Provision for Claim Reserve		19,406	46,332
Net Amount		170,368	124,451



In order to promote social care and fulfill social responsibility while encouraging environmental awareness among employees, the Chairman of the Board of Directors, Rueen-Fong Chu, and President Shui-Yung Lin led Eximbank staff and family members in helping clean the Zhishan Cultural and Ecological Garden. (December 2014)

## 20. Other Non-Interest Income

Item	Date	January 1, 2014 – December 31, 2014	January 1, 2013 – December 31, 2013
Other Non-Interest Income		23,652	24,850
Gains from Financial Assets Carried at Cost		20,369	18,927
Miscellaneous Income		3,283	5,923
Other Non-Interest Losses		74,286	53,953
Loss on Disposal of Fixed Assets		369	278
Preferential Deposit Interest in Excess		73,917	53,675
Net Amount		-50,634	-29,103

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

Item	Date	January 1, 2014 – December 31, 2014	January 1, 2013 – December 31, 2013
Bad Debt Expenses for Loans		192,232	226,174
Bad Debt Expenses for Factoring Receivables		-136	-316
Provision of Reserves for Guaranteed Liability		81,606	9,262
Bad Debt Expenses for Other Receivables		51	1,196
Total		273,753	236,316



## VI. Risk Management

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

#### (1) Credit Risk Management System

January 1 – December 31, 2014

Item	Contents
① Credit Risk Strategy, Objective, Policy, and Procedure	<p>Eximbank is a specialized, state-owned bank established to support export and import trade. Its main assets are used to provide loans. As a result, its major risks are credit risks of loans. Primary risk management goals are strengthening credit risk management and avoiding risk from becoming too concentrated. Strategies include conducting risk analyses of countries, banks, groups, and enterprises while determining credit ratings. To ensure that risk is properly diversified, Eximbank sets limits on country risk, bank risk, industry risk, group/enterprise risk, and the risk associated with each client.</p> <p>The credit risk management process includes identifying, evaluating, monitoring, and reporting risk. Its range extends to credit risk both on and off the balance sheet items(including existing and potential).</p> <p>Whenever Eximbank undertakes daily business or starts new financial products, it must first determine the related credit risks. Also, when conducting business with associated credit risks, it needs to assess the potential losses for each loan, investment, or trade thoroughly. Appropriate countermeasures, including risk avoidance, transfer, or mitigation, are then adopted, ensuring that business fits Eximbank's risk management and acceptance conditions.</p>
② Organizational Structure of Credit Risk Management	<p>The Board of Directors is the supreme decision-making level of Eximbank's credit risk management. The Credit Committee is responsible for reviewing the credit risk of each case at and above the level of executive vice presidents' authorization. The Non-Performing/ Non-Accrual Loans Committee is responsible for supervising and evaluating disposal of non-performing/non-accrual loans. The Department of Risk Management is in charge of Eximbank's overall credit risk management. Each business unit supervises and monitors the credit risk implementation of its subordinate units, which shall all follow the relevant regulations and provisions of credit risk management.</p>

Item	Contents
③ Scope and Characteristics of the Credit Risk Reporting and Evaluation System	<p>Eximbank has established a customer data integration system, a risk assessment system, a credit register system, and a risk management system, in order to manage risks associated with its credit extension business and to monitor loans to all borrowers. The customer data integration system is used to compile basic data for individual clients, the credit system is used for approving and granting loans, and an objective analysis must be executed using the risk assessment system before credit is granted. The risk management system runs up daily exposure for analysis and for executives to use for decision-making purposes.</p> <p>Risk management includes monthly reporting on domestic and international economic conditions, exposure changes in countries where loans are granted, and financial and industrial risks. Eximbank compiles data on relevant country risks, exposure associated with key credit risks, and risk limit management. This information is reviewed by the Board of Directors and is used for risk management and credit policymaking.</p> <p>Based on the regulations of the financial supervisor, Eximbank discloses qualitative and quantitative data associated with its credit risks on its website.</p>
④ Credit Risk Hedging and Risk Mitigation Policies / Strategies and Procedures of Monitoring Tools for Hedging and Risk Mitigation	<p>Eximbank has also established Country Risk, Financial Risk and Corporate Credit Risk early warning indicators. For each debtor, it established a rating system and sought assistance from international credit agencies. For countries with a relatively high risk level (Level C- and below), financial institutions or credit customers at Level C- or below, or when there were recent negative reports about a particular country or bank, Eximbank analyzed warning indicators to interpret risk. When Eximbank considers to extend its business, those data are examined as a reference to strengthen risk management.</p> <p>To lower credit risk, export financing cases such as medium or long-term export loans for manufacturing plant or line equipment exceeding USD 1 million must include technical evaluations and reports along with credit evaluation reports for reference. In addition, for relatively high-risk financial cases, clients are encouraged to arrange export insurance through Eximbank to mitigate risk.</p> <p>Eximbank's risk management system also monitors risk concentration. Executives, account officers, risk management officials, and related departments are alerted by email of countries, banks, or industries that reached 85% of their risk limit to aid in early response.</p> <p>To improve its lending operations, Eximbank has strengthened its credit approval process and conducts follow-up measures.</p>
⑤ Method Applied for Legal Capital Requirement	Eximbank has applied the capital requirement for credit risk based on the "Standardized Approach" of the Basel III Capital Accord.



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

December 31, 2014

TWD Thousand

Type of Exposure	Credit Risk Exposures After Mitigation	Capital Requirement
Sovereign	16,853,255	269,652
Public Sector Entities/ Non-Central Government	176,570	2,825
Banks (Including Multilateral Development Banks)	11,861,962	592,230
Corporate (Including Securities and Insurance Corp.)	69,763,734	4,811,875
Regulatory Retail Portfolios	1,581,206	31,075
Residential Property	-	-
Rights of Securities Investment	-	-
Other Assets	824,996	76,988
Total	101,061,723	5,784,645



Finance industry members joined in holding a health walk activity in Kaohsiung. The Chairman of the Board of Directors, Rueen-Fong Chu, and President Shui-Yung Lin led Eximbank staff and family members in attending. (November 2014)



## 2. Operational Risk Management System and Capital Requirement

### (1) Operational Risk Management System

January 1 – December 31, 2014

Item	Contents
① Operational Risk Strategy and Procedure	<p>Operational risk strategy at Eximbank includes strengthening internal controls, ensuring that employees abide by regulations, and conducting training. Standard operating procedures are displayed on an internal website for staff to refer to and comply. Eximbank has also established guidelines for work delegation, assigning responsibility and facilitating daily operations.</p> <p>Operational risk management includes determining and evaluating risk along with monitoring and reporting. It encompasses important products, business activities, and operating procedures, along with establishing operational risk management mechanisms. Before new products, business activities, procedural changes, or system promotions or operations occur, banking units should ascertain that operational risk evaluations took place.</p> <p>Operational risk management is objective, consistent, transparent, complete, and comprehensive.</p>
② Organizational Structure of Operational Risk Management	<p>Operational risk management involves the entire organization. The Board of Directors serves as the highest policymaking body that determines operational risk management standards and important policies. Meanwhile, the Department of Risk Management is responsible for evaluating the entire bank's operational risk management strategies and procedures to build management mechanisms. When determining operational management rules, units consider operational risk management. They then adhere to these rules to ensure operational risks are under control.</p>
③ Scope and Characteristics of the Operational Risk Reporting and Evaluation System	<p>Eximbank operates a risk self-assessment approach. Operational risk is managed and mitigated by tight compliance, internal control and internal auditing systems and procedures.</p> <p>Data of major losses are gathered and reported to related units and supervisors who then formulate response measures.</p> <p>Based on the regulations of the financial supervisor, Eximbank discloses on its website qualitative and quantitative data associated with its operational risks.</p>



Item	Contents
④ Operational Risk Hedging or Risk Mitigation / Strategies and Procedures of Monitoring Tools for Hedging and Risk Mitigation	<p>Eximbank's operational risk management standards include instruments for clearly identifying, evaluating, monitoring, controlling, and mitigating risk. It also uses insurance and risk transfer methods to mitigate and manage risk.</p> <p>Based on its guidelines for work delegation, Eximbank has assigned responsibility and authority for each aspect of its business and established a reporting system, so responsibilities assumed by each member of staff are clear.</p> <p>To avoid litigation risks, each banking unit should abide by the Eximbank compliance system.</p> <p>Also, Eximbank has established an information protection system and an emergency response plan. When urgent problems arise, operations can be continued and losses kept to a minimum.</p> <p>By conducting risk management training, Eximbank improves employee knowledge and strengthens operational risk management.</p>
⑤ Method Applied for Legal Capital Requirement	Eximbank has applied the capital requirement for operational risk based on the Basic Indicator Approach of the Basel III Capital Accord.

## (2) Operational Risk-Based Capital Requirement

December 31, 2014

TWD Thousand

FY	Gross Profit	Capital Requirement
2012	1,139,657	
2013	1,174,363	
2014	1,314,076	
Total	3,628,096	181,405

### 3. Market Risk Management System and Capital Requirement

#### (1) Market Risk Management System

January 1 – December 31, 2014

Item	Contents
① Market Risk Strategy and Procedure	<p>Eximbank is an official export credit institution and policy bank. Since much of its financial operations focus on hedging risk, it must keep its exposure to market risks small while adopting prudent market risk management policies. It carefully evaluates trade content while managing risk.</p> <p>Eximbank recognizes, evaluates, weighs, monitors, and reports any market risk.</p> <p>For each of its financial products, Eximbank must recognize the potential market risks. This serves as the foundation to weigh exposure. Eximbank also must build effective evaluation mechanisms for risk monitoring as part of its day-to-day operations. Monitoring includes having each unit carefully look at every transaction it undertakes while considering overall impact. The transaction's objectives, model, position, and potential effects on income must adhere to authorized limitations.</p> <p>Market risk management is independent, objective, consistent, transparent, comprehensive, and timely.</p>
② Organizational Structure of Market Risk Management	<p>The Board of Directors is the supreme decision-making level of Eximbank's market risk management and undertakes responsibility of market risk. The Department of Risk Management is responsible for managing market risk and passing its findings on to the Board of Directors. Meanwhile, the Department of Finance, which also oversees the Offshore Banking Branch, controls operational risks, emphasizes further monitoring on limits and conducts position management.</p>
③ Scope and Characteristics of the Market Risk Reporting and Evaluation System	<p>Eximbank's market risk system is part of its funding system. It provides real-time control over transaction position amounts. Eximbank also established a daily control mechanism to observe changes in exchange market transaction positions and foreign exchange gains or losses.</p> <p>When a unit undertakes a transaction, it shall report to the supervising authority and ensure that the information is accurate and valid. If limits are surpassed, major market changes occur, or abnormal situations arise, relevant units must provide prompt reports.</p> <p>To effectively manage market risks, Eximbank regularly reports on how it controls market exposures, positions, and amounts to the Board of Directors. The information serves as a reference for policymaking.</p> <p>Based on the regulations of the financial supervisors, Eximbank discloses on its website qualitative and quantitative data associated with its market risks.</p>
④ Market Risk Hedging or Risk Mitigation / Strategies and Procedures of Monitoring Tools for Hedging and Risk Mitigation	<p>To lower market risk, Eximbank has established various transaction limits and stop-loss mechanisms. During working hours, when major events that could affect Eximbank's profits or losses occur in domestic or global financial markets, managers should immediately report to the executive vice president. Immediate responses are then made.</p> <p>Before committing a transaction, related units should be consulted and evaluations should be conducted as a due diligence.</p>
⑤ Method Applied for Legal Capital Requirement	<p>Eximbank has applied the capital requirement for market risk based on the "Standardized Approach" of the Basel III Capital Accord.</p>



## (2) Market Risk-Based Capital Requirement

December 31, 2014

TWD Thousand

Risk	Capital Requirement
Interest Rate Risk	-
Equity Position Risk	-
Foreign Exchange Risk	14,450
Commodity Risk	
Total	14,450



President Shui-Yung Lin led the Eximbank table tennis team in competing at the 33rd financial institutions table tennis championships. (March 2014)

## 4. Liquidity Risk

### (1) Duration Analysis of Assets and Liabilities

#### Term-Structure Analysis of TWD-Denominated Assets and Liabilities

December 31, 2014

TWD Thousand

	Total	Amounts by Time Remaining Before Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days – 1 Year	Over 1 Year
Major Inflows of Matured Funds	53,920,602	2,809,226	5,329,088	4,675,176	2,905,420	8,471,630	29,730,062
Major Outflows of Matured Funds	66,741,593	6,919,520	4,170,469	4,707,469	5,301,220	2,611,791	43,030,764
Gap	-12,820,991	-4,110,290	1,158,259	-32,293	-2,395,800	5,859,839	-13,300,702

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

#### Term Structure Analysis of USD-Denominated Assets and Liabilities

December 31, 2014

USD Thousand

	Total	Amounts by Time Remaining Before Maturity				
		0-30 Days	31 – 90 Days	91–180 Days	181 Days – 1 Year	Over 1 Year
Major Inflows of Matured Funds	1,694,950	261,555	75,528	98,867	165,567	1,093,433
Major Outflows of Matured Funds	1,880,341	982,758	38,890	26,777	59,414	772,502
Gap	-185,391	-721,203	36,638	72,090	106,153	320,931

Note: 1. The table includes assets and liabilities denominated in United States Dollars held in head office, domestic branches, and Offshore Banking Branch.

Note: 2. If overseas capital comprises at least 10 percent of total capital (held in head office, domestic branches, and Offshore Banking Branch), supplementary disclosure is necessary.

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

Eximbank seeks to diversify funding sources and enhance funding stability. It refrains from over-concentrated use of remaining funds and embraces earning assets with liquidity. As for management of liquidity risks, Eximbank not only complies with related requirements of the supervisory authority, but also stipulates liquidity risk management indicators in its internal guidelines. These include limits to liquidity gaps for various periods, strategies to obtain funds in an emergency, and early warning mechanisms, so as to ensure adequate liquidity.





## VII. Head Office and Branches

### Head Office

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### Offshore Banking Branch

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**The Export-Import Bank of the Republic of China**  
**Annual Report 2014**

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