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# The Export-Import Bank of the Republic of China

Annual Report 2016







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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.

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



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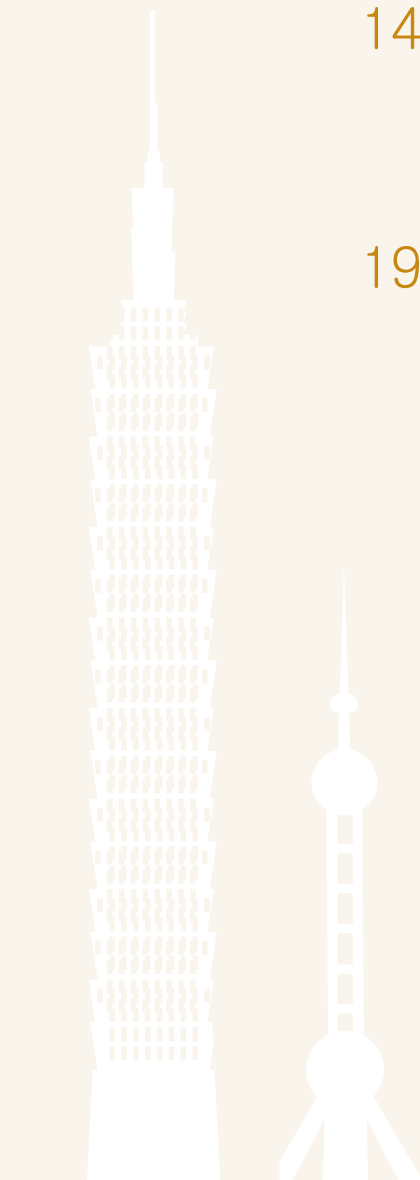
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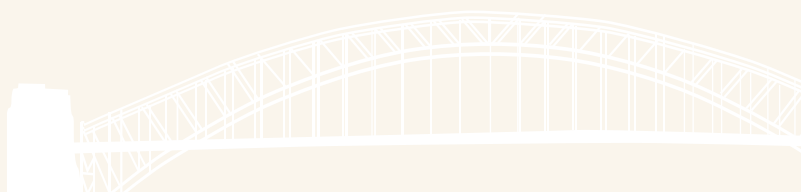
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# I Operating Performance Summary

TWD Million

Year	FY 2016	FY 2015
Total Operating Revenues	2,181	2,052
Total Operating Expenses	1,659	1,566
Net Income Before Tax	522	486
Profits per Employee Before Tax	2.49	2.27
Loans Outstanding (Average)	100,220	96,583
Guarantees Undertaken	18,808	16,287
Insured Amount of Export Credit Insurance	115,211	110,152
	(December 31, 2016)	(December 31, 2015)
Total Assets	111,540	108,512
Net Equity	24,296	20,330
Capital Adequacy Ratio (%)	31.96	25.55

\*The final accounts of FY 2016 are subject to audit.

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



## II Business Report

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 “The Export-Import Bank of the Republic of China Act”. Eximbank's business vision is “to strengthen trade finance and assist external trade”, and its major task is to implement Government economic, trade and finance policies. It provides financial and export credit insurance services to assist local firms in expanding external trade in order to increase domestic employment and maintain domestic economic growth. Eximbank offers a variety of medium and long-term financing and guarantee services to assist the local firms expand exports of capital goods, undertake overseas construction projects, import precision machinery equipment and essential industrial raw materials, and introduce foreign technology into Taiwan, etc., aiming to enhance export competitiveness and promote industrial upgrading for the firms. On the other hand, Eximbank assists our local enterprises expand export market by providing various export credit insurance to protect local exporters and investors against political and credit risks when conducting export trade or overseas investment.

### 2. Key Operation Strategies and Achievements

Eximbank's average loans outstanding in 2016 was TWD100,220 million, an increase of 3.77% compared to 2015, and guarantees totaled TWD18,808 million, an increase of 15.48% compared to 2015. The export credit insurance underwritten by Eximbank was TWD115,211 million, a year-on-year growth rate of 4.59% from 2015. A summary of key operation strategies and achievements for 2016 is as follows:

#### **(1) Integrate the Government resources; actively cooperate with the New Southbound Policy to provide manufacturers all-round financial support services**

The New Southbound Policy is an important part of the foreign economic and trade strategy of Taiwan. Eximbank is committed to building sound financing, guarantee and export credit insurance mechanisms; meanwhile integrating the National Development Fund of the Executive Yuan, the SME Development Fund of the Ministry of Economic Affairs, and the Trade



Promotion Fund of the Bureau of Foreign Trade to jointly provide manufacturers with all types of loans, guarantees and export credit insurance with preferential terms to enable the highest quality of financial and hedge services to assist manufacturers expand export to the ASEAN, South Asia, Australia, and New Zealand markets. As of the end of December 2016, Eximbank's New Southbound Policy business operations were: Loans TWD17.14 billion, Guarantees TWD1.25 billion, and Export Credit Insurance TWD19.16 billion, for a total of TWD37.55 billion. According to the key performance indicators set by the "New Southbound Policy Action Plan" of the Executive Yuan, Eximbank's achievement were loans 135.35%, guarantees 124.70%, export credit insurance 100.83%, and Syndicated Loan Platform 126.47%. The performance was excellent.

## **(2) In line with “Five plus Two Innovative Industry Plan” to strongly provide manufacturers with financial support**

In order to create "Digital Country, Innovative Economy", the Executive Yuan has been actively promoting the "Five-plus-Two Innovative Industry Plan". The "Five-plus-Two" Industries include the five innovative industries of Asia Silicon Valley, Biotechnology, Green Energy, Intelligent Machinery and Defense Aerospace, plus New Agriculture and Circular Economy. Eximbank has stepped up the Five-plus-Two Innovative Industry Plan by providing manufacturers with needed financing or guarantees and other financial support to enhance international competitiveness and expand overseas markets. Eximbank has been committed to the Financial Supervisory Commission's "Strengthening of Domestic Banks' Promotions on the Key Innovative Industries Program", and its credit balance of the innovative industries was TWD64.982 billion as of December 31, 2016.



Chairman of the Board of Directors  
Shui-Yung Lin

### **(3) Gradually increase capital to expand business volume, to assist manufacturers improving competitiveness, and bring about industrial upgrading**

From 2016 up to 2018, the Ministry of Finance will increase capital for a total of TWD20 billion to expand Eximbank's operational basis. After the capital increase is completed, each single customer's unsecured credit limit will be increased to 1.6 billion, which will amplify Eximbank's ability to inject capital to the customer, to undertake financing projects of larger scale, and to enable Eximbank's functions of providing manufacturers with financial support for export expansion. In addition, to cope with the adjustment of Taiwan's industrial structure, Eximbank will strengthen its medium and long-term loans and guarantees to assist manufacturers improving their industrial competitiveness and further driving the industrial upgrading.

### **(4) Establish the Syndicated Loan Platform, and allocate funds from the Trade Promotion Fund to invest in the "Strengthening Trade Finance Loan Program" to assist exporters expanding overseas markets**

1. In order to stimulate the export of system integration, turnkey project, and Engineering Industry of Taiwan, Eximbank coordinated with the government policy of "Syndicated Loan Platform for System integration, Turnkey Project and Engineering Industry Exports". As of December 31, 2016, there were 78 projects developed by Eximbank, 2 projects referred by the economic trade unit, with a total loan amount of TWD5.616 billion, which helped the exports by manufacturers of Taiwan.
2. To extend the assistance to manufacturers, Eximbank has applied fund under the "Strengthening Trade Finance Loan Program"

from the Ministry of Economic Affairs. Contract was signed in August 2015 with the implementation period from January 1, 2016 to December 31, 2020. The Trade Promotion Fund of the Ministry of Economic Affairs provides TWD6 billion for Eximbank to manage various types of preferential export loans. In 2016, 67 loans were approved, 67 manufacturers serviced and total amount of loan approved was TWD4.735 billion, the export value estimated to grow by TWD14.205 billion.

### **(5) Focus on key export expansion markets chosen by Ministry of Economic Affairs, continuously support the exporters with needed financial services**

In line with the government policy, Eximbank continues to focus on key export expansion markets of 2016 chosen by Ministry of Economic Affairs, including the United States, Turkey, Vietnam, China, Indonesia, India, Germany, South Africa, Mexico and the United Arab Emirates, as well as 18 targeted countries in the New Southbound Policy, including India, Indonesia, Vietnam, Thailand, Malaysia, Philippines, Pakistan, Myanmar, Cambodia, Laos, Sri Lanka, Bangladesh, Nepal, Bhutan, Singapore, Brunei, Australia and New Zealand, to provide comprehensive export financing and insurance mechanism to support the needed financial services for the exporters in order to strengthen manufacturers' export competitiveness. In 2016, the export insurance amount of Eximbank was TWD44.985 billion, representing a decrease of TWD1.927 billion compared to 2015. Eximbank approved export credit to key export expansion market countries with total amount of TWD19.419 billion, representing an increase of TWD7.525 billion, or 63.27% over 2015, which effectively assist manufacturers of Taiwan to expand the export market.





President  
Pei-Jean Liu

#### **(6) Establish relending facilities globally to enhance export competitiveness**

In line with government policies, Eximbank established relending relations with global reputable banks by granting credit line to domestic and foreign financial institutions for them to provide loans to importers for the purchase of products from Taiwan, to assist domestic manufacturers in expanding the export markets. Through this relending model, the competitiveness of Taiwan's products in the international market can be strengthened and further contributed to the transaction. As of the end of 2016, Eximbank has established relending facilities in 22 emerging market countries of Chile, Colombia, Dominican Republic, El Salvador, Honduras, Nicaragua, Paraguay, Peru, Armenia, Belarus, Bulgaria, Czech Republic, Russia, Turkey, Israel, Cambodia, India, Indonesia, Mongolia, Philippines, Thailand, Vietnam and the United States, with the cooperative banks covering the America, Europe, Asia, the Middle East, and other regions for a total of 67 financial institutions, total relending amount granted was USD715 million. In the future, Eximbank will continue to meet the requirements of the government economic policy and the market demand, and establish relending relationship focusing on the key export expansion markets to assist manufacturers' export.

#### **(7) In line with the government economic and trade policies, to assist manufacturers winning orders to expand emerging markets**

Eximbank has been actively executing guidelines set by the Ministry of Economic Affairs and exploiting its niche policies of export financing, relending, export credit insurance and so on, to assist manufacturers moving forward to the emerging markets. The approved amount of such policy export loan and loan to emerging markets accounted for 56.63% of Eximbank's total approved amount of export loans in 2016; and insurance

underwritten in line with government economic and trade policies and for emerging markets accounted for 52.03% of its total export credit insurance. Eximbank's business expansion to Southeast Asia, Central and South America, East Europe, South Asia and other emerging markets, including Brazil, Colombia, Turkey, India, Bangladesh, Sri Lanka, Singapore, Indonesia, Malaysia, Thailand, the Czech Republic and other countries, successfully assists exporters to win the orders, to expand sales to the emerging markets, and to diversify risks.

#### **(8) Strengthen the services to the small and medium enterprises; assist them to expand overseas markets**

Currently, about 85% of existing customers of Eximbank's export credit insurance are small and medium enterprises, the insurance underwriting in 2016 increased by 7.23% over the same period in 2015. In order to strengthen the services to the small and medium enterprises, the "SME Export Insurance Service Window" was set up, and Eximbank has cooperated with more than 30 international credit research companies to commission credit investigation of the buyers for manufacturers, and the credit investigation report has been analyzed by the professional underwriters in order to avoid the possibility of credit risk in international trade.

Furthermore, by utilizing funds provided by "SME Development Fund", Eximbank actively financed the small and medium enterprises to assist them winning orders and expand export markets. At the end of 2016, the average balance of loans to small and medium enterprises reached TWD7.4 billion.

#### **(9) Strengthen the cooperation with domestic economic and trade organizations to promote export trade**

In order to assist domestic manufacturers and

enterprises to expand their export and enhance the cooperation with economic and trade organizations, Eximbank renewed the "Cooperation Agreement" with Taiwan External Trade Development Council (TAITRA) in 2016 to jointly manage the business expansion activities such as joint forums; to dispatch personnel to the important exhibition held by the TAITRA for introducing Eximbank's relevant business; to strengthen the mutual business exchange and cooperation, as well as set up the corresponding window to exchange business information in order to provide updated trade and financial information to manufacturers in no time. By means of signing this agreement and implementing various cooperation projects, both parties may provide manufacturers with relevant information to assist expanding their overseas markets, enhance their export competitiveness, gain greater business opportunities, and speed up the economic development of Taiwan.

#### **(10) Actively participate in international organizations to assist domestic manufacturers expand global market**

Vigorously participating in international organizations, Eximbank is now a member of the Berne Union, the leading international association for export credit insurance. In May and October of 2016 respectively, Eximbank participated the Berne Union's Spring Meeting in Poland and Fall Annual Meeting in Portugal to exchange relevant information and practical experience with other members to facilitate the exchange and learning between Eximbank and foreign counterparts, and effectively enhance the international visibility of Taiwan.

Up until the end of 2016, Eximbank has signed Cooperation Agreements with the official export credit agencies of countries in the world including Poland, Czech Republic, Hungary, Japan, Slovakia, Turkey, Thailand, Indonesia, Malaysia, Belarus,



South Korea, Israel, China, Sweden, Sri Lanka, Hong Kong, India and Finland, expecting to assist domestic exporters in expanding global market.

### **(11) Properly use the reinsurance arrangements to strengthen Eximbank's export insurance underwriting capability**

Based on the needs of expanding the underwriting performance and improving the operational foundation of export credit insurance, Eximbank has renewed a reinsurance contract with the Central Reinsurance Corporation in 2016 with favorable terms and conditions to properly transfer the underwriting risks to the reinsurance company in order to strengthen Eximbank's underwriting capability and enable the continuous growth of export credit insurance business. Furthermore, Eximbank also conduct the reinsurance cooperation actively by signing reinsurance contracts with the Japan Trade Insurance Agency (NEXI), the Indonesian Export Insurance Agency (ASEI), and the Swedish Export Credit Guarantee Commission (EKN).

### **(12) Cooperate with domestic commercial banks to promote export insurance**

By the end of 2016, Eximbank has signed Co-promotion Agreements on export credit insurance with a total of 29 banks, including eight government-owned banks, one foreign bank and 20 private commercial banks, to expand Eximbank's services across Taiwan for the purpose of leveraging the comprehensive marketing channel of domestic commercial banks and foreign banks in Taiwan to promote government incentives, assist their customers to avoid the risk of uncollectable account receivables, and indirectly protect the financing credit of the financial banks or the negotiating banks.

### **(13) Actively participate in international syndicated loans to expand business tentacles and enhance international financial cooperation**

By closely paying attention to the international economic and financial developments, continuously tracking market opportunities, and actively participating in international syndicated loan briefing session, Eximbank grasp the opportunities to participate in the high quality international syndicated loan project to expand offshore financial business, and strengthen business ties with international financial institutions to enhance business outreach, ascend international visibility of Eximbank, and fully implemented its policy-oriented function.

As of the end of 2016, the balance of Eximbank's participation in international syndicated loans was approximately USD312 million, equivalent to TWD10.049 billion. Borrowers include 32 financial institutions in 15 countries and international organizations, across Asia, Central and South America, Africa, Europe, and the Middle East region. In 2016, Eximbank assisted a total of 19 financial institutions in 10 countries, including Vietnam, Indonesia, South Africa, Turkey, Panama, Qatar, India, Costa Rica, Malaysia, Philippines, and multinational financial organizations of Bladex, Africa Finance Corp. and gained USD160 million working capital , which contributed the annual revenue for Eximbank.

Eximbank has cautiously participated in international syndicated loans by selecting reputable borrowers to balance risk and revenue of the loan, which helps Eximbank quickly entering the international financial market to enhance the international visibility, and further developed mutual cooperation opportunities on other businesses with financial peers. Over the years, through participation in international syndicated loans, Eximbank has successfully developed Relending Facilities with banks of good reputation in the

emerging markets in Southeast Asia, Eastern Europe and Central and South America to assist manufacturers expanding to the emerging markets.

#### (14) Revise regulations, streamline work processes, and improve service performance

1. In order to meet changes in the current financial environment and external laws and regulations, Eximbank revised the "Directions Governing the Short-term Export Loans and Guarantees" and "Directions Governing the Review and Management of Collaterals" in 2016.
2. In order to promote government policy of "Syndicated Loan Platform for System Integration, Turnkey Project and Engineering Industry Exports" for industrial upgrading,

and to cope with the adjustment of Taiwan's industrial structure, also in response to the needs of current operation of overseas construction projects, and requirement for expanding the scope of such business, Eximbank revised "Directions Governing the Financing and Guarantees for Overseas Construction Project" to assist the domestic firms in expanding overseas construction project market.

3. In order to meet the actual requirements of business and the practice of syndicated loan and guarantee projects, Eximbank revised "Directions Governing the Financing and Guarantees of Overseas Investment" to assist the domestic firms in conducting overseas investment and expanding the trade to overseas markets.



Minister of Finance Yu-Jer Sheu awarded financial institutions for Excellence in Export Insurance Referral Services in 2016. (Photo taken in February 2017)



4. To enable a more objective standard of identifying the core customers and customers strived after, Eximbank revised "Precautionary of Enterprises Loan Pricing".
5. In response to the current export trade and economic circumstances, Eximbank has extended the provision of short-term loans and guarantees for export supply chain manufacturers to meet their requirements for working capital, and has amended the "Directions Governing Short-term Export Loans and Guarantees", and "Precautionary of Key Points in Managing Short-term Export Loans and Guarantees"

#### **(15) Strengthen the national, financial and industrial risk management**

In view of the ever-changing international economic and trade situation, Eximbank has strengthened its assessment and monitoring of country's risks and financial risks of business

dealings, and submits the monitoring reports to executives, in particular on the changes of risks in the higher risk areas and countries. In terms of industry and enterprise risks, in addition to the continuous monitoring of the changes in risks of the DRAM, Panel, LED and Solar Energy industries, Eximbank also works with the government's promotion of New Southbound Policy to assist manufacturers in expanding the ASEAN, South Asia, Australia, and New Zealand markets, and strengthen the study and analysis on the industries related to Taiwan in aforementioned areas to grasp the industrial development trends so as to diversify the credit risk.

In order to enhance the effectiveness of risk control, Eximbank has established a function of "instant notification of significant information" in order for Taiwanese buyers (listed, OTC and public offering companies) to grasp the customer risk dynamics of loan, guarantee and export credit insurance businesses.



Eximbank's Chair of the Board handover Ceremony, supervised and presided over by Political Deputy Minister Jain-Rong Su. (Photo taken in September 2016)

### (16) Actively Training Finance Professionals to Enhance Expertise

Eximbank established an annual training program for employees and carried it out in order to actively train financial professionals and strengthen their financial expertise. Employees were sent to attend meetings hosted by professional financial research training organizations, and Eximbank frequently gave theme-based training courses with recruited scholars and experts as professors. In 2016, Eximbank hosted 28 specialized and regulatory topic speeches along with 18 report-based seminars totaling 1,477 trainees. It actively enhanced bank employees' professional knowledge to meet business development needs.

## 3. Credit Rating

(1) In order to increase the funding source and save the funding cost, Eximbank

commissioned the Standard & Poor's Financial Services LLC. and Taiwan Rating Corp. for credit rating and received their confirmed rating results as the highest IDR Rating among all banks in Taiwan. Eximbank, as the only state-owned specialized bank of export and import credit, plays a key role on public policy and has an indispensable association with the government, it was given the IDR rating aligned with Taiwan's sovereign rating.

- (2) Standard & Poor's Financial Services LLC. announced its ratings for Eximbank on January 3, 2017:  
Long-term rating was AA- ; outlook Stable  
Short-term rating was A-1 +  
Taiwan Ratings Corp. announced its rating for the Eximbank's on January 3, 2017:  
National long-term rating was twAAA;  
outlook Stable  
National short-term rating was twA-1+



Eximbank's President Pei-Jean Liu in President Appointment Oath-taking Ceremony, presided over by Chairman Shui-Yung Lin. (Photo taken in October 2016)





## 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 specialized export and import financial institution supervised by the Ministry of Finance and administrated by the Financial Supervisory Commission with the mission of "Promoting export and import trade and developing the economy", and the business 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 insurance to help enterprises expand external trade and overseas investments and increase international cooperation to maintain the steady and continuous development of Taiwan's economy.

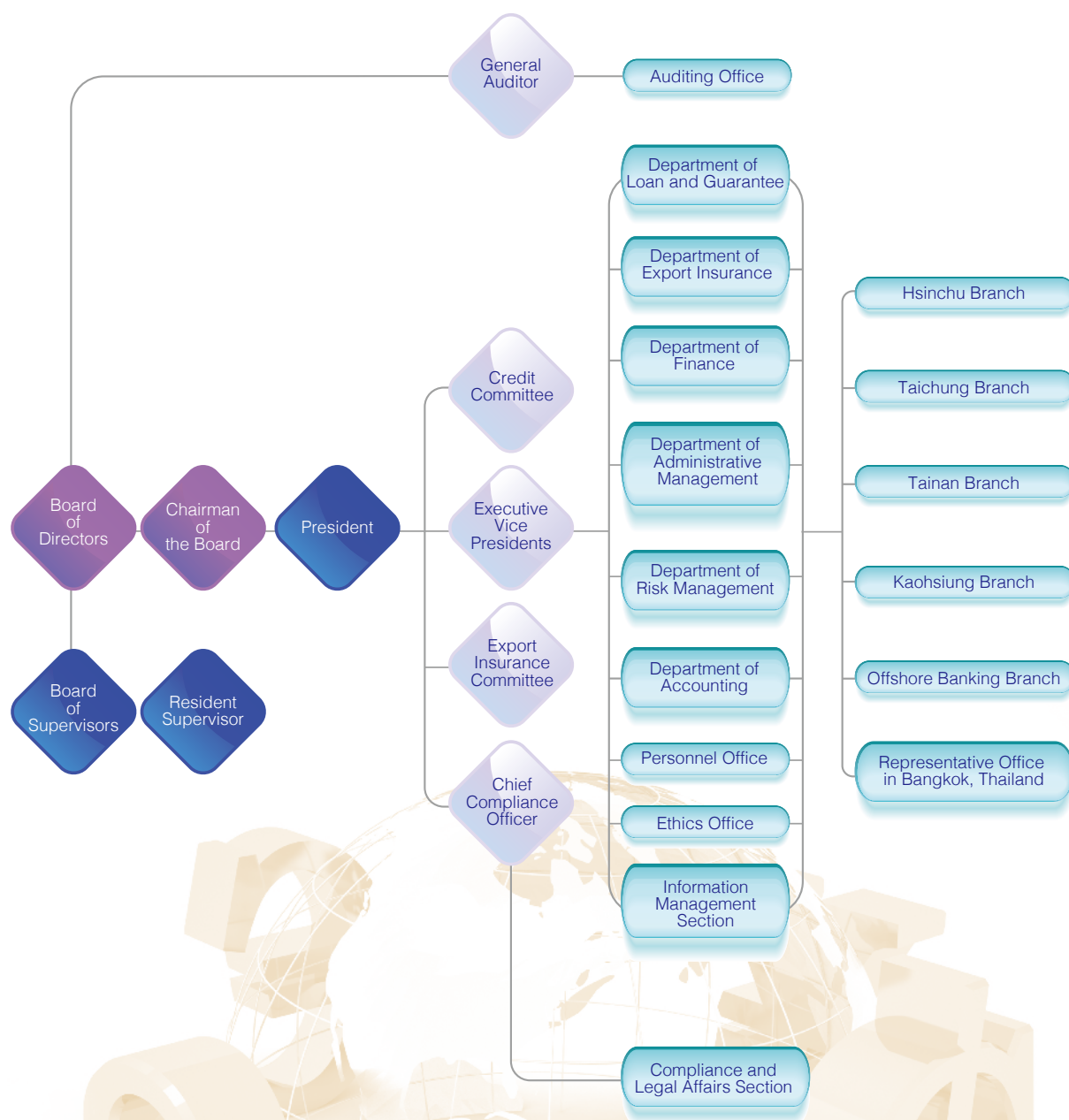
To assist exporters, Eximbank provides export financing facilities and export credit insurance. For better services, Eximbank has established four domestic branches in Kaohsiung, Taichung, Hsinchu and Tainan, as well as an Offshore Banking Branch, and a representative office in Bangkok, Thailand.



Eximbank visited HIWIN Technologies Corp. (Photo taken in July 2016)

## 2. Organization

### (1) Organization Chart



## (2) Board of Directors and Supervisors



Shui-Yung Lin

Chairman of the Board of Directors



Pei-Jean Liu

Managing Director



Tzu-Hsin Wu

Managing Director



Hui-Huang Yen

Director



Zhen-Ni Yang

Director



Yu-Chyng Wang

Director



Shang-Hsi Liao

Director



Hsiu-Ming Lin

Resident Supervisor



Hui-Mei Chen

Supervisor



Jen-Hsiu Lu

Supervisor



Board of Directors		Board of Supervisors	
Shui-Yung Lin	Chairman of the Board of Directors	Hsiu-Ming Lin	Resident Supervisor
Pei-Jean Liu	Managing Director	Hui-Mei Chen	Supervisor
Tzu-Hsin Wu	Managing Director	Jen-Hsiu Lu	Supervisor
Hui-Huang Yen	Director		
Zhen-Ni Yang	Director		
Yu-Chyng Wang	Director		
Shang-Hsi Liao	Director		

### (3) Principal Managers and General Auditor

Name	Job Title
Pei-Jean Liu	President
Cheng-Tsung Liao	Executive Vice President
Chin-Huo Tsai	Executive Vice President
Hsiu-Chuan Ko	General Auditor
Chien-Cheng Day	Chief Compliance Officer
Chao-Ming Chen	Advisor
Jin- Shong Yang	(Senior Vice President and)General Manager, Department of Loan and Guarantee
Fu-Hua Hsieh	(Senior Vice President and)General Manager, Department of Export Insurance
Chung-Yu Wang	(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
Ming-Hsing Yeh	(Senior Vice President and)General Manager, Department of Risk Management
Yu-Huai Wang	(Senior Vice President and)General Manager, Department of Accounting
Lan-Chun Luh	(Vice President and)Chief Personnel Officer
Wen-Chuan Nieh	(Vice President and)Acting Chief Ethics Officer



Chief Compliance  
Officer  
Chien-Cheng Day

Executive  
Vice President  
Chin-Huo Tsai

General Auditor  
Hsiu-Chuan Ko

Chairman of the  
Board of Directors  
Shui-Yung Lin

Executive  
Vice President  
Cheng-Tsung Liao

President  
Pei-Jean Liu

## IV Operations Overview

### 1. Business Overview

Below is an overview of Eximbank's loans, guarantees, and export credit insurance business in 2016:

#### (1) Loans

Eximbank's loans include "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", "Ship

Building Credits", "International Syndicated Loans", "Relending Facilities", "Major Public Construction Credits", etc.

Eximbank's loan portfolio mainly consists of medium and long-term loans. In 2016, the average balance of these loans totaled TWD83,394 million, accounting for 83.21% of total loans.

#### (2) Guarantees

Eximbank's guarantee services include "Overseas Construction Guarantees", "Import



Eximbank held "New Southbound GO! Financial Assistance - Key to Leaping Southbound" Forum. (Photo taken in March 2017)



Guarantees", "Export Guarantees", "Domestic Major Public Construction Guarantees", etc.

Eximbank's guarantees (based on the proportion of undertaking amount) in 2016 were "Domestic Major Public Construction Guarantees" accounted for 48.86%, "Import Guarantees" accounted for 39.57%, "Overseas Construction Guarantees" accounted for 9.07%, "Export Guarantees" accounted for 2.43% and other Guarantees accounted for 0.07%.

### (3) Export Credit Insurance

Eximbank's export credit insurance services includes "Comprehensive Export Credit Insurance for D/P and D/A Transactions", "Comprehensive Export Credit Insurance for Open Account Transactions", "Export Credit Insurance for Small and Medium Enterprise", "L/C Credit Insurance", "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".

The total insured amount of export credit insurance was TWD115,211 million in 2016, an increase of 4.59% compared to 2015.

## 2. Market Overview

### (1) Domestic and Global Financial Conditions

The global economic activity remained sluggish in 2016. The growth of emerging markets and developing economies that accounted for more than 70% of the global economic growth continued to remain low. The economic activities in the major oil-exporting nations slowed down dramatically because of the low oil prices, while there is only a



Eximbank's Chairman Shui-Yung Lin and Kingdom of Swaziland King Mswati III attended the Dinner Banquet after the Inauguration of President Ing-Wen Tsai. (Photo taken in May 2016)

modest recovery in developed countries, and the global economic growth rate fell from 3.2% to 3.1% in 2016. With the recovery of developed countries in the latter half of year better than expected, coupled with the new infrastructural construction programs to be rolled by the US new government, the International Monetary Fund (IMF) forecasts the global economic growth rate at 3.4 % in 2017.

The recovery of the US economy and labor markets accelerated in the second half of 2016, the international oil prices rebounded as OPEC reached a production cut agreement, and the campaign platform of President Trump announced the fiscal easing policy to accelerate economic expansion. Economic recovery progressed slowly in the EU area with continuous improvement in unemployment rate, inflation also reached the standard due to rising energy price, however, low interest rates and depreciation of the Euro did not facilitate sustainable investment growth, and the overall inflation has not yet reached stable range. Japan's economic recovered in 2016, private sector consumption grew slowly, but the inflation continued to slump, exports recovered due to the gradual depreciation of the JPY, the Abe government also proposed large-scale fiscal expenditure program, economic recovery is expected to continue. The overall growth prospect of the emerging market economies is still weak; the financial condition may be affected by the stronger USD. China's economic growth slowed, but China may launch a certain fiscal stimulus support in the future, the economic growth is relatively stable.

Looking to the future, the IMF pointed out that the global economic outlook will be affected by the spillover effects of the new US government's shift toward fiscal stimulus policy direction, and the overall economy is still trending toward moderately recovering. The main risks include : global trade may turn to closed economy policy and protectionism; the level of global financial condition tightening may be more than expected, and may affect part of the euro area and emerging market

economies; more intensified geopolitical tensions; and a slowdown in China's economic growth.

In terms of monetary policy, the US Federal Reserve (Fed) announced a raise in the benchmark fed funds rate by 25-basis-point to the range of 0.50% to 0.75% on December 14, 2016 and raised another 25-basis-point to the range of 0.75% to 1.00% on March 15, 2017, and announced that it will gradually raise the interest rate. Unlike the US position of gradual tightening, the EU area continues a easing monetary policy to boost the economy because the economy has only moderately recovered, as well as being affected by the uncertainty of the European politics. The European Central Bank (ECB) announced on December 8, 2016 to maintain the interest rate on deposit facilities at negative 0.4%, the monthly 80 billion euro asset purchase program schedule ends in March 2017 and changes to 60 billion euro starting April 2017 until December 2017. The Bank of Japan (BOJ) substantially changed the monetary policy framework to control the yield curve quantitative qualitative easing measures on September 21, 2016 maintaining the quantitative qualitative easing (QQE) policy unchanged, the focus of policy is changed to control yield curve of the long and short-term bond yields differential, giving up the target of annual currency base expansion and assessing that the economy recovery will accelerate.

The global trade continued to be affected by weak global demand and a drop in commodity prices. The rise in protectionism affects the volume of world trade. The IMF estimated world trade (merchandise plus services) growth rate was 1.9% in 2016, lower than the rate of 2.7% in 2015 and also lower than the global economic growth rate of 3.1% in 2016.

Taiwan's annual economic growth was still slow in 2016, and continued to be impacted by weak export momentum and the China's supply chain. Fortunately, due to the increasing demand for

semiconductors in the second half of 2016, the rebound in global commodity prices and the low base-effect, the annual growth rate of exports increased quarter by quarter. During 2016, the rate of decline on exports was 1.8%, which significantly improved from the 10.9% decrease in 2015. Because of the better performance in private consumption, fixed investment and government consumption compared to 2015, the Directorate-General of Budget, Accounting and Statistics initially estimated annual economic growth rate of our country for 2016 was 1.50%, higher than the growth rate of 0.72% in 2015. In 2016, the annual average increase in the Consumer Price Index (CPI) was 1.4% and in the Core CPI was 0.84%, the overall price trend was stable. The average annual unemployment rate was 3.92%, increased by 0.14 percentage points from that of the previous year.

## (2) Credit Market Overview

The global economic recovery was weak in 2016, mainly due to the performance of the US, Japan and European countries not being as expected, the slowdown of emerging market, coupled with the uncertainty of British Exit that impacted the financial market and global trade. With the global economy trapped in low growth, the global economic growth rate dropped to 2.4% in 2016, which was the lowest point in the past seven years. In terms of the domestic economic, there was no noticeable improvement in the first half of 2016, however, stimulated by the needs of intelligent product, exports increased and gradually drove domestic manufacturer's investment plans in the second half of the year. According to the statistics published by the Dept. of Statistics, Ministry of Economic Affairs, the domestic growth rate of 2016 was 1.50%, with an increase of 0.72% over the growth rate of 2015.

In order to assist boosting the domestic economy, the Eximbank promotes the "Strengthening Trade Financing Program" in 2016, and works in coordination with the government's domestic public construction plan, to strengthen the export financing, overseas construction financing, major construction financing, medium and long term import financing, overseas investment financing, international enterprise financing and other credit business so that the financing and guarantees business in 2016 were increased by 3.77% and 15.48% of the previous year.

## (3) Export Credit Insurance Market Overview

According to the Custom's import export statistics, Taiwan's external trade reached USD511.3 billion for the entire year of 2016 with a USD50 billion trade surplus. In terms of export markets, Asia remained the main export market of Taiwan, and was also the largest area of Eximbank's Export Credit Insurance, accounted for 47.60% of total insured amount, an increase of 4.99% compared to 2015. In terms of industries, electronic products were the primary export goods of Taiwan, and computer communication and audio video electronic products was the largest of Eximbank's export credit insurance business accounted for 40.23% of total export value, and with a growth of 9.19% compared to the previous year. It reveals that the Eximbank's export credit insurance business is in line with the government policy and the export trade development trend of Taiwan, by providing enterprises financial instruments to mitigate trade credit risks and enhance exports capability, and assist manufacturers in expanding the emerging markets to achieve the Eximbank's strategic objectives of cultivating Taiwan while reaching out to the world as well as diversifying export market risks.



### 3. Social Responsibility

#### (1) Strive for energy conservation and carbon reduction, Strengthen environmental awareness

In line with the government's promotion of "energy conservation and carbon reduction", "energy conservation and paper reduction", "green procurement" and other policies, Eximbank established "Four Savings (Saving Electricity, Saving Gasoline, Saving Water and Saving Paper) Project", saving the expenses of water, electricity, gasoline and paper for Eximbank, and improving the relevant equipment, as it advocates the efforts of savings by colleagues. The annual execution results of the "Four Saving Project" compared with 2015, the electricity and water usage were increased by 0.76% and 4.05%. The increase in 2016 was due to the execution of the government's

various strengthening trade programs with existing man power to strive for business. The increase of work hours caused the consumption of water and electricity increase slightly. The use of gasoline reduced by 16.26% and the use of paper reduced by 40% compared to the base period of 2009. In addition, Eximbank actively works in coordination with the government's green procurement promotion plan to achieve the annual objectives of 90% green procurement on the designated items; conduct office trash classification and resources recycle, and use office equipment only with Environmental Protection Mark to build a society of resources sustainability; participate in green electricity procurement to respond to the government's promotion of "Green Energy Policy", to support the development of renewable energy with actual actions, and contribute to the reduction and improvement of global warming.



## **(2) Actively conduct public welfare activities, enhance the image of the Eximbank, and fulfill our social responsibility**

In order to implement caring for society, Eximbank supports the social welfare by purchasing products as corporate gifts from the sheltered workshop of the Taiwan Foundation for the Blind in 2016, sponsoring the painting exhibition of the Eden Social Welfare Foundation, co-sponsoring the public welfare road running activity for the Genesis Social Welfare Foundation, etc., to implement the care and assistance for vulnerable groups. To intensify the environmental protection awareness, Eximbank also sponsored the Zhang Shan Temple clean mountain public welfare trail, agricultural experimental farm ecological experience and other activities, to increase the understanding of environmental issues, and further initiate focus on environmental quality for guarding the significance of a beautiful home to strengthen the corporate image.

## **4. Prospects**

Eximbank will continuously respond to the trends of financial environment and the development of domestic industrial structure by duly reviewing and revising the business rules and developing new types of businesses in order to improve service quality and expand service level. Eximbank will use the Executive Yuan's National Development Fund to strengthen the applications for overseas investment loans, export credit for machinery and equipment, and export credit for green energy and industry equipment, as well as working in coordination with the Government's boosting economy program. Eximbank actively implements "Strengthening Trade Financing Program" and promotes businesses related to the "New Southbound Policy", and expands Eximbank's relending facilities, to provide loan incentives to attract buyers to purchase goods from Taiwan. Eximbank also cooperates with the Bureau of Foreign Trade to execute the project of "Preparation Plan to Strengthen Export Credit Insurance" to extensively offer preferential export credit insurance to assist the industries in expanding the global market sales, promoting export trade and creating domestic employment opportunities.



# V

# Financial Statements

## V

## 1. Balance Sheets

TWD Thousand

Item	Notes	December 31, 2016		December 31, 2015	
		Amount	%	Amount	%
<b>Assets</b>					
Cash and Cash Equivalents	Note 5 (1)	231,687	0.21	225,818	0.21
Due from the Central Bank and Call Loans to Other Banks	Note 5 (2)	245,647	0.22	1,099	0.00
Financial Assets at Fair Value through Profit or Loss	Note 5 (3)	41,006	0.04	62,347	0.06
Receivables – Net	Note 5 (4)	479,343	0.43		
Current Period Income Tax Assets		4,344	0.00	4,344	0.00
Loans and Discounts – Net	Note 5 (5)	102,020,075	91.47	99,006,040	91.24
Held-to-Maturity Financial Assets – Net		7,600,000	6.81	7,900,000	7.28
Other Financial Assets – Net	Note 5 (6)	228,342	0.21	257,158	0.24
Property and Equipment – Net	Note 5 (7)	535,835	0.48	533,159	0.49
Intangible Assets–Net	Note 5 (8)	38,900	0.03	34,017	0.03
Deferred Income Tax Assets – Net		79,478	0.07	78,654	0.07
Other Assets – Net	Note 5 (9)	35,174	0.03	35,952	0.03
<b>Total Assets</b>		<b>111,539,831</b>	<b>100.00</b>	<b>108,512,007</b>	<b>100.00</b>
<b>Liabilities</b>					
Due to the Central Bank and Other Banks		30,099,269	26.99	35,517,320	32.73



Item	Notes	December 31, 2016		December 31, 2015	
		Amount	%	Amount	%
Borrowed Funds from the Central Bank and Other Banks	Note 5 (10)	18,787,940	16.84	18,577,471	17.12
Financial Liabilities at Fair Value through Profit or Loss	Note 5 (11)	3,701,553	3.32	8,004,231	7.38
Payables	Note 5 (12)	330,391	0.30	262,049	0.24
Current Period Income Tax Liabilities		37,738	0.03		
Financial Debentures Payable	Note 5 (13)	13,997,031	12.55	5,999,868	5.53
Other Financial Liabilities	Note 5 (14)	17,995,346	16.13	17,656,965	16.27
Provisions	Note 5 (15)	843,523	0.76	829,654	0.76
Deferred Income Tax Liabilities		48,086	0.04	51,489	0.05
Other Liabilities	Note 5 (16)	1,402,507	1.26	1,282,500	1.18
<b>Total Liabilities</b>		<b>87,243,384</b>	<b>78.22</b>	<b>88,181,547</b>	<b>81.26</b>
<b>Equity</b>					
Capital		22,000,000	19.73	12,000,000	11.06
Retained Earnings					
Legal Reserve		560,673	0.50	6,567,175	6.05
Special Reserve		1,364,840	1.22	1,255,973	1.16
Other Equity		370,934	0.33	507,312	0.47
<b>Total Equity</b>		<b>24,296,447</b>	<b>21.78</b>	<b>20,330,460</b>	<b>18.74</b>
<b>Total Liabilities and Equity</b>		<b>111,539,831</b>	<b>100.00</b>	<b>108,512,007</b>	<b>100.00</b>

Note: Figures for 2016 are subject to audit; Figures for 2015 have been recognized by the Ministry of Audit, R.O.C.



## 2. Statements of Comprehensive Income

TWD Thousand

Item	Notes	January 1, 2016 - December 31, 2016		January 1, 2015 - December 31, 2015		Percentage Change (%)
		Amount	%	Amount	%	
Interest Revenue		1,667,191	119.61	1,521,252	112.96	9.59
Minus: Interest Expenses		410,608	29.46	280,741	20.85	46.26
Net Interest Income		1,256,583	90.15	1,240,511	92.11	1.30
Non-Interest Income						
Net Fees and Commissions		41,052	2.95	34,770	2.58	18.07
Gains (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss		-32,136	-2.31	-54,668	-4.06	41.22
Foreign Exchange Gains (Losses)		-5,048	-0.36	5,771	0.43	-187.47
Net Export Credit Insurance Income		181,445	13.02	178,059	13.22	1.90
Other Non-Interest Income		-48,072	-3.45	-57,738	-4.29	16.74
Net Operating Income		1,393,824	100.00	1,346,705	100.00	3.50
Bad Debt Expense and Provision of Reserves for Guaranteed Liability		365,384	26.21	354,434	26.32	3.09
Operating Expenses						
Employee Benefits Expenses		330,836	23.74	353,323	24.90	-1.34
Depreciation and Amortization		26,767	1.92	24,961	1.85	7.24
Other Business and Administrative Expenses		148,645	10.66	145,854	10.83	1.91
Net Income (Loss) Before Tax		522,192	37.47	486,133	36.10	7.42
Income Tax (Expense)		-38,446	-2.76	-36,914	-2.74	-4.15
Net Income (Loss)		483,746	34.71	449,219	33.36	7.69
Other Comprehensive Income						
Items not to be Reclassified into Profit or Loss:						
Re-measurements of the Defined Benefit Plans		956	0.07	-2,277	-0.17	141.99
Income Tax Related to Items not to be Reclassified		-163	-0.01	387	0.03	-142.12
Items that May be Subsequently Reclassified into Profit or Loss:						
Exchange Differences Caused by Translation of Financial Statements of Offshore Branches		-136,378	-9.79	252,719	18.77	-153.96
Other Comprehensive Income (After Tax)		-135,585	-9.73	250,829	18.63	-154.05
Total Comprehensive Income		348,161	24.98	700,048	51.98	-50.27
Earnings per Share		0.24		0.25		
Basic and Diluted		0.24		0.25		

1. The capital increased by cash for the amount of TWD3.8 billion and the legal reserve transfer to capital increase of TWD6.2 billion were raised on June 1, 2016, and changed the paid-in capital after capital increase to TWD22 billion. The recorded FY 2015 earnings per share is readjusted for the part of capital increase from legal reserve transfer.

2. Figures for 2016 are subject to audit; Figures for 2015 have been recognized by the Ministry of Audit, ROC.

3. 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. Earnings per share are denominated in New Taiwan Dollars.

### 3. Statements of Cash Flows

TWD Thousand

Item	January 1, 2016 - December 31, 2016		January 1, 2015 - December 31, 2015	
	Subtotal	Total	Subtotal	Total
<b>Cash Flows from Operating Activities:</b>				
Continuing Operations Income (Losses) Before Income Tax□Earnings (net loss) before taxation of continued operations		522,192		486,133
Net Income (Net Loss) Before Income Tax		522,192		486,133
Adjustments:		-9,710,472		-3,439,673
Income and Losses with No Impact on Cash Flow		-817,139		-642,222
Bad Debt Expense and Provision of Reserves for Guaranteed Liability	362,720		440,301	
Depreciation	12,761		12,608	
Amortization	14,001		12,353	
Interest Income	-1,667,191		-1,521,252	
Interest Expense	456,033		372,648	
Loss (Gain) on Disposal of Assets	733		141	
Other Adjustments	3,804		40,979	
Assets/Liability Changes Related to Operating Activities		-8,893,333		-2,797,451
(Increase) Decrease in Loans and Discounts	-3,498,951		-7,038,986	
(Increase) Decrease in Receivables	-84,715		-88,068	
(Increase) Decrease in Financial Assets at Fair Value through Profit or Loss	21,340		100,938	
(Increase) Decrease in Other Assets	847		-6,992	
Increase (Decrease) in Due to the Central Bank and Other Banks	-5,418,051		4,258,946	
Increase (Decrease) in Payables	82,295		-8,854	
Increase (Decrease) in Financial Liabilities at Fair Value through Profit or Loss	-2,678		-3,969	
Increase (Decrease) in Other Liabilities	6,580		-10,466	
Interest Paid		-475,383		-409,689
Interest received		1,648,740		1,503,564
Income Tax Paid		-5,098		-88,685
<b>Net Cash Provided by inflow (outfrom) from Operating Activities</b>		<b>-8,020,021</b>		<b>-1,948,350</b>
<b>Cash Flows from Investing Activities:</b>				
Purchase of Property and Equipment	-16,186		-29,988	



Item	January 1, 2016 - December 31, 2016		January 1, 2015 - December 31, 2015	
	Subtotal	Total	Subtotal	Total
Sale of Property and Equipment			8	
Decrease (Increase) in Other Assets	-18,953		-10,649	
Dividend received	22,408		19,151	
<b>Net Cash Provided by inflow (outflow) from Investment</b>		<b>-12,731</b>		<b>-21,478</b>
<b>Cash Flows from Financing Activities:</b>				
Capital Increase (Decrease)	3,800,000			
Increase (Decrease) in Borrowed Funds from the Central Bank and Other Banks	210,469		3,043,892	
Increase (Decrease) in Financial Debentures Payable	8,000,000		-3,000,000	
Increase (Decrease) in Other Financial Liabilities	-3,961,619		3,503,096	
Increase (Decrease) in Other Liabilities	113,427		-8,093	
Cash Dividends	-179,613		-168,229	
<b>Net Cash Provided by (Used in) from Financing Activities</b>		<b>7,982,664</b>		<b>3,370,666</b>
<b>Effect of Changes in Foreign Exchange Rates on Cash and Cash Equivalents</b>		<b>505</b>		<b>4,415</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		<b>-49,583</b>		<b>1,405,253</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>		<b>8,126,917</b>		<b>6,721,664</b>
<b>Cash and Cash Equivalents, End of Year</b>		<b>8,077,334</b>		<b>8,126,917</b>
<b>Composition of Cash and Cash Equivalents:</b>				
Cash and Cash Equivalents Listed on the Balance Sheet		231,687		225,818
Due from the Central Bank and Call Loans to Banks Satisfying the Definition of Cash and Cash Equivalents in IAS 7		245,647		1,099
Securities Sold Under Agreements to Repurchase Satisfying the Definition of Cash and Cash Equivalents in IAS 7		7,600,000		7,900,000
<b>Cash and Cash Equivalents, End of Year</b>		<b>8,077,334</b>		<b>8,126,917</b>

## 4. Statements of Changes in Equity

January 1 – December 31, 2015 and 2016

TWD Thousand

Item	Attributable to Owners of the Controlling Entity					Total
	Capital	Retained Earnings			Other Equity Items	
		Legal Reserve	Special Reserve	Retained Earnings-Unappropriated	Exchange Differences Caused by Translation of Financial Statements of Offshore Branches	
Balance, January 1, 2015	12,000,000	6,388,243	1,149,138	-	254,593	19,791,974
Provision for Legal Reserve		178,932		-178,932		
Provision for Special Reserve			106,835	-106,835		
Cash Dividends Appropriated				-161,562		-161,562
Net Income for FY 2015				449,219		449,219
Other Comprehensive Income for FY2015				-1,890	252,719	250,829
Balance, December 31, 2015	12,000,000	6,567,175	1,255,973	-	507,312	20,330,460
Cash Capital Increase on June 1, 2016	3,800,000					3,800,000
Legal Reserve Transfer to Capital Increase on June 1, 2016	6,200,000	-6,200,000				
Provision for Legal Reserve		193,498		-193,498		
Provision for Special Reserve			108,867	-108,867		
Cash Dividends Appropriated				-182,174		-182,174
Net Income for FY 2016				483,746		483,746
Other Comprehensive Income for FY 2016				793	-136,378	-135,585
Balance, December 31, 2016	22,000,000	560,673	1,364,840	-	370,934	24,296,447

## 5. Financial Analysis

TWD Thousand; %

Analytical Item (Note 2)		Year	FY 2016	FY 2015
Operating Ability	Non-Performing Loan Ratio		0.20%	0.59%
	Ratio of Interest Income to Annual Average Loans		1.57%	1.46%
	Total Asset Turnover (Times)		1.27	1.29
	Average Operating Income per Employee		6,637	6,293
	Average Profit per Employee		2,304	2,099
Profitability	Return on Tier 1 Capital		2.50%	2.59%
	Return on Assets		0.44%	0.43%
	Return on Equity		2.17%	2.24%
	Net Income to Net Operating Income		34.71%	33.36%
	Earnings per Share (TWD)		0.24	0.25
Financial Structure	Ratio of Liabilities to Assets		78.22%	81.26%
	Ratio of Property and Equipment to Equity		2.21%	2.62%
Growth Rate	Asset Growth Rate		2.79%	8.25%
	Profit Growth Rate		7.42%	0.11%
Cash Flow	Cash Flow Ratio		-23.50%	-4.45%
	Cash Flow Adequacy Ratio		-525.14%	439.28%
	Cash Flow Sufficiency Ratio		62,996.00%	9,071.38%
Liquid Reserve Ratio			107.26%	92.61%
Total Secured Loans to Interested Parties			-	-
Total Secured Loans to Interested Parties as a Percentage of Total Loans			-	-
Operating Scale	Market Share of Assets		0.25%	0.25%
	Market Share of Net Worth		0.73%	0.64%
	Market Share of Loans		0.39%	0.39%

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

1. The decrease in non-performing loan ratio in 2016 was mainly because Eximbank actively coped with non-performing loans.
2. The increase in ratio of income interest increase to annual average loans in 2016 was mainly attributed to the growth of loan business and rise of interest rates.
3. The decrease in assets growth rate in 2016 was mainly attributed to the large increase of loans balance in 2015 that lessened the asset increase rate in 2016.
4. The increase of profit growth rate in 2016 was mainly attributed to the increase of loans and export insurance operation volume that caused the increase of income.
5. The decrease in cash flow ratio and increase of cash flow sufficiency rate in 2016 was mainly caused by the larger decrease in call loans from other banks, which led to the reduced inflow in net cash from the operating activities.
6. The increase in liquid reserve ratio in 2016 was mainly caused by the decrease in TWD interbank borrowing.



Note 1: Figures for 2016 are subject to audit; Figures for 2015 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:

- 1. The capital increased by cash for the amount of TWD3.8 billion and the legal reserve transfer to capital increase of TWD6.2 billion were raised on June 1, 2016, and changed the paid-in capital after capital increase to TWD22 billion. The recorded FY 2015 earnings per share is readjusted for the part of capital increase from legal reserve transfer.
- 2. 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 Measuring 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 Mainland China's banks and foreign banks, credit cooperatives, and credit departments of farmers' and fishermen's associations.

## 6. Capital Adequacy

TWD Thousand; %

Item			Year	FY 2016	FY 2015
Self-Owned Capital	Common Equity			22,848,281	18,996,800
	Additional Tier 1 Capital			-	
	Tier 2 Capital			1,048,747	1,041,696
	Self-Owned Capital			23,897,028	20,038,496
Total Risk Weighted	Credit Risk	Standardized Approach		72,296,420	76,102,347
		Internal Ratings-Based Approach		-	-
		Assets Securitization		-	-
	Operational Risk	The Basic Indicator Approach		2,445,020	2,267,559
		The Standardized Approach / The Alternative Standardized Approach		-	-
		Advanced Measurement Approach		-	-
	Market Risk	Standardized Approach		34,156	63,732
		Internal Models Approach		-	-
	Total Risk-Weighted Assets			74,775,596	78,433,638
	Capital Adequacy Ratio				31.96%
Tier 1 Risk-Based Capital Ratio				30.56%	24.22%
Common Equity to Risk-Based Capital Ratio				30.56%	24.22%
Leverage Ratio				18.78%	16.19%

Note 1: Under the Ministry of Finance Circular Tai-Tsai-Rong (2) No. 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 are used in calculations on this table:

Note 4: 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.

(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. Its 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 Financial Supervisory Commission (FSC), and in accordance with the provisions specified in the Budget Act, the Financial Statement Act and the Accounting Act.

#### II. Preparation Bases

##### 1. Measurement Bases

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

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

The functional currency of each operational office of Eximbank is the primary currency of the economy where the office is located. The functional currency of Eximbank's domestic operational institutions is TWD, and functional currency for the offshore banking branch and the overseas representative office are USD. The presentation currency in the financial statements is TWD.

## III. Foreign Currency Transactions

### 1. Foreign Currency Transactions

Foreign currency transactions are recorded in original currencies used. Income or expenses generated from foreign currency transactions are converted to the 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 Statements

The functional currency of Eximbank's offshore banking branch and overseas representative office is USD. The assets and liabilities stated as part of the 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 generated from the conversion are recorded as other comprehensive income and loss. Exchange differences generated from the conversion of the net investment in foreign operations are recorded as other comprehensive income and loss in the Eximbank's financial statement.

## IV. Financial Instruments

Financial assets and financial liabilities are recorded when Eximbank becomes one of the parties entering into a financial instrument contractual agreement.



## 1. Financial Assets

The financial assets are initially recognized at fair value. Those that are not measured at fair value through profit or loss are measured at the transaction cost directly attributable to the obtaining of the financial asset. The subsequent value is measured 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 at the fair value are recognized in gains or losses of the current period.

Derivatives which do not meet hedge accounting requirements are classified as the financial assets or liabilities held for trading, of which the initial recognition and subsequent re-measurement shall be based on the fair value and recognized as financial assets when the fair value is positive; and recognized as financial liabilities when the fair value is negative.

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

For the non-derivative financial assets with fixed or 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 the 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.



Representatives of Vietnam BVDI Bank visited Eximbank. (Photo taken in January 2016)

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

Investments on equity instruments of which the 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, the loss shall be recognized. Subsequent reversal of such impairment loss is not allowed.

#### (5) Securities Traded under Repurchase or Resale Agreements

Securities traded by Eximbank under repurchase or resale agreements are managed as financing transaction according to its transaction actual value. For the securities traded under repurchase or resale agreements, the interest expenses or interest incomes are recognized as occurred at the date of sale and purchase as well as 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

- a. At the end of each reporting date, Eximbank conducts an evaluation to determine whether any objective evidence exists that would indicate an asset may have been impaired. If such evidence is found, an impairment loss shall be 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. Where there is no objective evidence of impairment for an individually assessed financial asset, the losses shall be estimated based on a collective assessment of assets with similar credit risk characteristics. Estimated future cash flows of portfolios, including estimated consolidated losses, are based on the historical losses of each portfolio.

- b. The book value of the financial assets is reduced by the allowance account. The amount of impairment loss is recognized as the profit or loss of the current period. When determining the amount of impairment loss, the estimate of expected future cash flow includes the recoverable amount from collateral and related insurance.

- c. For the debt that is confirmed to be uncollectible shall be 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 balance of "Allowance for Doubtful Accounts".

- d. If the amount of impairment loss decreases in the subsequent period, and such respective reduction is obviously related to incidents after the loss was recognized (e.g., improvement of credit ratings of the debtor), then previously recognized impairment losses will be adjusted by reversing the allowance account. Such reversal shall not cause the carrying value of the financial asset to be greater than the amortized cost as if the loss was not recognized. The reversal amount shall be recognized as profit or loss of the current period.

#### (7) Derecognizing Financial Assets

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

## 2. Financial Liabilities

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

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

Including the 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 of "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 included in 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 property 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 calculated 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 shall be applied prospectively.



Mongolian Firms visited Eximbank. (Photo taken in March 2016)



3. Gains or losses incurred at sale or disposal of property 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 assets are all computer software recognized at cost. Amortization of intangible assets is calculated 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

The asset applicable to "Impairment of Assets" in the IAS No. 36, 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 value or of the value in use) is found to be less than the book value. On the end of reporting date, if the evaluation produces evidence indicating the recognized impairment loss of an asset in the prior year has no longer existed 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 specified in IAS No. 39, the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans" announced by the FSC, and Eximbank's "Guidelines for Asset Evaluation and Loss Reserve", Eximbank evaluates the debtors' collateral, length of time overdue and allocates an appropriate allowance for bad debt on the balance sheet date according to the higher one of the two at the time.

### 2. Guarantee Reserve

Eximbank's guarantee business focuses mainly on performance obligations, which are not classified as "Financial Guarantee Contracts". The reserve for guarantees is 1% allocated 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 competent authority (FSC).

## IX. Allowance for Bad Debt and Guarantee 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 executes liability adequacy tests every year, and allocates an additional reserve to make up for any insufficiencies found in the test.

## X. Export Credit Insurance Related Reserve

### 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 plan, Eximbank annually calculates the actuarial net pension costs in accordance with the provisions specified in the "Regulations for the Allocation and Management of Workers' Retirement Reserve Funds" and relevant specification specified in the IAS No. 19, and recognizes the costs under the item "pension and resignation pay". Meanwhile, Eximbank contributes (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) Festival Benefits: In accordance with IAS No. 19, Eximbank calculates the actuarial net pension costs and recognizes the costs under the item "Retirement Benefits Payments"; however, the Executive Yuan issued a circular, Letter: Yuan-Sou-Zen-Kui No. 1050053161 on September 8, 2016, to amend the provisions on the three Chinese festival benefits in the "Retirement Personnel Care" that the festival benefits will not be distributed for the retired government employees and teachers whom

had received Lump-sum Retirement Payment and effective starting January 1, 2017. Since this was the amendment and reduction of employees' benefits, Eximbank reversed this employees' benefit liabilities reserve in 2016 and recognized in profit.

- (3) Eximbank recognizes pension liabilities on the balance sheet after calculating the actuarial present value of defined benefit obligations less the fair value of the pension fund and adjusts for unrecognized net gains and losses of pension and the net amount after recognizing service costs in the prior period. The defined benefit obligations are measured annually by actuaries applying the Projected Unit Credit Method. The actuarial present value of defined benefit obligations are the discounted amount of estimated future cash flows calculated by actuaries, taking into consideration the currency of the retirement benefit obligations and the yields of high quality corporate bonds with same maturity dates. According to the defined benefit plan actuarial report, the total defined benefit obligation of Eximbank as at the end of 2016 is TWD635,888 thousand. The amount of the allocated plan asset is TWD341,872 thousand. The amount of employee benefit reserve liability is TWD297,315 thousand (including the amount payable to the Chairman and President amounting to TWD 3,299 thousand).
- (4) Actuarial gains or losses are recognized as other comprehensive income as incurred. Service costs from the prior period are recognized as current gains and losses.

### 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 is part of the 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 specified in the 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 the financial instruments that are classified as financial instruments at fair value through profit or loss, all the interest revenue and expenses generated by the interest-bearing financial instruments are calculated using the effective interest method and recognized as "Interest Revenue" or "Interest Expenses" in the comprehensive income statement.

### 2. Fee Income

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

### 3. Dividend Income

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



Taiwan External Trade Development Council signed MOU with Eximbank, to enhance bilateral exchange. (Photo taken in June 2016)



## XII. Income Tax

### 1. Current Income Tax

The income tax payable (receivable) shall be calculated in accordance with provisions of tax laws and regulations announced by the government, except that the transactions or items directly recognized as other comprehensive profits and losses or as equity directly, and the relevant current income tax shall be recognized in other comprehensive profits or losses or as equity directly, the others shall be recognized as income or expense and included in the current profits and losses.

### 2. Deferred Income Tax

The deferred income tax assets and liabilities shall be measured based on the estimated tax rates at the expected future time when the assets are realized or the tax rates during the payment period of the liabilities. Calculation of tax rates shall 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 method and recognized as deferred income tax. The temporary differences of the Bank are mainly due to the unrealized value of certain financial instruments (including derivatives), reserve and deferring of pensions and other retirement benefits. For the originally recognized assets and liabilities, if not caused by the corporate mergers, and the transaction was not affecting the accounting profits or taxing for income (loss) at that time, then the deferred income tax caused by the assets or liabilities shall not be recognized.

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

The items recognized by the Bank under other comprehensive profits and losses, the impact of

their income tax are also recognized under other comprehensive profits and losses.

## Note 2. Main Sources of Significant Accounting Judgments and Estimation Uncertainty

### I. Impairment Losses on Loans

Eximbank estimates possible impairment on loans and receivables every month and determines whether the items shall 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 the national/local economic conditions related to the default of payments. The analysis by the management level of expected cash flows is based on past experience of losses on assets with similar credit risk characteristics. The Bank reviews the method and assumptions of expected cash flows and the timing every month in order to reduce the difference between the estimated and the actual amount of losses.

### II. Fair Value of Financial Instruments

The fair value of a financial instrument without an active market or if the quote is unavailable is determined using valuation techniques. In this case, the fair value is estimated based on observable data or models of similar financial instruments. When there is no observable market parameter, the fair value of the financial instrument is estimated based on appropriate assumptions. When determining the fair value using valuation models, all models shall be adjusted to ensure that the results reflect the actual data and market price.

### III. Income Tax

The final amount of tax payments is 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. The 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 with several assumptions. Any changes in these assumptions will affect the carrying value of retirement benefit obligations.
2. Assumptions used for determining the net pension cost (income) include discount rates. Eximbank determines the appropriate discount rates at the end of each year, and the rates are used to estimate the present value of future cash flows of retirement benefit obligation payments. To determine the appropriate discount rates, Eximbank shall consider the yields of high-quality corporate bonds or government bonds and that is in the same currency used to pay the 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 Letter Jin Guan Yin Fa No. 10110000850 discount rate shall be at least 4% or above, withdrawal rate of pension preferential deposit shall not be lower than 1%, and the probability of changes in preferential deposit programs is assumed is 50%. In future cases where the



Representatives of Dominican Republic Santo Domingo Science and Technology Park visited Eximbank. (Photo taken in July 2016)

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 TWD15,623,453 thousand, including guarantee receivables of TWD 15,114,172 thousand, custodial collections receivables of TWD 440,345 thousand, joint loans receivables of TWD 68,396 thousand, and collateral of TWD540 thousand.

- (2) No bills receivable (or payable).

- (3) Undisbursed loan commitments of TWD 27,187,675 thousand.

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

Eximbank's results of operating segments are periodically reviewed by the management level in order to develop the 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 provisions specified in the IFRS No. 8 "Operating Segments". The reporting operating segments are the Credit Business Segment and the Export Credit Insurance Business Segment.





## Eximbank Financial Information of Operating Segments Fiscal Years 2016 and 2015

TWD Thousand

	FY 2016			FY 2015		
	Credit Business	Export Insurance Business	Total	Credit Business	Export Insurance Business	Total
<b>Net Interest Income</b>	<b>1,239,486</b>	<b>17,097</b>	<b>1,256,583</b>	<b>1,219,678</b>	<b>20,833</b>	<b>1,240,511</b>
<b>Non-Interest Income</b>	<b>-15,336</b>	<b>152,577</b>	<b>137,241</b>	<b>-44,144</b>	<b>150,338</b>	<b>106,194</b>
Net Fees and Commissions	36,558	4,494	41,052	31,170	3,600	34,770
Gains (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss	-32,136		-32,136	-54,668		-54,668
Foreign Exchange Gains (Losses)	-5,048		-5,048	5,771		5,771
Net Export Credit Insurance Income		181,445	181,445		178,059	178,059
Other Non-Interest Income	-14,710	-33,362	-48,072	-26,417	-31,321	-57,738
<b>Net Operating Income</b>	<b>1,224,150</b>	<b>169,674</b>	<b>1,393,824</b>	<b>1,175,534</b>	<b>171,171</b>	<b>1,346,705</b>
<b>Bad Debt Expense and Provision of Reserves for Guaranteed Liability</b>	<b>365,384</b>		<b>365,384</b>	<b>354,434</b>		<b>354,434</b>
<b>Operating Expenses</b>	<b>331,039</b>	<b>175,209</b>	<b>506,248</b>	<b>324,832</b>	<b>181,306</b>	<b>506,138</b>
<b>Net Income (Losses) Before Tax</b>	<b>527,727</b>	<b>-5,535</b>	<b>522,192</b>	<b>496,268</b>	<b>-10,135</b>	<b>486,133</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.

## Note 5: Descriptions of Significant Account

### 1. Cash and Cash Equivalents

Item \ Date	December 31, 2016	December 31, 2015
Cash on Hand	9	11
Petty Cash & Revolving Funds	271	273
Checks for Clearance	40	0
Due from Banks	231,367	225,534
Total	231,687	225,818

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

Item \ Date	December 31, 2016	December 31, 2015
Due from the Central Bank	16,767	1,099
Call Loans to Other Banks	228,880	0
Total	245,647	1,099



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

Item \ Date	December 31, 2016	December 31, 2015
Valuation Adjustments of Financial Assets Held for Trading	41,006	62,347
<b>Total</b>	<b>41,006</b>	<b>62,347</b>

### 4. Receivables – Net

Item \ Date	December 31, 2016	December 31, 2015
Receivables	13	52
Earned Revenue Receivable	655	555
Interest Receivable	243,932	222,707
Accounts Receivable Factoring without Recourse	121,334	126,212
Premium Receivable	12	0
Other Receivable	115,587	26,066
<b>Total</b>	<b>481,533</b>	<b>375,592</b>
Allowance for Doubtful Accounts	-2,190	-2,173
<b>Net Amount</b>	<b>479,343</b>	<b>373,419</b>



## 5. Loans and Discounts – Net

Item \ Date	December 31, 2016	December 31, 2015
Short-Term Loans	17,149,006	14,711,819
Short-Term Secured Loans	30,000	30,000
Medium-Term Loans	56,995,664	56,951,653
Medium-Term Secured Loans	3,244,456	2,999,646
Long-Term Loans	1,633,708	1,870,960
Long-Term Secured Loans	23,843,548	22,968,373
Overdue Loans	204,434	535,602
Total	103,100,816	100,068,053
Allowance for Doubtful Accounts	-1,072,956	-1,057,001
Discount of Premium	-7,785	-5,012
Net Amount	102,020,075	99,006,040

## 6. Other Financial Assets – Net

Item \ Date	December 31, 2016	December 31, 2015
Reinsurance Reserve Assets	138,342	167,158
Financial Assets Carried at Cost	90,000	90,000
Net Amount	228,342	257,158



## 7. Property and Equipment – Net

Item \ Date	December 31, 2016	December 31, 2015
Land	105,905	105,905
Revaluation Increments – Land	186,420	186,420
Buildings	402,503	397,696
Accumulated Depreciation – Building	-183,621	-176,577
Machinery and Computer Equipment	48,930	54,357
Accumulated Depreciation – Machinery and Computer Equipment	-36,581	-43,965
Transportation Equipment	10,911	11,255
Accumulated Depreciation – Transportation Equipment	-9,071	-9,142
Miscellaneous Equipment	30,285	28,230
Accumulated Depreciation – Miscellaneous Equipment	-20,372	-21,873
Leasehold Improvements	947	960
Accumulated Depreciation – Leasehold Improvements	-421	-107
Net Amount	535,835	533,159

**8. Intangible Assets – Net**

Item \ Date	December 31, 2016	December 31, 2015
Software	38,900	34,017
Total	38,900	34,017

**9. Other Assets – Net**

Item \ Date	December 31, 2016	December 31, 2015
Inventory of Supplies	361	282
Prepaid Expenses	33,382	34,284
Other Prepayments	50	75
Refundable Deposits	1,219	1,068
Temporary Payments and Suspense Accounts	162	199
Other Deferred Assets	0	44
Total	35,174	35,952



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

Item \ Date	December 31, 2016	December 31, 2015
Borrowed Funds from the Central Bank	18,787,940	18,577,471
Total	18,787,940	18,577,471

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

Item \ Date	December 31, 2016	December 31, 2015
Designated as Financial Liabilities at Fair Value through Profit or Loss	3,700,000	8,000,000
Valuation Adjustments of Designated as Financial Liabilities at Fair Value through Profit or Loss	1,553	4,231
Total	3,701,553	8,004,231



President of Iran MIG Group visited Eximbank. (Photo taken in July 2016)

## 12. Payables

Item \ Date	December 31, 2016	December 31, 2015
Accrued Expenses	92,443	93,799
Accrued Interest	83,152	99,665
Other Tax Payable	7,518	7,722
Dividends (Official) and Bonuses Payable	3,496	935
Custodial Collections Payable	515	3,230
Commissions Payable	3	90
Reinsurance Benefits Payable	11,475	16,805
Other Payable	131,789	39,803
Total	330,391	262,049





### 13. Financial Debentures Payable

Item \ Date	December 31, 2016	December 31, 2015
Financial Debentures Payable	14,000,000	6,000,000
Discount on Financial Debentures Payable	-2,969	-132
Total	13,997,031	5,999,868

### 14. Other Financial Liabilities

Item \ Date	December 31, 2016	December 31, 2015
Funds Appropriated for Loans	17,995,346	17,656,965
Total	17,995,346	17,656,965



Eximbank Chairman Shui-Yung Lin attended the Symposium of the Institute of Diplomacy and International Affairs, Ministry of Foreign Affairs. (Photo taken in November 2016)

## 15. Provisions

Item \ Date	December 31, 2016	December 31, 2015
Guarantee Liability Reserve	152,169	129,693
Unearned Premium Reserve	102,541	119,578
Claim Reserve	291,498	288,012
Employee Benefits Liability Reserve	297,315	292,371
Total	843,523	829,654



Eximbank's Clients visited the Bank with foreign buyers. (Photo taken in October 2016)

## 16. Other Liabilities

Item \ Date	December 31, 2016	December 31, 2015
Unearned Premiums	111	389
Unearned Revenues	63,527	56,669
Refundable Deposits	1,108	1,522
Custodial Deposits	2,106	2,005
Temporary Receipts And Suspense Accounts	133,673	20,070
Funds Appropriated For Export Credit Insurance	1,201,982	1,201,845
Total	1,402,507	1,282,500

## 17. Net Fees and Commissions

Item \ Date	January 1, 2016 - December 31, 2016	January 1, 2015 - December 31, 2015
Revenue from Fees and Commissions	62,601	56,370
Expenses from Fees and Commissions	21,549	21,600
Net Amount	41,052	34,770

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

Item \ Date	January 1, 2016 - December 31, 2016	January 1, 2015 - December 31, 2015
Interest Income of Financial Assets (+)	0	1,015
Gain on Disposal of Financial Assets (+)	23,770	39,833
Gain (+) / Loss (-) on Valuation of Financial Assets	-13,160	-7,578
Interest Expenses of Financial Liabilities (-)	-45,424	-91,907
Loss on Disposal of Financial Liabilities (-)	0	0
Gain (+) / Loss (-) on Valuation of Financial Liabilities	2,678	3,969
Net Amount	-32,136	-54,668



Eximbank held an ecological experience public welfare activity at the National Taiwan University, to strengthen the employees' awareness of environmental protection. (Photo taken in December 2016)



## 19. Net Export Credit Insurance Income

Item \ Date	January 1, 2016 - December 31, 2016	January 1, 2015 - December 31, 2015
Export Credit Insurance Income	400,309	413,720
Premium Income	289,517	305,509
Reinsurance Commissions Income	51,596	63,265
Claims Recovered from Reinsurers	50,311	44,946
Unearned Premium Reserve Collected	8,885	0
Export Credit Insurance Costs	218,864	235,661
Reinsurance Premium	129,016	134,148
Commission Expenses	1,872	2,251
Insurance Claims Payments	63,826	51,509
Provision for Unearned Premium Reserve	0	9,725
Provision for Claim Reserve	24,150	38,028
Net Amount	181,445	178,059



**20. Other Non-Interest Income**

Item \ Date	January 1, 2016 - December 31, 2016	January 1, 2015 - December 31, 2015
Other Non-Interest Income	40,110	22,039
Gains from Financial Assets Carried at Cost	22,408	19,151
Miscellaneous Income	17,702	2,888
Other Non-Interest Losses	88,182	79,777
Loss on Disposal of Fixed Assets	733	141
Preferential Deposit Interest in Excess	87,449	79,636
Net Amount	-48,072	-57,738

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

Item \ Date	January 1, 2016 - December 31, 2016	January 1, 2015 - December 31, 2015
Bad Debt Expenses for Loans	342,420	361,540
Bad Debt Expenses for Account Receivables Factoring	-49	0
Guarantee Liability Provisions	22,699	-7,122
Bad Debt Expenses for Other Account Receivables	314	16
Total	365,384	354,434



## VI Risk Management

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

#### (1) Credit Risk Management System

2016

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 to strengthen credit risk management and to avoid risk from becoming too concentrated. Strategies include conducting risk analyses and assessments on countries, banks, groups, and enterprises while determining their internal 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 inside and outside the balance sheet items (including the existing and the potential ones).</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, offset, control and acceptance, are required.</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 cases 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/nonaccrual 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>
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 registry system and a risk management system in order to manage risks associated with its credit extension business and to monitor loans to all borrowers' credit portfolios. The customer data integration system wherein 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 prescribed by the competent authority, Eximbank discloses qualitative and quantitative data associated with its credit risks on the website.</p>
4. Credit Risk Hedging and Risk Mitigation Policies / Strategies and Procedures of Monitoring Instruments 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 a bank, Eximbank analyzed warning indicators to interpret risks and to strengthen risk management as a reference when considering to extend its business.</p> <p>To lower credit risk, export financing cases such as medium or long-term export loans for manufacturing plants or overall equipment exceeding USD 1 million shall be taken under technical evaluations and should produce reports along with credit evaluation reports for reference. In addition, for relatively high-risk financial cases, clients are requested to arrange export insurance through Eximbank to mitigate risk.</p> <p>In order to monitor the risk concentration, Eximbank's risk management system sends e-mail to the Executives, and staff of departments related to sales and risk management in the countries, banks, or industries that reached 85% of their risk limit for early response.</p> <p>In addition to strengthening the prior review and approval process, Eximbank conducts followup measures after crediting to well grasp the information about clients' financial status and to ensure the creditor's rights when handling the lending operations.</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, 2016

TWD Thousand

Type of Exposure	Credit Risk Exposures after Mitigation	Capital Requirement
Sovereign	20,078,179	321,251
Public Sector Entities/ Non-Central Government	-	-
Banks (Including Multilateral Development Banks)	14,452,835	713,309
Corporate (Including Securities and Insurance Corp.)	75,811,137	4,632,514
Regulatory Retail Portfolios	1,010,166	34,258
Residential Property	-	-
Rights of Securities Investment	-	-
Other Assets	909,760	82,315
Total	112,262,077	5,783,647



## 2. Operational Risk Management System and Capital Requirement

### (1) Operational Risk Management System

2016

Item	Contents
1. Operational Risk Strategy and Procedure	<p>Eximbank's operational risk strategy includes strengthening internal controls, ensuring that employees abide by regulations, conducting training and displaying standard operating procedures on an internal website for staff to refer to and comply with. In addition, Eximbank has also established "Guidelines for Decentralization of Responsibility and Detailed List" expressing division of authority and responsibility as well as facilitating daily operations.</p> <p>Operational risk management includes determining and evaluating risk along with monitoring and reporting. It establishes operational risk management mechanisms of important products, business activities, operating procedures and other relevant systems. Before launching new products, business activities, procedural changes or system promotions, it is necessary to ensure that operational risk evaluations have been completed.</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 policy making body that determines operational risk management standards and important policies. The Department of Risk Management is responsible for evaluating the entire bank's operational risk management strategies and procedures to build management mechanisms. When all units of the head office determine operational management rules, each unit should adhere to these rules and actively control the operational risks for which they are responsible.</p>
3. Scope and Characteristics of Operational Risk Reporting and Evaluation System	<p>Eximbank complies with the systems in charge, operates a risk self-assessment approach and internal auditing systems to manage and mitigate Eximbank's operational risk pursuant to the decrees.</p> <p>Data shall be gathered and reported to related units and supervisors who then should formulate response measures when major losses occur to any unit.</p> <p>Eximbank discloses qualitative and quantitative data associated with its operational risks on the website based on the regulations provided by the competent authority.</p>
4. Operational Risk Hedging and Risk Mitigation Policies / Strategies and Procedures of Monitoring Instruments for Hedging and Risk Mitigation	<p>Eximbank's "operational risk management standards" expressed the processing method of risk identification, assessment, monitoring and control / offset. By means of measures of insurance, outsourcing and other risk transfer, it achieved the effect of risk mitigation and fully implemented operational risk management.</p> <p>Eximbank expressly prescribed the authorization scope of the business, division of responsibilities and reporting lines in order to clarify the responsibilities incumbent upon all sectors in accordance with "Guidelines for Decentralization of Responsibility".</p> <p>To avoid litigation, all units of Eximbank shall handle the legal compliance pursuant to the "Considerations for Implementation of Legal Compliance Control System for The Export-Import Bank of the Republic of China".</p> <p>Eximbank has established Information Security Protection Mechanism and provided an emergency response plan to ensure that the business is enabled and the losses are controlled to the minimum in event of an emergency.</p> <p>It is required to strengthen the risk management education and training in order to enhance operational risk awareness and to improve operational risk management environment.</p>
5. Method Applied for Legal Capital Requirement	<p>Eximbank has applied the capital requirement for operational risk based on the "Basic Indicator Approach" of the Basel III Capital Accord.</p>

## (2) Operational Risk-Based Capital Requirement

December 31, 2016

TWD Thousand

FY	Gross Profit	Capital Requirement
2014	1,314,076	
2015	1,423,594	
2016	1,464,305	
Total	4,201,975	210,099

## 3. Market Risk Management System and Capital Requirement

### (1) Market Risk Management System and Capital Requirement

2016

Item	Contents
1. Market Risk Strategy and Procedure	<p>Eximbank is an official export credit institution and policy bank. Since most 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 risks.</p> <p>Procedure of market risk management includes risk identification, assessment, measuring, monitoring, control and reporting.</p> <p>For all types of financial products, Eximbank must identify the portfolio of potential market risks on which to be based for measuring. Eximbank also builds effective evaluation mechanisms for risk monitoring as part of its day-to-day operations. Its monitoring contents include transaction units as well as overall and individual transaction process of commodities undertaken to ensure that the transaction's objectives, model, position, and flexible loss and profit are underway subject to authorized limitations.</p> <p>Market risk management should be independent, objective, consistent, transparent, comprehensive and timely in principle.</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 it takes the ultimate liability for market risk. The Department of Risk Management plays the role of mediator 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 Unit, 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 irregular 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>Eximbank discloses on its website qualitative and quantitative data associated with its market risks based on the regulations prescribed by the financial supervisors.</p>
4. Market Risk Hedging or Risk Mitigation / Strategies and Procedures of Monitoring Instruments for Hedging and Risk Mitigation	<p>To lower market risk, Eximbank has established various transaction limits and stop-loss mechanisms. Additionally, 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 general manager for immediate responses.</p> <p>Related units should be consulted and evaluations should be conducted as a due diligence before establishing a transaction position.</p>
5. Method Applied for Legal Capital Requirement	Eximbank has applied the capital requirement for market risk based on the "Standardized Approach" of the Basel III Capital Accord.

## (2) Market Risk-Based Capital Requirement

December 31, 2016

TWD Thousand

Risk	Capital Requirement
Interest Rate Risk	-
Equity Position Risk	-
Foreign Exchange Risk	2,732
Commodity Risk	-
Total	2,732



## 4. Liquidity Risk

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

#### Term Structure Analysis of TWD-Denominated Assets and Liabilities December 31, 2016

TWD Thousand

	Total	Amount 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	64,980,391	4,425,314	5,687,862	3,807,442	3,751,211	14,399,501	32,909,061
Major Outflows of Matured Funds	81,183,786	7,865,915	3,547,688	18,327,370	5,712,754	8,179,270	37,550,789
Gap	-16,203,395	-3,440,601	2,140,174	-14,519,928	-1,961,543	6,220,231	-4,641,728

Note: The table refers to 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, 2016

USD Thousand

	Total	Amount 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	1,547,283	63,751	127,788	65,048	102,620	1,188,076
Major Outflows of Matured Funds	1,844,827	749,584	51,092	91,264	33,329	919,558
Gap	-297,544	-685,833	76,696	-26,216	69,291	268,518

Note: 1. The table includes assets and liabilities denominated in United States Dollars held in head office, domestic branches, and Offshore Banking Branches.  
 Note: 2. If overseas assets comprises at least 10 percent of total assets (held in head office, domestic branches, and Offshore Banking Branch), supplementary disclosure is required.

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

Eximbank seeks to diversify funding sources and to maintain 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 competent authority, but also stipulates liquidity risk management indicators in "Guidelines for Eximbank's Management of Liquidity Risks and Interests Risks". 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.





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