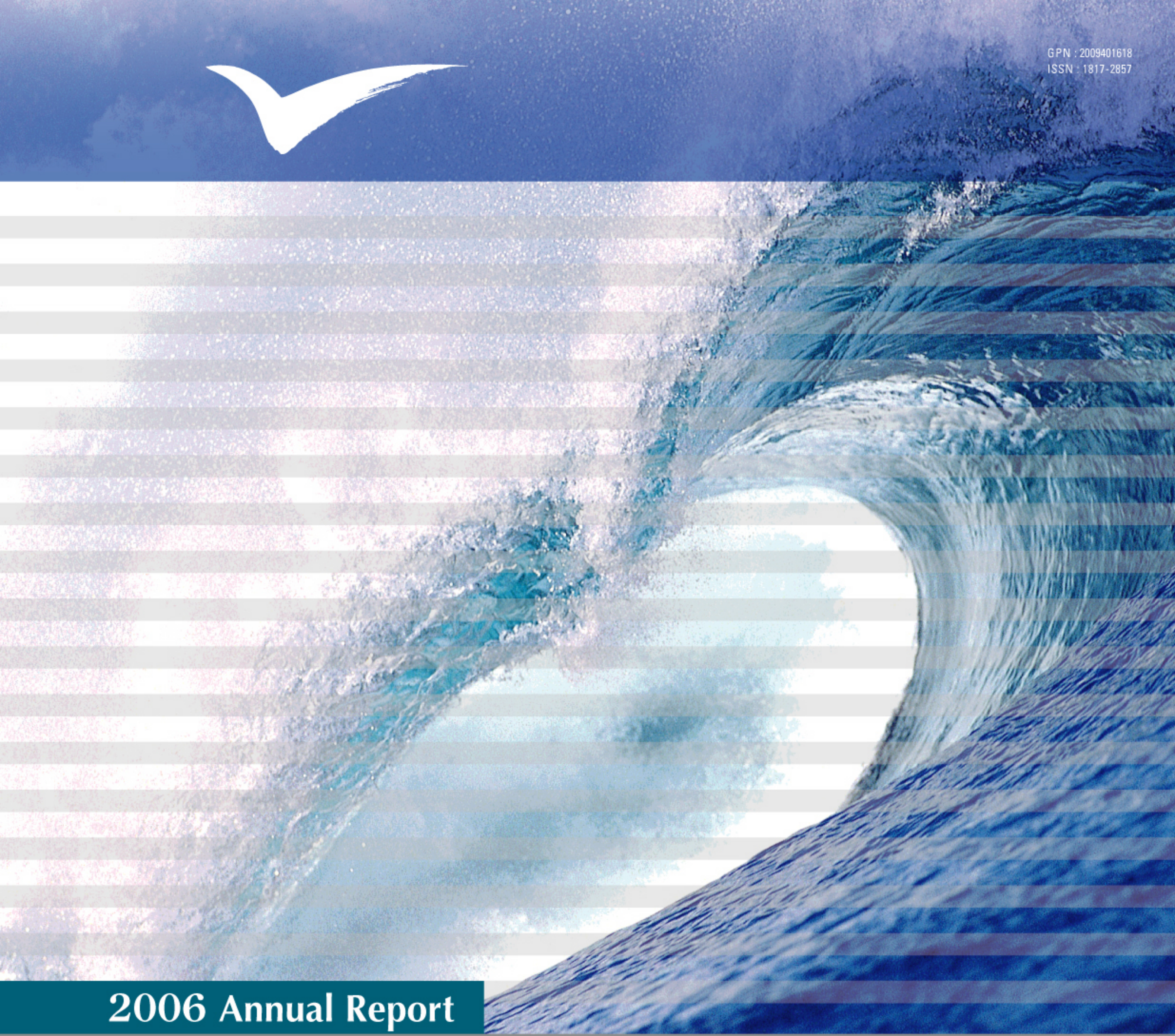

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# 2006 Annual Report

# The Export-Import Bank of the Republic of China

August 2007

Professional

Enthusiastic

Efficient

A website is maintained by the Bank
to introduce Taiwan's small and medium-sized exporters.

**The website is: http://www.taiwanexport.com.tw**

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# I. Highlights

NT$ Millions

| | FY2006* | FY2005 | FY2004 |
|---|---|---|---|
| Total Operating Revenues | 3,237 | 3,053 | 2,883 |
| Total Operating Expenses | 2,747 | 2,543 | 2,267 |
| Net Income Before Tax | 490 | 510 | 616 |
| Profit per Employee (Before Tax) | 2.41 | 2.50 | 3.00 |
| Loans Outstanding (Average) | 64,623 | 76,506 | 88,281 |
| Guarantees Undertaken | 5,634 | 4,663 | 2,782 |
| Export Credit Insurance Undertaken | 34,420 | 29,549 | 21,100 |
| Total Assets | 72,765 | 78,834 | 97,912 |
| Net Worth | 17,890 | 17,704 | 17,324 |
| BIS Ratio (%) | 40.83% | 46.97% | 53.38% |

* The final accounts of FY2006 is still subject to audit.
** Eximbank's fiscal year is from January 1 to December 31.

# II. Business Report

## 1. Mission

■ *Mr. Sheng-Yann Lii, Chairman of the Board of Directors*

The Export-Import Bank of the Republic of China (Eximbank) was established in accordance with the Export-Import Bank of the Republic of China Act and specializes in export and import credit. It aims to operate in coordination with government trading and banking policies by providing financial and export insurance services to assist manufacturers to expand their export markets. It is envisioned that the promotion of international economic cooperation creates new employment opportunities and eventually spurs Taiwan's economic growth. Its major businesses include the provision of various types of medium- and long-term financing and guarantees to assist companies to expand exports of capital goods, undertake overseas engineering projects, import precision equipment and raw materials, and introduce technologies into Taiwan. It also provides a variety of export credit insurance services to protect businesses against political and commercial risks in export trade and foreign investment.

## 2. Strategies

### (1) Developing the Middle East market as Priority

In 2005, Taiwan exports to the Middle East totaled US$4.16 billion (or 2.1% of Taiwan's total exports) and imports totaled US$19.15 billion (or 10.5% of Taiwan's total imports). In light of 5.4% growth in economy of the Middle East in 2005 and the huge potential in trade, Eximbank focused on the development of the Middle East markets in 2006. Eximbank provides financing and insurance services to firms exporting to Saudi Arabia, the United Arab Emirates, Iran, Israel, Yemen, Turkey, Bahrain, Oman, Kuwait, Jordan, Syria, Lebanon, and Qatar.

### (2) Assisting firms to enter emerging markets by providing credit services

1. Eximbank proactively participated in trade promotion activities organized by various trade and economic organizations, and provided credit services to enhance the export competitiveness of Taiwan businesses. Eximbank also visited other financial institutions and trade organizations located in emerging markets, so as to effectively assist in the export of various capital goods from Taiwan to drive the economic growth of related industries and to create employment opportunities in Taiwan.
2. During the past year, in addition to Southeast Asian countries, Eximbank expanded its scope of credit offerings to other emerging markets in Latin America, Northern Europe, Southern Europe, Eastern Europe, Central Asia, Southern Asia, Eastern Asia, the Middle East, and Africa. These countries include Brazil, Argentina, Belize, Costa Rica, Colombia, Honduras, Mexico, Finland, Spain, the Czech Republic, Ukraine, Russia, Georgia, Turkey, India, Bangladesh, Pakistan, Mongolia, Saudi Arabia, the United Arab Emirates, Iran, Israel, Yemen, Ethiopia, Sudan, Egypt, Nigeria, Morocco, Algiers, Uganda, Burkina Faso, Kenya, Tanzania, and South Africa. Eximbank was very effective in helping businesses develop emerging markets and hedging risks.

### (3) Bringing export credit insurance into full play to assist manufacturers to expand exports and reduce risk

1. In order to widen coverage of export credit insurance services, so as to assist clients to vie for business opportunities and reduce default risks, Eximbank launched the GlobalSure Credit Insurance during the past year. This new product was very well received by the market.
2. By working with reinsurance companies, Eximbank reinsured its short-term export insurance businesses to control risk. Furthermore, Eximbank for the first time invited Central Reinsurance Company of Taiwan, a domestic reinsurance company, to sign an agreement to work with Eximbank. Furthermore, with a view to a gradual decline of the loss ratio over the years, Eximbank increased its reinsurance retention ratio to enhance profits.

Mr. Ming-Jen Chen, President

### (4) Establishing relending operations to boost capabilities to meet market demand

1. To assist companies in developing overseas markets, Eximbank provides relending facilities to foreign banks who in turn relend to their customers to purchase goods from Taiwan. To effectively achieve this goal, Eximbank has adopted flexible approaches by adjusting the contents of the Relending Facility Agreement, interest rates and documentation required in accordance with particularities of different markets and laws of different regions.
2. In 2006, Eximbank's Department of Finance granted relending facilities to 34 financial institutions in the Philippines, Mongolia, Kazakhstan, Russia, Turkey, Ukraine, Belarus, Honduras, the Dominican Republic, Peru, Brazil, Thailand, Indonesia, South Africa, Egypt, and Paraguay for relending to local importers for importing products from Taiwan. The low relending rates have made this tool very popular with banks in financially strapped countries.

### (5) Enhancing international financial cooperation by actively participating in international syndicated loans

1. In 2006, Eximbank worked with international banking groups to extend loans to institutions in

22 countries, including Russia, Ukraine, Latvia, Belarus, Kazakhstan, India, Bulgaria, Turkey, Malta, the UK, the United Arab Emirates, Italy, Saudi Arabia, Poland, Malaysia, Switzerland, Denmark, Bahrain, Azerbaijan, Hungary, Netherlands, and Columbia, to assist in their economic development.

2. Eximbank also extended loans to regional banks, including the Black Sea Trade & Development Bank, Eurasian Development Bank, and African Export-Import Bank, to assist emerging markets.

### (6) Establishing cooperation with reinsurance companies and other financial institutions abroad to expand business scope

1. Following the establishment of cooperative relationships with major export credit insurance institutions in the Czech Republic, Poland, and Hungary and the signing of cooperative agreements with NEXI, Japan's official export insurance institution, and the Export-Import Bank of the Slovak Republic, Eximbank signed a cooperative agreement in 2006 with Turk Eximbank to promote multinational cooperation, information sharing, and technology exchanges to advance bilateral trade.
2. With a view to the need to expand its underwriting business and to establish a sound foundation for its export insurance operations, in 2006, Eximbank signed a reinsurance treaty with Munich Re and the Central Reinsurance Corporation to improve its reinsurance coverage in order to further develop the export credit insurance offerings. The results have been substantial.

### (7) Bringing product synergy into full play and creating business opportunities

Eximbank has integrated its export credits, export credit insurance, and overseas relending offerings to provide manufacturers comprehensive services. It is also actively developing new services to augment loan and export credit insurance products. Eximbank's efforts in business integration and offering enhancements have paid off for its export insurance businesses during the past year. Significant growth in its credit facilities business is expected in the future.

### (8) Offering loans for machinery and equipment exports and overseas investments as an answer to the government's policy

In order to integrate traditional and high tech industries, the Executive Yuan is utilizing the center-satellite system to make the machinery industry another trillion dollar industry by assisting manufacturers to compete internationally, to build up plants overseas, to develop international resources, and to open up sales channels. Medium- and long-term capital is provided by the Executive Yuan's National Development Fund Board along with Eximbank's own funds. Other banks in Taiwan, both public and private, are invited to join the Machinery and Equipment Export Credits Program Loans and the Overseas Investment and Credits Program Loans. Eximbank acts as the sponsoring bank responsible for liaising with other lending banks to enter contracts, allocating (reimbursing) funds, and applying to the National Development Fund for the releasing of funds.

### (9) Enhancing "single contact window" services for loan and export credit insurance products

In order to enhance cross-marketing benefits for financing and export insurance offerings, Eximbank shored up training for management personnel responsible for financing and insurance accounts to provide exporters financial services for trade risk management and flexible funding. Each account officer has the skills necessary to provide the financing and insurance services required by clients and to completely satisfy their various needs. This has served to enhance customer satisfaction in regard to Eximbank's services and truly offer a one-stop service.

### (10) Offering considerate services for small- and medium-sized enterprises

1. Eximbank has adopted concrete measures to enhance the capabilities of small- and medium-sized enterprises (SMEs) to deal with changes on international markets, so as to effectively reduce their risks involved in international trade. In 2006, Eximbank renewed contracts with 25 international credit information agencies for long-term cooperation in helping SMEs acquire credit reports on foreign buyers. Through the assistance of Eximbank's professional underwriters, SMEs can understand the credit status of their buyers. Eximbank provides credit ratings and limits for the applications of overseas importers with a credit line below NT$4 million to facilitate the acquisition of export insurance quotas for SMEs and hedge default risks.
2. Eximbank provides preferential conditions in the form of Export Credit Insurance for Small and Medium Enterprises and GlobalSure Credit Insurance to serve as an efficient instrument to help SMEs expand exports. This has been very popular with SMEs.

### (11) Improving services to the machinery industry to assist its distribution of export markets

The quality of machinery manufactured in Taiwan is on par with that produced in Japan and Germany, yet its competitive price makes it popular among foreign buyers. Eximbank offers a variety of services to assist in the export of machinery from Taiwan to create multiple effects of industries and resultant new employment opportunities in Taiwan.

### (12) Stepping up market intelligence gathering by representative offices abroad

Eximbank's representative offices in Warsaw, Sao Paulo, and Jakarta have been taking a proactive approach in collecting market intelligence regarding Eastern Europe, South America, and Southeast Asia. Eximbank's website is available to exporters as a sentinel for Taiwanese SMEs.

*President Sheng-Yann Lii (right) assumed his new post.*

# III. Bank Profile

## 1. Profile

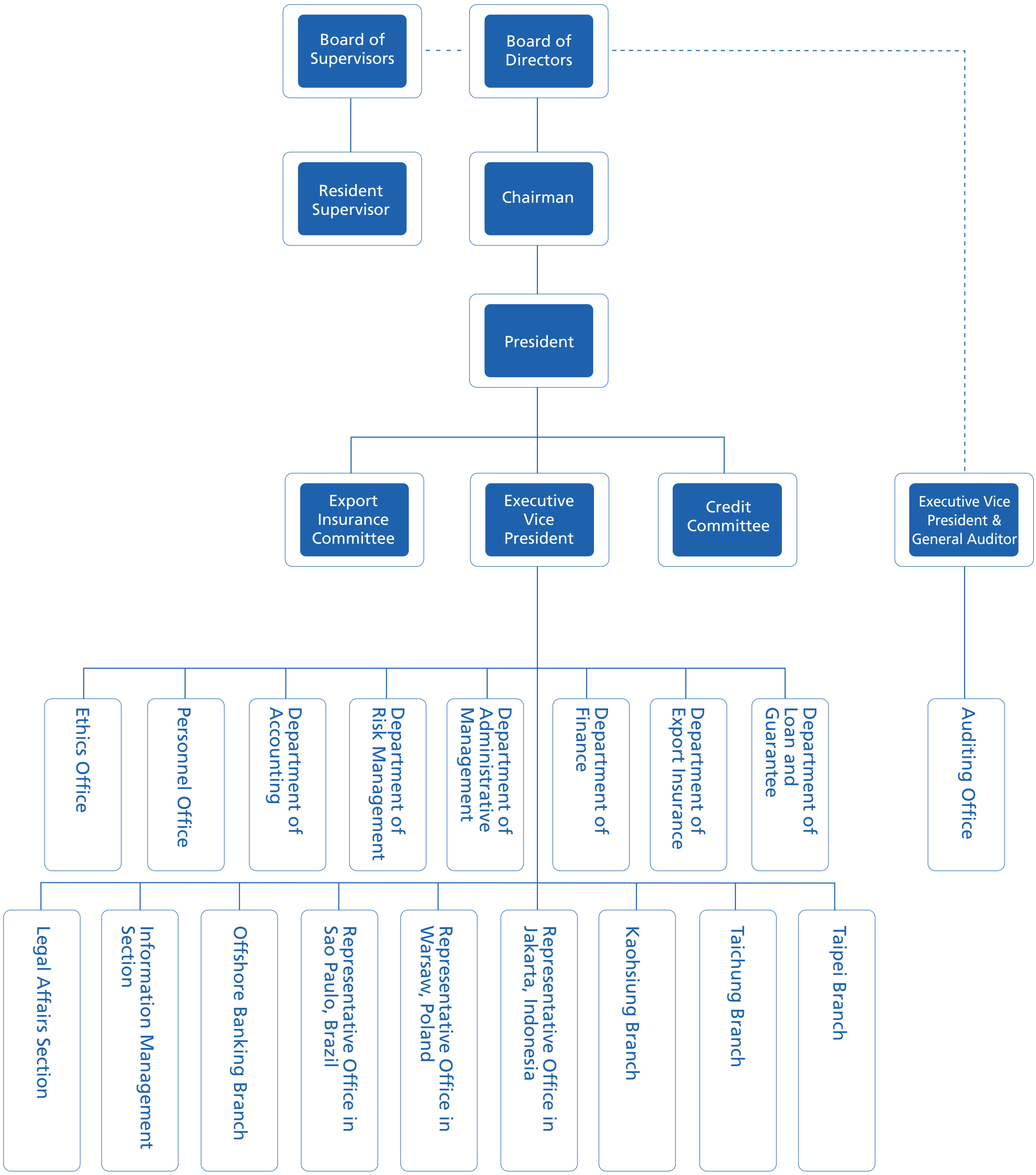
The Export-Import Bank of the Republic of China, pursuant to the provisions of the Export-Import Bank of the Republic of China Act, was founded in January, 1979 as a state-owned specialized bank for export and import credits. Supervised by the Ministry of Finance, its mission is to "promote export trade and develop the economy." Eximbank offers a variety of medium- and long-term export and import loans, guarantees, and export credit insurance offerings. Eximbank's main objective is to work in coordination with government economic and trade policies to provide banking services to manufacturers, so as to assist them to expand their export markets and overseas investments and encourage international cooperation to ensure the steady and continuous development of Taiwan's economy.

To better serve businesses, Eximbank has established branch offices in Kaohsiung, Taichung, and Taipei as well as overseas representative offices in Jakarta in Indonesia, Warsaw in Poland, and Sao Paulo in Brazil.


*Seminar on Business Opportunities in Latin America (Peru, Colombia) organized by Eximbank.*

# 2. Organization

## (1) Organizational Chart



## BOARD

Pauline Fu

Chair & Managing Director

Sheng-Yann Lii

Managing Director

Hau-Min Chu

Managing Director

Chih-Peng Huang

Director

Zion Kao

Director

Chang-Nam Lo

Resident Supervisor

A-Ting Chou

Director

Andy H. M. Chen

Director

Shyan-Yang Chou

Supervisor

## (2) Directors and Supervisors

| Board of Directors | | Board of Supervisors | |
|---|---|---|---|
| Pauline Fu | Chair & Managing Director | Chang-Nam Lo | Resident Supervisor |
| Sheng-Yann Lii | Managing Director | Shyan-Yang Chou | Supervisor |
| Hau-Min Chu | Managing Director | | |
| Chih-Peng Huang | Director | | |
| A-Ting Chou | Director | | |
| Zion Kao | Director | | |
| Andy H. M. Chen | Director | | |

Notes : 1. Mr. Sheng-Yann Lii took over as Managing Director of the Board of Eximbank on October 24, 2006. Mr. Ching-Nain Tsai, the previous Managing Director of the Board, was appointed Director-General of the Ministry of Finance's National Treasury Agency.

2. Ms. Pauline Fu, the previous Chair & Managing Director of the Board, was retired on July 1, 2007. Mr. Sheng-Yann Lii took over as Chairman & Managing Director of the Board of Eximbank on August 7, 2007.

## (3) Principal Managers and General Auditor

| Name | Title |
|---|---|
| Sheng-Yann Lii | President |
| Charles C.C. Wang | Executive Vice President |
| Robert R.F. Chu | Executive Vice President |
| Kuo-Dah Lih | Executive Vice President & General Auditor |
| Shui-Yung Lin | Senior Vice President & General Manager Department of Loan & Guarantee |
| Mark P.S. Tai | Senior Vice President & General Manager Department of Export Insurance |
| Hong-Ru Lin | Vice President & Acting General Manager Department of Finance & Offshore Banking Branch |
| Ching-Fen Chien | Senior Vice President & General Manager Department of Risk Management |
| Hui-Mei Chen | Acting General Manager Department of Accounting |
| Robert C.F. Young | Senior Vice President & General Manager Department of Administrative Management |
| Tung-Meng Lin | Senior Vice President & General Manager Personnel Office |
| Yun-Hsu Lee | Senior Vice President & General Manager Ethics Office |

Notes : 1. Mr. Sheng-Yann Lii took over as President of Eximbank on October 24, 2006.

2. Mr. Sheng-Yann Lii took over as Chairman & Managing Director of the Board of Eximbank on August 7, 2007. Mr. Ming-Jen Chen took over as President of Eximbank.

# IV. Status of Operations

## 1. Scope of Business

Snapshot of operations in 2006

NT$ Millions

| Item | Amount | Growth Rate |
|---|---|---|
| Loans (avg. balance) | 64,623 | -15.53% |
| Guarantees | 5,634 | 20.82% |
| Export Credit Insurance | 34,420 | 16.49% |

### (1) Loans

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

In 2006, the loans granted by Eximbank (avg. balance) totaled NT$64.62 billion, 15.53% down from the previous year.

In 2006, Eximbank's loan structure consisted of mainly medium- and long-term loans, which totaled (avg. balance) NT$57.42 billion, accounting for 88.86% of all loans.

### (2) Guarantees

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

Guarantees for 2006 totaled NT$5.63 billion, an increase of 20.82% over the previous year.

### (3) Export Credit Insurance

The export credit insurance offered by Eximbank include Comprehensive Export Credit Insurance for D/P and D/A, Comprehensive Export Credit Insurance for Open Accounts, Export Credit Insurance for Small and Medium Enterprises, Export Credit Insurance for L/C, Medium- and Long-term Deferred Payment Insurance, Overseas Investment Insurance, Export Credit Insurance for Offshore Account Receivable, and GlobalSure Credit Insurance.

Export Credit Insurance for 2006 totaled NT$34.42 billion, an increase of 16.49% over the previous year.

# 2. Market Conditions

## (1) Domestic and Global Conditions

As a knowledge-intensive industry with a large production value, the financial service has become one of the key service industries on the development agenda in Taiwan. For more than a decade, Taiwan has seen substantial changes in regard to its perceptions of the financial industry and attitude toward legislation. This has served to spur changes in the banking system, as evidenced especially by the rapid integration of the financial industry.

The government has been pushing for financial reforms by requiring domestic banks to write off nonperforming loans at significant amounts, in order to gradually bring down the NPL ratio of the industry as a whole. Furthermore, the comeback of the stock market and the recovery of the housing market from the trough have also contributed to the improvement of the health of the banking industry. Thus foreign investors came to seek M&A opportunities. They began investing in banks and acquiring financial institutions in Taiwan. As a result of a flurry of mergers and acquisitions as well as strategic alliances, the financial landscape and system, both in Taiwan and abroad, have been undergoing substantial change and restructuring. As a result, the levels of uncertainty in the industry also increased.

Furthermore, the consumer banking market contracted in the wake of Taiwan's credit and cash cards crises, and interest hikes by the Central Bank shrank the spread in car and housing loans. As a result, banks focused en masse on institutional banking to recoup their profits. This brought about intensive competition in corporate banking.

Following the first stage of financial reforms with a focus on addressing problems and strengthening the legal environment within which banks operate, the Taiwanese government initiates the second stage of financial reforms in response to international banking trends and domestic economic development conditions. The second stage of financial reforms aims to create a mature, efficient and superior environment by encouraging the diversification of financial products and the globalization of financial services. The vision sees Taiwan as a regional center with its highly competitive financial service industry.

Furthermore, the New Basel Capital Adequacy Accord, effective in January, 2007, is to enhance transparency of banking institutions and partially replace the role of the government with market forces. It is to bring oversight and checking functions into full play, and control risks in the highly competitive banking industry. Naturally, the reform has a huge impact on financial institutions. Such issues as to how to build a sound risk management mechanism, correctly assess credit, market and operational risks, and complete the integration and construction of information systems are all putting into the test the capabilities of relevant personnel in various financial institutions.

## (2) Taiwan's Credit Market

In 2006, the price of international crude oil continued to climb against a geopolitical backdrop of uncertainties and the prices of raw materials were also relatively high, but the global economy continued to grow steadily. During the first half of 2006 in Taiwan, despite a slump in the nongovernmental spending and investment, the economy grew at 4.74%, propped up solely by strong exports. This unbalanced scenario persisted throughout the second half of the year. Economic growth for the entire year stood at about 4.11%.

Continued investment by foreign investors kept the liquidity of the New Taiwan Dollars at a high level. Businesses raised funds by issuing notes and commercial papers. At the same time, faced with the impact of the card debt crisis, commercial banks transferred their lending funds to corporate banking. Coupled with another decline in investment by businesses, the market saw increasingly intense competition. As Eximbank can only be engaged in trade-related corporate banking, it suffered from a decline in spreads and a shrinkage in market size. Furthermore, due to the high liquidity of the money market, borrowers raised funds by issuing commercial papers to save funding costs. As a result, Eximbank saw a large amount of early repayments of medium- and long-term loans.

## (3) Export Credit Insurance Market

Despite such unfavorable factors as substantial increases in the prices of international crude oil and raw materials as well as the tightening of monetary policies by major central banks around the world in 2006, the continued global economic expansion drove the growth of Taiwan's external trade. In 2006, the value of foreign orders grew 16% to reach US$426.7 billion. The total value of exports grew by 12% to US$224 billion, while the total value of imports increased by 11% to US$202.7 billion. The trade surplus increased by 34% to US$21.3 billion. The total volume of trade reached a record high of US$420 billion. The United States was the destination with the largest number of orders, accounting for 26% of the total of foreign trade volume. As to markets that Taiwan targeted for expanding trade, trade with South Africa increased the most by 27%. The largest and second largest regions for Eximbank export credit insurance in 2006 were Europe (excluding Eastern Europe) and North America. Africa showed the largest growth of 65%. The figures indicate that the growth of export credit insurance was in line with economic and trade development trends because export credit insurance allows exporters to mitigate trade credit risks. The growth rates of insurance extended by Eximbank in other regions, such as Eastern Europe and the Middle East, were between 28% and 42%. All the statistics demonstrated Eximbank's timely assistance to Taiwanese exporters in developing export activities in emerging markets, to achieve the strategic goal of promoting globalization for Taiwan and spreading exports among various markets.

Eximbank will continue to operate in coordination with the government's economic and trade policies by providing export credit insurance services that meet the needs of customers. Meanwhile, it will strive to simplify procedures required to take out insurance policies and reduce costs to customers to help them gain a competitive edge on the international market.


*Seminar on Taking Advantage of Opportunities to Expand Global Markets organized by Eximbank.*

# V. Financial Statement

## Balance Sheet

NT$ Thousands

| Item | Notes | December 31, 2006 Amount | December 31, 2005 Amount | Percentage of Change(%) |
|---|---|---|---|---|
| ASSETS | | 72,764,573 | 78,834,282 | -7.70 |
| Cash and Cash Equivalents | Note 5 (1) | 1,972,450 | 60,701 | 3149.45 |
| Due from Banks | | 547 | 1 | 54600.00 |
| Financial Assets at Fair Value through Income Statement | Note 5 (2) | 8,064,811 | 8,385,007 | -3.82 |
| R/S of Investments in Marketable Securities | | | 184,863 | -100.00 |
| Receivables – Net | Note 5 (3) | 764,615 | 767,766 | -0.41 |
| Discounts and Loans – Net | Note 5 (4) | 61,284,124 | 68,701,568 | -10.80 |
| Fixed Assets – Net | Note 5 (5) | 493,422 | 499,102 | -1.14 |
| Intangible Assets – Net | | 29,400 | 57,142 | -48.55 |
| Other Financial Assets – Net | Note 5 (6) | 109,236 | 108,045 | 1.10 |
| Other Assets – Net | Note 5 (7) | 45,968 | 70,087 | -34.41 |
| TOTAL ASSETS | | 72,764,573 | 78,834,282 | -7.70 |
| LIABILITIES | | 54,874,356 | 61,130,387 | -10.23 |
| Due to Banks | | 18,660,783 | 9,076,669 | 105.59 |
| Payables | Note 5 (8) | 289,147 | 369,168 | -21.68 |
| Financial Liabilities at Fair Value through Income Statement | Note 5 (9) | 6,954,473 | 7,500,000 | -7.27 |
| Borrowed from Banks | Note 5 (10) | 25,662,484 | 41,001,746 | -37.41 |
| Bonds Payable | | 500,000 | 500,000 | |
| Accrued Pension Liabilities | | 28,172 | 29,057 | -3.05 |
| Other Financial Liabilities | | 1,085,257 | 1,035,380 | 4.82 |
| Other Liabilities | Note 5 (11) | 1,694,040 | 1,618,367 | 4.68 |
| TOTAL LIABILITIES | | 54,874,356 | 61,130,387 | -10.23 |
| EQUITY | | 17,890,217 | 17,703,895 | 1.05 |
| Capital | | 12,000,000 | 12,000,000 | |
| Retained Earnings | | 5,086,187 | 4,895,851 | 3.89 |
| Legal Reserve | | 5,086,187 | 4,895,851 | 3.89 |
| Other Equity | | 804,030 | 808,044 | -0.50 |
| Revaluation Increments | | 118,819 | 118,819 | |
| Cumulative Effect of Changes in Accounting Principles | | 685,211 | 689,225 | -0.58 |
| TOTAL EQUITY | | 17,890,217 | 17,703,895 | 1.05 |
| TOTAL LIABILITIES AND EQUITY | | 72,764,573 | 78,834,282 | -7.70 |

Notes: 1. The disclosure of major contingencies or commitments:
(1) Loan commitments that customers have yet to draw upon totaled NT$7,612,719 thousands.
(2) Various guaranteed payments totaled NT$5,160,221 thousands.

2. Since 2006, accounting of financial products has been calculated in accordance with Gazette No. 34 of the Statements of Financial Accounting Standards. The figures for 2005 are presented with the account titles reclassified.

3. The final accounts of FY2006 is still subject to audit.

4. December 31, 2006, US$1 = NT$32.65.
December 31, 2005, US$1 = NT$32.86.

# Income Statement

NT$ Thousands

| Item | Notes | January 1, 2006~ December 31, 2006 | | January 1, 2005~ December 31, 2005 | | Percentage of Change(%) |
|---|---|---|---|---|---|---|
| | | Subtotal | Total | Subtotal | Total | |
| Interest Revenue | | 3,052,470 | | 2,798,995 | | 9.06 |
| Minus: Interest Expense | | 2,029,411 | | 1,857,846 | | 9.23 |
| Net Interest Revenue | | | 1,023,059 | | 941,149 | 8.70 |
| Net Revenue Excluding Interest | | | 49,679 | | 112,963 | -56.02 |
| Net Commissions and Fees | Note 5 (12) | 41,049 | | 26,892 | | 52.64 |
| Financial Assets and Liabilities at Fair Value through Income Statement | Note 5 (13) | -22,925 | | 65,258 | | -135.13 |
| Foreign Exchange Gains or Losses | | 3,638 | | -1,436 | | -353.34 |
| Gains / Losses due to the reversal and recognition of Asset Impairment | | | | | | |
| Other Net Gains / Losses Excluding Interest | Note 5 (14) | 27,917 | | 22,249 | | 25.48 |
| Net Revenue | | | 1,072,738 | | 1,054,112 | 1.77 |
| Bad Debt Expenses | | | 73,554 | | 23,043 | 219.20 |
| Operating Expenses | | | 509,448 | | 520,834 | -2.19 |
| Personnel Expenses | | 364,266 | | 367,104 | | -0.77 |
| Depreciation and Amortization | | 51,389 | | 51,978 | | -1.13 |
| Other Operating and Administrative Expenses | | 93,793 | | 101,752 | | -7.82 |
| Net Income before Tax | | | 489,736 | | 510,235 | -4.02 |
| Income Tax | | | -64,602 | | -55,160 | 17.12 |
| Net Income after Tax | | | 425,134 | | 455,075 | -6.58 |
| Cumulative Effect of Changes in Accounting Principles | | | 50,707 | | | |
| Net Income | | | 475,841 | | 455,075 | 4.56 |

Notes: 1. Since 2006, accounting of financial products has been calculated in accordance with Gazette No. 34 of the Statements of Financial Accounting Standards. The figures for 2005 are presented with the account titles reclassified.

2. The final accounts of FY2006 is still subject to audit.

# Cash Flow Statement

NT$ Thousands

| Item | January 1, 2006 ~ December 31, 2006 | | January 1, 2005 ~ December 31, 2005 | |
|---|---|---|---|---|
| | Subtotal | Total | Subtotal | Total |
| Cash Flows from Operating Activities | | 400,436 | | 242,268 |
| Net Income (Loss) | | 475,841 | | 455,075 |
| Adjustments | | -75,405 | | -212,807 |
| Gains, Losses, and other Adjustments that Did Not Impact Cash Flow | | 48,100 | | 127,063 |
| Depreciation and Amortization | 51,389 | | 51,978 | |
| Expenses for Uncollectible Accounts | 73,554 | | 23,043 | |
| Loss (Profits) from Disposal of Assets | 8,188 | | 1,025 | |
| Other Adjustments | -85,031 | | 51,017 | |
| Decrease (increase) in Operating Assets | | -98,199 | | -376,299 |
| Decrease (increase) in Receivables | 3,151 | | -426,604 | |
| Decrease (increase) in Deferred Income Tax Assets | 26,480 | | 41,180 | |
| Decrease (increase) in Financial Assets at Fair Value through Income Statement | -123,143 | | 6,385 | |
| Decrease (increase) in Other Financial Assets | -1,190 | | -184 | |
| Decrease (increase) in Other Assets | -3,497 | | 2,924 | |
| Increase (decrease) in Operating Liabilities | | -25,306 | | 36,429 |
| Increase (decrease) in Payables | -80,021 | | 36,601 | |
| Increase (decrease) in Financial Liabilities at Fair Value through Income Statement | 42,114 | | | |
| Increase (decrease) in Deferred Income Tax Liabilities | 12,212 | | | |
| Increase (decrease) in Other Liabilities | 389 | | -172 | |
| Net Cash Inflow (Outflow) from Operating Activities | | 400,436 | | 242,268 |
| Cash Flows from Investing Activities | | 7,590,127 | | 14,954,684 |
| Decrease (increase) in Discounts and Loans | 7,336,844 | | 14,758,125 | |
| Increase (decrease) in Other Financial Assets | 271,601 | | 226,411 | |
| Decrease (increase) in Other Assets | -18,318 | | -29,852 | |
| Net Cash Inflow (Outflow) from Investing Activities | | 7,590,127 | | 14,954,684 |
| Cash Flows from Financing Activities | | -6,436,448 | | -19,873,233 |
| Increase (decrease) in Due to Banks | 9,584,113 | | 1,740,697 | |
| Increase (decrease) in Borrowed from Banks | -15,339,263 | | -16,905,756 | |
| Increase (decrease) in Financial Debentures Payable | | | -2,332,000 | |
| Increase (decrease) in Long-term Liabilities | -913 | | | |
| Increase (decrease) in Other Financial Liabilities | -450,122 | | -2,102,953 | |
| Increase (decrease) in Other Liabilities | 37,038 | | 1,491 | |
| Cash Dividends | -267,301 | | -274,712 | |
| Net Cash Inflow (Outflow) from Financing Activities | | -6,436,448 | | -19,873,233 |
| Foreign Exchange Adjustments | | 8,180 | | 1,724 |
| Increase (decrease) in Cash and Cash Equivalents | | 1,562,295 | | -4,674,557 |
| Cash and Cash Equivalents at Beginning of Year | | 8,360,702 | | 13,035,259 |
| Cash and Cash Equivalents at End of Year | | 9,922,997 | | 8,360,702 |

# Statements of Changes in Equity
# 2006 and January 1~December 31, 2005

NT$ Thousands

| Item | Capital | Retained Earnings | | Equity Adjustments | | Total |
|---|---|---|---|---|---|---|
| | | Legal Surplus | Accumulated Earnings | Cumulative Translation Adjustment | Unrealized Revaluation Increments | |
| Balance, January 1, 2005 | 12,000,000 | 4,713,821 | | 517,577 | 92,619 | 17,324,017 |
| Costs for Reassessing Land | | | | | 26,200 | 26,200 |
| Provision for Legal Surplus | | 182,030 | -182,030 | | | |
| Cash and Cash Dividends Appropriated | | | -273,045 | | | -273,045 |
| Net Income for FY2005 | | | 455,075 | | | 455,075 |
| Changes in Cumulative Translation Adjustments | | | | 171,648 | | 171,648 |
| Balance, December 31, 2005 | 12,000,000 | 4,895,851 | | 689,225 | 118,819 | 17,703,895 |
| Provision for Legal Surplus | | 190,336 | -190,336 | | | |
| Cash and Cash Dividends Appropriated | | | -285,505 | | | -285,505 |
| Net Income for FY2006 | | | 475,841 | | | 475,841 |
| Changes in Cumulative Translation Adjustments | | | | -4,014 | | -4,014 |
| Balance, December 31, 2006 | 12,000,000 | 5,086,187 | | 685,211 | 118,819 | 17,890,217 |

# Financial Analysis

NT$ Thousands; %

| Item | | 2006 | 2005 |
| --- | --- | --- | --- |
| Operating Ability | Interest Revenue to Average Total Loans Balance | 4.72% | 3.66% |
| | Total Assets Turnover (number of times) | 1.47 | 1.34 |
| | Average Operating Revenue per Employee | 5,284 | 5,142 |
| | Average Profit per Employee | 2,344 | 2,220 |
| Profitability | Return on Tier 1 Capital | 2.77% | 2.93% |
| | Return on Assets | 0.63% | 0.51% |
| | Return on Equity | 2.67% | 2.60% |
| | Net Profit Margin | 44.36% | 43.17% |
| | Earnings Per Share (NT$ dollars) | 0.40 | 0.38 |
| Rates of Growth | Asset Growth | -7.70% | -19.48% |
| | Profit Growth | -4.02% | -17.12% |
| Liquid Reserves Ratio | | 89.97% | 216.42% |
| Operating Scale | Market Share of Asset (%) | 0.26% | 0.25% |
| | Market Share of Net Worth (%) | 1.04% | 0.94% |
| | Market Share of Loans (%) | 0.37% | 0.18% |

1. The 2006 Interest Revenue Ratio was higher than that of 2006 mainly due to interest rate hikes in 2006.
2. The 2006 Total Asset Turnover was higher than that of 2005 mainly due to the decrease in Total Assets.
3. The 2006 Asset Growth Rate experienced negative growth over that of 2005 mainly due to the decrease in Loan Balance in 2006.
4. The 2006 Profit Growth Rate experienced negative growth over that of 2005 mainly due to the decrease in Income Before Income Tax in 2006.
5. The 2006 Liquidity Reserve Ratio experienced negative growth over that of 2005 mainly due to increases of various liabilities in reserves appropriated for various types of deposits in 2006.

Note: The final accounts of FY2006 is still subject to audit.

# Financial Formulae

## 1. Operating Ability

(1) Interest Revenue to Average Total Loans Balance = Total Interest Revenue / Average Annual Total Loans

(2) Total Assets Turnover = Net Revenue / Total Assets

(3) Average Operating Revenue per Employee = Net Revenue / Number of Employees

(4) Average Profit per Employee = Net Income after Tax / Number of Employees

## 2. Profitability

(1) Return on Tier 1 Capital = Net Income before Tax / Average Tier 1 Total Capital

(2) Return on Assets = Net Income / Average Assets

(3) Return on Equity = Net Income / Average Equity

(4) Net Income Margin = Net Income / Net Revenue

(5) Earnings per Share = (Net Income – Dividends from Preferred Stocks) / Weighted Average Outstanding Shares

## 3. Growth Rate

(1) Asset Growth = (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

**4. Liquid Reserves Ratio** = Central Bank Stipulated Liquid Assets / Reserves Appropriated for Various Types of Liabilities

## 5. Operating Scale

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

(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 Loan / Total Loans of All Financial Institutions Available for Deposits and Loans

## Notes:

1. Liabilities exclude guarantee liabilities reserve, reserve for losses on sale of securities purchased, reserve for default loss, and contingency reserve.
2. All financial institutions able to offer deposits / loans businesses include local banks, foreign bank branches in Taiwan, credit unions, credit departments of farmers' and fishermen's associations and investment & trust companies.
3. Eximbank is not a company organization. Eximbank's shares are denominated as NT$10 per share on a pro forma basis.

# Capital Adequacy

NT$ Thousands; %

| Item | | | 2006 | 2005 |
|---|---|---|---|---|
| Capital | Tier 1 Capital | Common Stocks | 12,000,000 | 12,000,000 |
| | | Perpetual Non – Cumulative Preferred Stocks | | |
| | | Perpetual Hybrid Cumulative Bond | | |
| | | Capital Collected in Advance | | |
| | | Capital Reserve (Excluding Fixed Assets Appraisal Surplus) | | |
| | | Legal Reserve | 5,086,187 | 4,895,866 |
| | | Special Reserve | | |
| | | Accumulated Profit or Loss | | |
| | | Minority Interest | | |
| | | Other Items under Shareholder's Equity | 685,212 | 689,226 |
| | | Minus: Goodwill | | |
| | | Minus: Unamortized Loss on Sale of Non – performing Loans | | |
| | | Minus: Capital Deductions | 51,250 | 51,250 |
| | | Total Tier 1 Capital | 17,720,149 | 17,533,842 |
| | Tier 2 Capital | Perpetual Cumulative Preferred Stocks | | |
| | | Perpetual Hybrid Cumulative Subordinated Bonds | | |
| | | Fixed Assets Appraisal Surplus | 118,819 | 118,819 |
| | | 45% of Unrealized Financial Assets Available – for – sale | | |
| | | Convertible Bonds | | |
| | | Operating Reserves and Allowance for Uncollectible Accounts | 467,247 | 402,246 |
| | | Long – term Subordinated Bonds | | |
| | | Not Perpetual Preferred Stocks | | |
| | | Total of Perpetual Non – Cumulative Preferred Stocks and Perpetual Sub – Debt Non – Cumulative Bonds Exceeding Tier 1 Total Capitalization by 15%. | | |
| | | Minus: Capital Deductions | 51,250 | 51,250 |
| | | Total Tier 2 Capital | 534,816 | 469,815 |
| | Tier 3 Capital | Short – term Subordinated Bonds | | |
| | | Non – Perpetual Preferred Stocks | | |
| | | Total Tier 3 Capital | | |
| | Capital | | 18,254,965 | 18,003,657 |

| Item | | | 2006 | 2005 |
|---|---|---|---|---|
| Weighted Risk Assets | Credit Risks | Standard Approach | 37,379,795 | 32,179,694 |
| | | Internal – Rating Based Approach | | |
| | | Asset Securitization | | |
| | Operation Risks | Basic Indicator Approach | | |
| | | Standard Approach / Selective Standard Approach | | |
| | | Advanced Measurement Approaches | | |
| | Market Risks | Standard Approach | 7,328,300 | 6,149,737 |
| | | Internal Model Method | | |
| | Total Weighted Risk Assets | | 44,708,095 | 38,329,431 |
| Capital Adequacy Ratio | | | 40.83% | 46.97% |
| Tier I Capital to Risk Assets Ratio | | | 39.63% | 45.74% |
| Tier 2 Capital to Risk Assets Ratio | | | 1.20% | 1.23% |
| Tier 3 Capital to Risk Assets Ratio | | | | |
| Common Stock to Total Asset Ratio | | | 16.49% | 15.22% |

Note: Capital and Weighted Risk Assets have been filled in this form in accordance with the regulations stipulated in Capital Adequacy Standards for Banks and the Instructions and Form for Bank Capital and Risk Asset Calculation Method.

Financial Formulas:

1. Capital = Tier 1 Capital + Tier 2 Capital + Tier 3 Capital
2. Total Weighted Risk Assets = Credit Risk Weighted Risk Assets + (Operation Risks + Market Risks) Capital Requirement × 12.5
3. Capital Adequacy Ratio = Capital / Total Weighted Risk Assets
4. Tier I Capital to Risk Assets Ratio = Tier 1 Capital / Total Weighted Risk Assets
5. Tier 2 Capital to Risk Assets Ratio = Tier 2 Capital / Total Weighted Risk Assets
6. Tier 3 Capital to Risk Assets Ratio = Tier 3 Capital / Total Weighted Risk Assets
7. Common Stock to Total Asset Ratio = Common Stock / Total Assets

# Notes to Financial Statements

## Note 1. Summary of Significant Accounting Policies

### (1) Foreign Exchange Administration Policies and Foreign Exchange Conversion Methods Used in Financial Statements

1. Foreign exchange gains or losses on Eximbank's assets or liabilities denominated in foreign currencies are translated into Taiwan dollars at the closing rates as at the balance sheet date. With regard to foreign currency advance to offshore branches as long-term investment for which gains / losses will not be exchanged / realized in the foreseeable future, such exchange gains or losses is recorded in "Cumulative Translation Adjustment" account and treated as an adjustment of owner's equity.


■ *Seminar on Export Credit Insurance: Your Gateway to Selling around the Globe organized by Eximbank.*

2. Conversion of foreign currencies into local currency used in the Financial Statement is based on the rate stipulated in the foreign exchange schedule released by the Central Bank of China.
3. The US$/NT$ exchange rate in the Financial Statements is based on the domestic inter-bank spot rate as of 10:00 a.m. on the balance day (December 29, 2006). The exchange rates for the Japanese yen, the Euro, the Swiss franc, the UK pound sterling, and the Indonesian Rupee are based on the US dollar buying rate of the respective currencies in the international market at 10:00 a.m. on the same balance day. The currencies are calculated using the US$ exchange rate stated above.
4. The conversion rates for Polish zloty and the Brazilian cruzeiro are based on the most recent exchange rates in the international market as quoted in Bloomberg. The Polish zloty and the Brazilian cruzeiro are converted using the US$-NT$ exchange rate.

### (2) Taxes

1. Eximbank's income from export insurance business is exempt from corporate income tax, gross business revenue tax, and stamp tax in accordance with the stipulations of the Ministry of Finance as per correspondence No. 68 (Tai-Tsai-Shui 37537).
2. The alternative minimum tax system is applicable to the corporate income tax for the 2006 financial year. The tax-exempt income of Eximbank's offshore banking branch is calculated as part of basic income under taxation.

### (3) Financial Products

According to regulations governing The Export-Import Bank of the Republic of China Financial Product Accounting Policies, passed by Eximbank's Board of Directors, accounting for spot exchange and derivatives trading is to be performed with trade day accounting; whereas accounting for all other trading is to be performed with settlement day accounting.

Eximbank's financial products are divided into following main categories :

1. Bonds and Short-term Bills Investments for Trading Purpose

   Book value as of closing date was NT$7,978,443,223. To improve the returns on funds utilization, Eximbank invested in such capital markets and money market tools as bonds, commercial papers, and Central Bank negotiable certificates of deposit. These are listed as financial assets with changes in the fair value of listed instruments recognized as gain or loss. The valuation of these financial assets is based on market value assuming there are open and liquid markets for bonds and short-term bills. If there are no open and liquid markets, the fair value will be determined by Eximbank using a discounted free cash flow model. The change in fair value is recognized as a profit or a loss for the period.

2. Long-term Equity Investments

Eximbank invested NT$7 million in the Taipei Forex Incorporation, NT$45.5 million in the Financial Information Service Co., Ltd, NT$50 million in the Taiwan Asset Management Company. Eximbank controls less than 20% of all outstanding shares in each of these companies and as such, has limited influence in them. None of these companies is listed, and there are no open market prices to refer to for fair value. Therefore, these investments are accounted for as financial assets at cost. Subsequent valuations and accounting treatments are based on the cost method.

3. Trading of Financial Derivatives

Eximbank's trade in financial derivatives is carried out to manage relevant assets and liabilities to reduce capital cost and control risks. The subsequent valuations of financial derivatives are based on a valuation model established by Eximbank. The model adopts methods widely used by market investors such as discounted cash flow and option pricing models to determine fair value. The positive fair value as of the closing day for accounts was NT$86,368,088.78, it was recognized as a financial asset. The negative fair value was minus NT$42,114,203, it was recognized as a financial liability. The change in fair value is recognized as a profit or loss for the period.

Details of derivatives that had not matured as of accounting day are as follows：

(1) Interest rates related contracts

Trading Item：Interest rate swaps

Trading Objective：Financial bonds are issued and interest rate swaps are traded to raise low-cost long-term funds at floating rates in order to meet the market demand for NTD-denominated loans offered by Eximbank.

Notational principal：NT$5 billion.

Credit Risks：Eximbank trades with financial institutions with good international credit, so no credit risk is expected.

Market Risk：This is a perfect hedge. The funding cost for financial bonds can be switched to interest rates more favorable to Eximbank. The actual exposure for certain financial bonds that are issued at fixed interest rates can be switched to floating rates in order to reduce interest rate risk.

(2) Exchange Rate related Contracts

Trading Item：Cross currency swaps and FX swap

Trading Objective：Exchange rate contracts are traded in order to meet the requirements of the loan business and to keep abreast of market dynamics for different currencies. Cross currency swaps and swap transactions are aimed at reducing funding costs.

Notational principal：

① Cross currency swaps：The issue of NT$2 billion in financial bonds and the subsequent conversion into US$57,885,000 were aimed at meeting the funding requirements of the loan business.

② FX swaps：Swaps of SELL / BUY US$6,500,000 were traded for the funding requirements of the NTD-denominated and Swiss-franc-denominated loan business.

Credit Risks：Eximbank trades with financial institutions with good international credit, so no credit risk is expected.

Market Risks：Natural hedging is achieved when exchange rate contracts are managed together with USD-denominated loans offered by Eximbank.

4. Designated as Financial Liabilities at Fair Value through Income Statement：

Although the derivatives traded by Eximbank serve as a hedge in the economical sense, they hardly meet with the strict definition of hedging instruments. Therefore, they are regarded as "non-hedging transactions". They are estimated at fair value, and any change in fair value is recognized as a profit or a loss for the period. In order to reduce inconsistencies in accounting estimates and recognitions, the corresponding bonds worth NT$7 billion are recognized as debit entries and their changes in fair value shall also be stated in the income statement. Their subsequent valuation is based on a model established by Eximbank. The model adopts methods widely used by market investors such as discounted cash flow and the option pricing models to determine fair value. (The book value on the day of accounting was NT$6,912,359,000.) The change in fair value is recognized as a profit or a loss for the period.

### (4) Valuation and Depreciation of Fixed Assets

Eximbank's fixed assets include land, buildings, machinery and equipment, transportation vehicles, miscellaneous equipment, and leasehold improvements. Eximbank's land is all carried on the accounts at cost, except for land belonging to the head office, which was revalued in October 2001 and July 2005. All other fixed assets are carried at their original purchase cost less accumulated depreciation with depreciation being calculated with the averaging method.

### (5) Valuation and Amortization of Intangible Assets

Eximbank's intangible assets are mainly computer software, which is amortized over its useful life based on the averaging method.

### (6) Employee Pension Plan and Retirement Fund Cost

The financial industry in Taiwan was brought under the scope of the Labor Standards Law in May 1997. An amount equal to 15% of annual salary of staff in Eximbank's head office and domestic branches is allocated annually for the "Pension and Employee Termination Fund" as stipulated by the "Regulations Governing the Allocation and Management of Labor Pension Fund," and under the review and approval of the Bureau of Labor Affairs, Taipei Municipal Government. The allocation for Eximbank's expatriates is based on domestic pay scales. Contributions to staff are administered by Eximbank's "Retirement Fund Supervisory Committee". Contributions to non-staff employees and security guards are deposited into an account with the Central Trust of China in the name of "Eximbank Labors' Pension Monitoring Committee". For those non-staff employees selecting new pension option, Eximbank contributes an amount equal to 6% of monthly salaries which is deposited into the employees' personal pension accounts with Bureau of Labor Insurance. The contributions of local employees hired by ROC overseas representative offices are to be incorporated into Eximbank's accrued pension liabilities in accordance with local regulations.

### (7) Income Recognitions

Except financial products stated in (3), all recognitions of Eximbank's income are on the accrual basis.

### (8) Differentiation of Capital Expenditures and Expenses

Expenditures which exceed NT$10,000 and have a 2-year (or longer) economic life are recognized as assets. Other expenditures are entered as expenses.

### (9) Disposal of Fixed Assets

Losses from disposal of assets arise from assets retirement, which are treated as non-operating expenses.

### (10) Allowances for Non-Performing Loans

Credit assets are rated and classified into five categories in accordance with the borrower's creditworthiness, loan collateral status, and collection probability. (The 1st category are the loans with no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credit risk; the 2nd category are the loans that ought to be watched carefully; the 3rd category are the loans which may be fully collected; the 4th category are the loans with collection difficulty; the 5th category are the loans with no hope of collection.) The allowances ratio for non-performing loans is calculated based on the collateral status for various loan categories and the probability of collection. (The provision for non-performing loans is 2% for the 2nd category, 10% for the 3rd category, 50% for the 4th category, and 100% for the 5th category.)

### (11) Reserves for Operating and Contingent Liabilities

1. The provision for all guarantees provided to state-owned enterprises in the R.O.C. is set at 0.4% of the outstanding balance. The provision for all other guarantees is set at 0.8% of the outstanding balance.
2. Allowances for "Pending Claims Reserve," "Special Claims Reserve," "Unearned Premium Reserve," and "Export Insurance Reserve" are determined based on relevant regulations. The "Export Insurance Reserve" includes allocations from the Ministry of Finance and the Board of Foreign Trade of the Ministry of Economic Affairs in this fiscal year.

### (12) Reverse Repo Notes

Transactions of reverse repo notes are dealt with under the financing method. The purchase is recognized as an investment in marketable reverse repo securities. The gain from the sale is recognized as interest income.

## Note 2. Reasons for changes in accounting and their influence on the financial statement

(1) 2006 was the first year in which Taiwan's SFAS (Statement of Financial Accounting Standards) No. 34, "Accounting for Financial Instruments", and No. 36, "Disclosure and Presentation of Financial Instruments" were adopted. The accounts on the financial statement from the year before (2005) were reclassified in accordance with relevant regulations.

(2) The short-term investments listed in 2005 were reclassified as assets whose changes in fair value are recognized as profits or losses. The original valuation using the lower of cost or market method was also changed to the fair value basis in 2006.

(3) The accumulated effect due to changes in the previous accounting principles amounted to NT$50,706,807.54 (after tax) in 2006.

## Note 3. Important Commitments and Contingency Liabilities

(1) Assets under trust, agency, and guarantee (liabilities) totaling NT$7,593,439,147.07, including NT$5,160,220,727.12 in receivables under guarantee, NT$869,085,469.53 in custodial collections receivable and NT$1,564,132,950.42 in joint loans receivable (memo accounts), are not listed in the balance sheet. Separate notes are provided.

(2) No short-term payable (receivable) bills.

(3) Non-disbursed loan commitments totaled NT$7,612,718,841.44.

## Note 4. Financial Information by Department

In accordance with regulations as stipulated in Accounting Standard Communique No. 20, Eximbank is not a public company and as such, is not required to disclose financial information by department.

*Eximbank participates in syndicated loan for Chang Bing Show Chwan Memorial Hospital.*

## Note 5. Details of Significant Accounts (NT$ Thousands)

### 1. Cash and Cash Equivalents

| Item / Date | Dec. 31, 2006 | Dec. 31, 2005 |
|---|---|---|
| Cash | 862 | 381 |
| Cash on Hand | 11 | 20 |
| Petty Cash and Revolving Funds | 278 | 277 |
| Checks for Clearance | 573 | 84 |
| Due from Banks | 1,971,588 | 60,319 |
| Total | 1,972,450 | 60,701 |

### 2. Financial Assets at Fair Value through Income Statement

| Item / Date | Dec. 31, 2006 | Dec. 31, 2005 |
|---|---|---|
| Financial Assets at Fair Value through Income Statement – Current | 7,950,000 | 8,393,338 |
| Adjustments for Change in Fair Value of Financial Assets through Income Statement – Current | 114,811 | -8,331 |
| Total | 8,064,811 | 8,385,007 |

### 3. Receivables – Net

| Item / Date | Dec. 31, 2006 | Dec. 31, 2005 |
|---|---|---|
| Earned Revenue Receivable | 2,044 | 19,780 |
| Accounts Receivable | 134 | 3,322 |
| Income Tax Refund Receivable | 15,442 | 15,442 |
| Interests Receivable | 753,038 | 535,955 |
| Premiums Receivable | 13 | 12 |
| Claims Recoverable from Reinsurers | 390 | 422 |
| Other Receivables | 36 | 197,108 |
| Total | 771,097 | 772,041 |
| Allowance for Uncollectible Accounts | -6,482 | -4,275 |
| Net Amount | 764,615 | 767,766 |

## 4. Discounts and Loans – Net

| Item / Date | Dec. 31, 2006 | Dec. 31, 2005 |
|---|---|---|
| Short – term Loans | 7,537,708 | 5,193,924 |
| Mid – term Loans | 18,457,681 | 12,640,580 |
| Mid – term Secured Loans | 4,542,521 | 4,334,519 |
| Long – term Loans | 927,179 | 1,004,003 |
| Long – term Secured Loans | 30,247,340 | 45,889,437 |
| Receivables on Demand | 72,190 | 164,107 |
| Total | 61,784,619 | 69,226,570 |
| Allowance for Uncollectible Accounts – Bills Purchased, Discounts, and Loans | -464,061 | -404,094 |
| Allowance for Uncollectible Accounts – Receivables on Demand | -36,434 | -120,908 |
| Net Amount | 61,284,124 | 68,701,568 |

## 5. Fixed Assets – Net

| Item / Date | Dec. 31, 2006 | Dec. 31, 2005 |
|---|---|---|
| Land | 230,374 | 230,374 |
| Land | 80,203 | 80,203 |
| Revaluation Increments – Land | 150,171 | 150,171 |
| Buildings | 230,013 | 235,772 |
| Buildings | 350,926 | 350,699 |
| Accumulated Depreciation – Buildings | -120,913 | -114,927 |
| Machinery & Equipment | 21,736 | 22,103 |
| Machinery & Equipment | 68,564 | 67,493 |
| Accumulated Depreciation – Machinery & Equipment | -46,828 | -45,390 |
| Transportation Equipment | 3,534 | 3,163 |
| Transportation Equipment | 12,011 | 11,305 |
| Accumulated Depreciation – Transportation Equipment | -8,477 | -8,142 |
| Miscellaneous Equipment | 7,765 | 7,690 |
| Miscellaneous Equipment | 26,301 | 26,016 |
| Accumulated Depreciation – Miscellaneous Equipment | -18,536 | -18,326 |
| Leasehold Improvements | | |
| Leasehold Improvements | 1,698 | 1,687 |
| Accumulated Depreciation – Leasehold Improvements | -1,698 | -1,687 |
| Total | 493,422 | 499,102 |

## 6. Other Financial Assets – Net

| Item / Date | Dec. 31, 2006 | Dec. 31, 2005 |
|---|---|---|
| Short – term Advances | 6,736 | 5,545 |
| Long – term Investments | 102,500 | 102,500 |
| Financial Assets at Cost – Non – current | 102,500 | 102,500 |
| Total | 109,236 | 108,045 |

## 7. Other Assets – Net

| Item / Date | Dec. 31, 2006 | Dec. 31, 2005 |
|---|---|---|
| Miscellaneous Assets | 2,817 | 3,973 |
| Refundable Deposits | 1,500 | 2,660 |
| Temporary Payments and Suspense Accounts | 1,317 | 1,313 |
| Deferred Assets | 32,857 | 59,602 |
| Deferred Income Tax Assets | 32,467 | 59,232 |
| Other Deferred Assets | 390 | 370 |
| Prepayments | 9,105 | 5,608 |
| Office Supplies | 105 | 282 |
| Prepaid Expenses | 8,938 | 5,196 |
| Other Prepayments | 62 | 130 |
| Other Current Assets | 1,189 | 904 |
| Deferred Income Tax Assets – Current | 1,189 | 904 |
| Total | 45,968 | 70,087 |

## 8. Payables

| Item / Date | Dec. 31, 2006 | Dec. 31, 2005 |
|---|---|---|
| Notes Payable | 1,359 | 770 |
| Accounts Payable | | 3,315 |
| Collections for Others | 871 | 1,715 |
| Accrued Expenses | 96,944 | 99,438 |
| Tax Payable | 34,212 | 4,210 |
| Reinsurance Benefits Payable | 4,730 | 5,617 |
| Accrued Interest Payable | 104,100 | 144,829 |
| Commissions Payable | 31 | |
| Dividends and Bonuses Payable | 30,456 | 12,253 |
| Insurance Premium Collection Payable | 402 | 621 |
| Other Accounts Payable | 16,042 | 96,400 |
| Total | 289,147 | 369,168 |

## 9. Financial Liabilities at Fair Value through Income Statement

| Item / Date | Dec. 31, 2006 | Dec. 31, 2005 |
|---|---|---|
| Financial Liabilities at Fair Value through Income Statement, Evaluated and Adjusted – Current | 42,114 | |
| Financial Liabilities at Fair Value through Income Statement – Noncurrent | 7,000,000 | 7,500,000 |
| Financial Liabilities at Fair Value through Income Statement, Evaluated and Adjusted – Noncurrent | -87,641 | |
| Total | 6,954,473 | 7,500,000 |

## 10. Borrowed from Banks

| Item \ Date | Dec. 31, 2006 | Dec. 31, 2005 |
|---|---|---|
| Due to Central Bank | 25,369,504 | 40,763,867 |
| Other Dues to Central Bank | 25,369,504 | 40,763,867 |
| Due to other Banks | 292,979 | 237,879 |
| Total | 25,662,483 | 41,001,746 |

## 11. Other Liabilities

| Item \ Date | Dec. 31, 2006 | Dec. 31, 2005 |
|---|---|---|
| Unearned Receipts | 2,198 | 1,809 |
| Unearned Revenues | 1,499 | 620 |
| Unearned Premiums | 699 | 1,189 |
| Other Current Liabilities | 12,212 | |
| Deferred Income Tax Liabilities – Current | 12,212 | |
| Operating and Liability Reserve | 1,592,658 | 1,571,433 |
| Guarantee Liability Reserve | 20,783 | 35,044 |
| Export Insurance Reserve | 1,510,514 | 1,488,407 |
| Unearned Premium Reserve | 10,420 | 7,091 |
| Special Claims Reserve | 34,502 | 28,844 |
| Pending Claims Reserve | 16,439 | 12,047 |
| Miscellaneous Liabilities | 55,620 | 13,773 |
| Refundable Deposits | 2,474 | 2,809 |
| Custody Deposits | 2,068 | 2,117 |
| Temporary Receipts and Suspense Accounts | 51,078 | 8,847 |
| Long – term Liabilities | 31,352 | 31,352 |
| Accrued Liabilities for Land Value Increment Tax | 31,352 | 31,352 |
| Total | 1,694,040 | 1,618,367 |

## 12. Net Income from Commissions and Fees

| Item \ Date | Dec. 31, 2006 | Dec. 31, 2005 |
|---|---|---|
| Revenue from Fees | 47,786 | 36,916 |
| Expenses from Fees | 6,737 | 10,024 |
| Net Amount | 41,049 | 26,892 |

## 13. Financial Assets and Liabilities at Fair Value through Income Statement

| Item / Date | Dec. 31, 2006 | Dec. 31, 2005 |
|---|---|---|
| Gain on Disposal of Financial Assets | 2,303 | 71,466 |
| Loss on Valuation on Financial Assets | 721 | 6,208 |
| Loss on Valuation on Financial Liabilities | 24,507 | |
| Net Amount | -22,925 | 65,258 |

## 14. Other Net Gains /Losses Excluding Interest

| Item / Date | Dec. 31, 2006 | Dec. 31, 2005 |
|---|---|---|
| Other Profits from Sources other than Interest | 130,334 | 145,572 |
| Insurance Premium | 84,700 | 82,083 |
| Reinsurance Commissions | 7,051 | 3,393 |
| Claims Recovered from Reinsurers | 1,767 | 4,556 |
| Recovered Insurance Premiums Reserves | 7,091 | 6,372 |
| Recovered Indeterminate Indemnity Reserves | 12,047 | 11,989 |
| Financial Assets Measured at Cost | 14,831 | 13,040 |
| Other Miscellaneous Revenues | 2,847 | 24,139 |
| Other Losses from Sources other than Interest | 102,417 | 123,323 |
| Insurance Expenses | 49,356 | 56,012 |
| Commission Expenses | 136 | 124 |
| Insurance claims and Payments | 3,731 | 6,458 |
| Provision for Insurance Premiums Reserves | 10,420 | 7,091 |
| Provision for Special Claim Reserves | 5,659 | 2,506 |
| Provision for Indeterminate Indemnity Reserves | 16,439 | 12,047 |
| Provision for Export Insurance Reserves | 26,915 | 24,155 |
| Provision for Guarantee Liabilities Reserves | -14,261 | 13,905 |
| Other Provisions | 2,435 | |
| Losses on Disposed Assets | 1,587 | 1,025 |
| Net Amount | 27,917 | 22,249 |

# VI. Head Office & Branches


### Head Office

8F., No.3, Nanhai Road,
Taipei City 100, Taiwan
Republic of China
Tel: (02) 2321-0511
Fax: (02) 2394-0630
http://www.eximbank.com.tw
e-mail: eximbank@eximbank.com.tw

### Kaohsiung Branch

8F., No.74, Jhongjheng 2nd Road,
Kaohsiung City 802, Taiwan
Tel: (07) 224-1921
Fax: (07) 224-1928
e-mail: kh@eximbank.com.tw

### Taichung Branch

5F., No.1-18, Sec. 2, Taichungkun Road,
Taichung City 407, Taiwan
Tel: (04) 2322-5756
Fax: (04) 2322-5755
e-mail: tc@eximbank.com.tw

### Taipei Branch

2F., Room 2A15, No.5, Sec. 5, Xinyi Road,
Taipei City 110, Taiwan
Tel: (02) 8780-0181
Fax: (02) 2723-5131
e-mail: tb@eximbank.com.tw

### Offshore Banking Branch

7F., No.3, Nanhai Road,
Taipei City 100, Taiwan
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e-mail: obu@eximbank.com.tw

### Representative Office in Jakarta, Indonesia

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Jakarta 10220, Indonesia
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e-mail: juliana@indosat.net.id

### Representative Office in Warsaw, Poland

ul. Postepu 18,
02-676 Warsaw, Poland
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Fax: 4822-874-3583
e-mail: eximwarsaw@exim.it.pl

### Representative Office in Sao Paulo, Brazil

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