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The Export-Import Bank of the Republic of China

Annual Report 2015



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The Export-Import Bank of the Republic of China

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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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TWD Million

Year	FY 2015	FY 2014
Total Operating Revenues	2,052	1,978
Total Operating Expenses	1,566	1,492
Net Income Before Tax	486	486
Profits per Employee Before Tax	2.27	2.38
Loans Outstanding (Average)	96,583	95,553
Guarantees Undertaken	16,287	15,205
Insured Amount of Export Credit Insurance	110,152	100,881
	(December 31, 2015)	(December 31, 2014)
Total Assets	108,512	100,238
Net Equity	20,331	19,792
Capital Adequacy Ratio (%)	25.55	26.31

*The final accounts of FY 2015 are subject to audit.

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

Bank

II Business Report

1. Mission

The Export-Import Bank of the Republic of China (Eximbank) is a specialized financial institution established in accordance with “The Export-Import Bank of the Republic of China Act” . Eximbank's vision is “to strengthen trade finance and assist external trade” . To implement government economic, trade and finance policies, its primary objectives are to provide financial and export credit insurance services, help local firms expand foreign trade in order to enhance employment and maintain domestic economic

growth. Eximbank provides several services on medium and long-term financing and guarantee to help local firms expand exports of capital goods, undertake overseas construction projects, import precision machinery and essential industrial raw materials, and introduce foreign technology into Taiwan, etc., aiming to enhance export competitiveness and promote industrial upgrading. Meanwhile, Eximbank provides export credit insurance and overseas investment insurance to protect local exporters and investors against commercial and political risks. With Eximbank's services, local enterprises can expand external trade.



Chairperson of the Board of Directors
Jong-Yuan Ling

2. Key Operation Strategies and Achievements

Eximbank's average loans outstanding in 2015 was TWD96,583 million, a year-on-year growth rate of 1.08% compared to 2014, and guarantees totaled TWD16,287 million, a year-on-year growth rate of 7.12% compared to 2014. The export credit insurance underwritten by Eximbank was TWD110,152 million, an increase of 9.19% from 2014. A summary of key operation strategies and achievements for 2015 is as follows:

(1) Helping Local Firms Expand Business in Emerging Markets in line with Government Economic, Trade and Finance Policies.

1. To fulfill the task of government's policy on "Goods Export Transformation Action Plan", Eximbank helps Taiwanese manufacturers lay out in RCEP region, open up ASEAN and Indochina markets, and collect economic, financial, industrial and legal information from Southeast Asian countries as reference for manufacturers and economic and trade organizations. Moreover, Eximbank obtained consent from the Financial Supervisory Commission to apply to the Thai authorities for the establishment of Representative Office in Bangkok, and was approved by the Bank of Thailand on March 17, 2015. The Representative Office in Bangkok, Thailand officially opened on December 21 of the same year in order to achieve Eximbank's mission of "promoting export trade and developing the economy".

2. In response to the Government's established policy, Eximbank continued providing sound and complete mechanism of export financing and insurance, supporting financial services which exporters needed, and strengthening export competitiveness for the eleven key expansion markets including Mainland China, India, Vietnam, Indonesia, the United Arab Emirates, Brazil, Egypt, Mexico, Turkey, the United States and Germany, as prescribed by Ministry of Economic Affairs. Eximbank's approved total credit amount in 2015 for export to the key expansion markets is approximately equivalent to TWD11.894 billion, a year-on-year growth rate of 40% compared to TWD 8.502 billion in 2014. The export credit insurance underwritten by Eximbank was more than TWD 60.515 billion; the Bank effectively assisted local firms in expanding export markets.
3. Eximbank actively implemented the work program prescribed by the Ministry of Economic Affairs. Through the niche policies such as export financing, relending facility and export credit insurance, Eximbank helped our manufacturers move forward to the emerging markets to develop business opportunities. The approved export loans for emerging markets accounted for up to 58.05% of Eximbank's total approved export loans; the insured amount of export credit insurance for emerging markets accounted for up to 49.48% of Eximbank's total Export Credit Insurance. Eximbank expanded such business to emerging markets in Southeast Asia, Central and South America, Eastern Europe, East Asia, and South Asia, including Brazil, Colombia, Turkey, India, Bangladesh, Sri Lanka, Singapore, Indonesia, Malaysia, Thailand, Denmark and the Czech Republic, with considerably successful help for enterprises to compete for orders, expand sales, and diversify risks.
4. In line with the government policy, Eximbank offers Relending Facility program to help Taiwan enterprises expand their export markets. It is a bank-to-bank arrangement in which Eximbank extends credit lines to domestic and foreign financial institutions in support of financing their local clients' importation from Taiwan exporters. Eximbank develops Relending Facility mainly in emerging markets. Since the risk is higher in those markets, Taiwanese exporters, who hard to obtain financing from the commercial banks, rely on the relending facility model to boost trade and competitiveness. By the end of 2015, Eximbank had cooperated with banks located in the United States and 23 emerging markets, including Brazil, Chile, the Dominican Republic, Honduras, Nicaragua, Paraguay, Peru, Belarus, Bulgaria, Czech Republic, Kyrgyzstan, Poland, Russia, Turkey, Israel, India, Indonesia, Malaysia, Mongolia, Myanmar, the Philippines, Thailand and Vietnam. It had approved USD718 million in total credit lines to 66 financial institutions around the world. In the future, in order to assist Taiwan manufacturers in export, Eximbank will continue to follow government trade policy and market needs to cooperate with banks located in key expansion markets.

(2) Offering Financial Assistance to Help SMEs Expand Business in Overseas Markets

Approximately 80% of Eximbank's existing export credit insurance clients are SMEs, and the year-on-year insurance underwriting growth is 13.85%. As part of its commitment to service, Eximbank established an "SME export credit insurance service window". It has cooperated with more than 30 international credit agencies over the years to help SMEs assess potential buyers, and has had the credit report analyzed by the professional underwriters to avoid the credit risks associated with international trade. In addition, it uses funds provided by "SME Development

Fund" to actively finance SMEs to help SMEs gain orders and expand export markets. The average balance of loans to SMEs amounted to TWD 7.7 billion by the end of 2015, an increase of TWD 7.4 billion compared with the same period in 2014.

(3) Cooperating with Domestic Economic and Trade Organizations to Promote Export Trade

In order to assist domestic enterprises in expanding exports and improving cooperation with economic and trade organizations, Eximbank renewed a Cooperation Agreement with the Taiwan External Trade Development Council (TAITRA) in 2015. In addition to jointly organizing business promotion activities such as symposiums, deploying representatives to introduce relevant businesses at TAITRA's important exhibitions, Eximbank expanded cooperation with TAITRA by building the contacting mechanisms to exchange business experiences and to share market conditions, in this way, trade and recent financial development could be delivered to enterprises at any time. As Eximbank and TAITRA work closely through the Agreement and cooperation projects to provide relevant export guidance to businesses, Taiwan can raise competitiveness, expand overseas markets and business opportunities, and accelerate domestic economic development.

(4) Actively Participating in International Business Unions to Help Domestic Enterprises Expand Global Markets

Actively participating in international business unions, Eximbank is now a member of world's leading International Union of Export Credit



President
Shui-Yuang Lin

Insurance - the Berne Union. Eximbank attended a spring meeting in Italy and a fall annual meeting in Mainland China of the Berne Union respectively in May and November. The Bank exchanged relevant information and practical experience during the meeting to help enhance knowledge and mutual learning between the Bank and the foreign counterparts, increasing global awareness effectively and simultaneously.

By the end of 2015, the Bank had entered into a cooperation agreement with 18 official export credit agencies such as Poland, the Czech Republic, Hungary, Japan, Slovakia, Turkey, Thailand, Indonesia, Malaysia, Belarus, South Korea, Israel, Mainland China, Sweden, Sri Lanka, Hong Kong, India and Finland, and additionally signed reinsurance contracts with Japan, Indonesia, Sweden, etc., Eximbank assisted Taiwanese enterprises in expanding their business internationally.

(5) Placing Reinsurance to Enhance Eximbank's Export Credit Insurance Capacity

In order to enlarge underwriting capacity and strengthen the foundation of export credit insurance operations, Eximbank renewed a favorable reinsurance contract with the Central Reinsurance Corporation in 2015. The agreement shared certain underwritten risks to the Corporation, thereby expanding Eximbank's insurance capacity and keeping business growth of export credit insurance. Eximbank also expanded reinsurance cooperation by signing reinsurance agreements with official export credit agencies of Japan (NEXI), Indonesia (ASEI), and Sweden (EKN).

(6) Promoting Export credit insurance with Domestic Commercial Banks

In order to expand the Bank's services across Taiwan for the purpose of leveraging the comprehensive marketing channels of domestic commercial banks and foreign banks in Taiwan, and for promoting government preferential measures to assist exporters in mitigating non-payment risks of the account receivables as well as indirectly ensure financing or creditor's rights arising from financing of negotiating banks, Eximbank had signed co-promotion agreements with 27 banks by the end of 2015, including eight government-owned banks, one foreign bank and 18 commercial banks.

(7) Expanding Business Outreach and International Financial Cooperation through International Syndicated Loans

Eximbank participates in international syndicated loans to strengthen business ties with international financial institutions while expanding its business scope and niche. Facing slow recovery of global economy, Eximbank maintained a cautious attitude when selecting reputable borrowers to balance risk and revenue of the loans. In 2015, Eximbank participated in international syndicated loans totaling USD74.9 million. Borrowers consisted of 10 financial institutions across Turkey, Indonesia, Panama, the Philippines, India, Brazil and Vietnam, as well as one international organization. The loans expanded international financial cooperation and business outreach and contributed to Eximbank's revenue.

(8) Amending Internal Regulations to Streamline Workflow and Improve Service Efficiency

1. To be in line with changes in the current financial environment and external regulations, Eximbank revised “Eximbank’s Credit Policy” and “Eximbank Guidelines for Tracking and Analyzing after Extending Credit”. Besides, in coordination with the government policy of “Syndicated Loan Platform for System Integration, Turnkey Project and Engineering Industry Exports” stated in “Measures to Consolidate and Bolster Economic Structure” and improving the Bank’s overseas construction credit amount, Eximbank revised “Eximbank Guidelines for Handling Overseas Construction Loans and Guarantees” and “Eximbank Guidelines for Credit Collateral Review and Management” as well to meet the current practical requirements.
2. To cope with globalization of international trade markets and to increase efficiency and quality of service, Eximbank revised “Approved Procedures and Standards for Credit Limits of Buyers or Issuing Bank”, and broadened approved credit limits to the smaller scale buyers.
3. To coordinate with the actual operation and the current trade, Eximbank phase-by-phase examined and built the Bank’s export credit insurance network service platform on January 12, 2015. GlobalSure Credit Insurance function has opened up to the public since July 3, 2015 and has continued to review and improve the online operation system in order to provide user-friendly platform for customers.

(9) Strengthening Country, Financial, and Industrial Risk Management

Facing the rapid changing international trade circumstances, Eximbank continued to strengthen analysis and monitoring of country risk and financial risk in the areas it operates. It paid particularly close attention to high-risk areas and presented monthly risk analysis reports to executives. For industry risk and enterprise risk, in addition to continuous monitoring of risk changes in the DRAM, panel, LED, and solar energy industries, Eximbank strengthened research and analysis of industries closely linked across the Taiwan Strait as close trade and investment relations with Mainland China, for its continuous growing impact on industrial competitiveness. These initiatives contributed to a greater understanding of industrial development trends and allowed Eximbank to diversify credit risks.

(10) 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 deployed to attend meetings hosted by professional financial research training organizations, Eximbank gave theme-based training courses and invited scholars and experts as lecturers. In 2015, Eximbank’s hosted 15 specialized and regulatory topic speeches along with 20 report-based seminars total attendance at these events were 1,357 persons. It actively enhanced bank employees’ professional knowledge to meet business development needs.



Inviting the then Minister of Finance Chang Sheng-Ho to cut the ribbon at the opening of Bangkok Representative Office of Eximbank in Thailand
(Photo taken Dec. 2015)

(11) Setting Up New Service Branch to Provide a Nearby Service

For the implementation of the policy-based tasks, and to help manufacturers expand external trade to promote urban and rural development in the southern Taiwan, the Tainan branch was officially opened on March 12, 2015 to serve new clients in Tainan and Chiayi area, and to provide assistance near the manufacturers in export expansion to improve service performance, and to implement the Bank's specialized banking functions.

3. Credit Rating

- (1) In order to increase the number of partners, lower the cost of funding, and thereby provide more competitive interest rates and services to enterprises, Eximbank commissioned Fitch Ratings Inc. to affirm its credit rating.

Fitch gave Eximbank the highest IDR Rating among all banks in Taiwan. As a 100% state-owned specialized bank to fulfill Government's policies, Eximbank was given the IDR rating aligned with Taiwan's sovereign rating, showing that Eximbank has strong support of the government, excellent capital standards, assets quality and credit standing, as well as high capability of honoring its debts.

- (2) Fitch announced its ratings for Eximbank on October 19, 2015:

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

The short-term foreign currency IDR was F1.

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

The national short-term rating was F1 + (twn).

The support rating was 1.

III

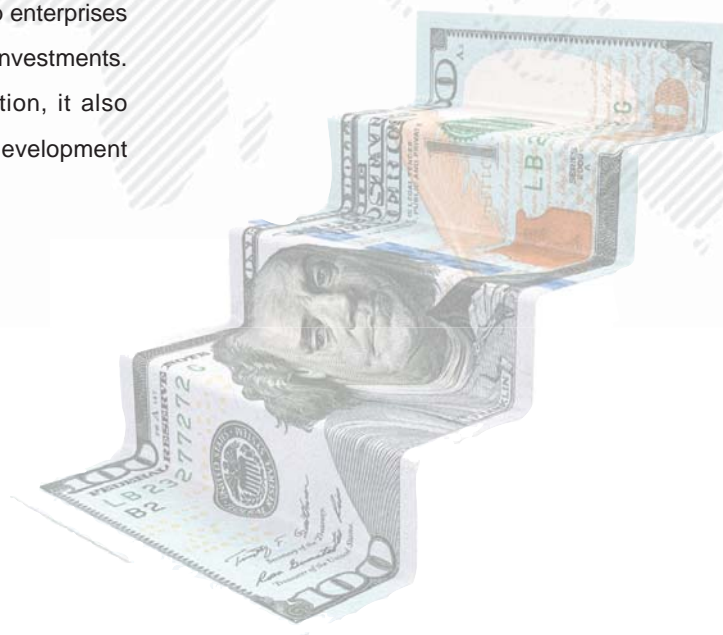
Bank Profile

03

1. Profile

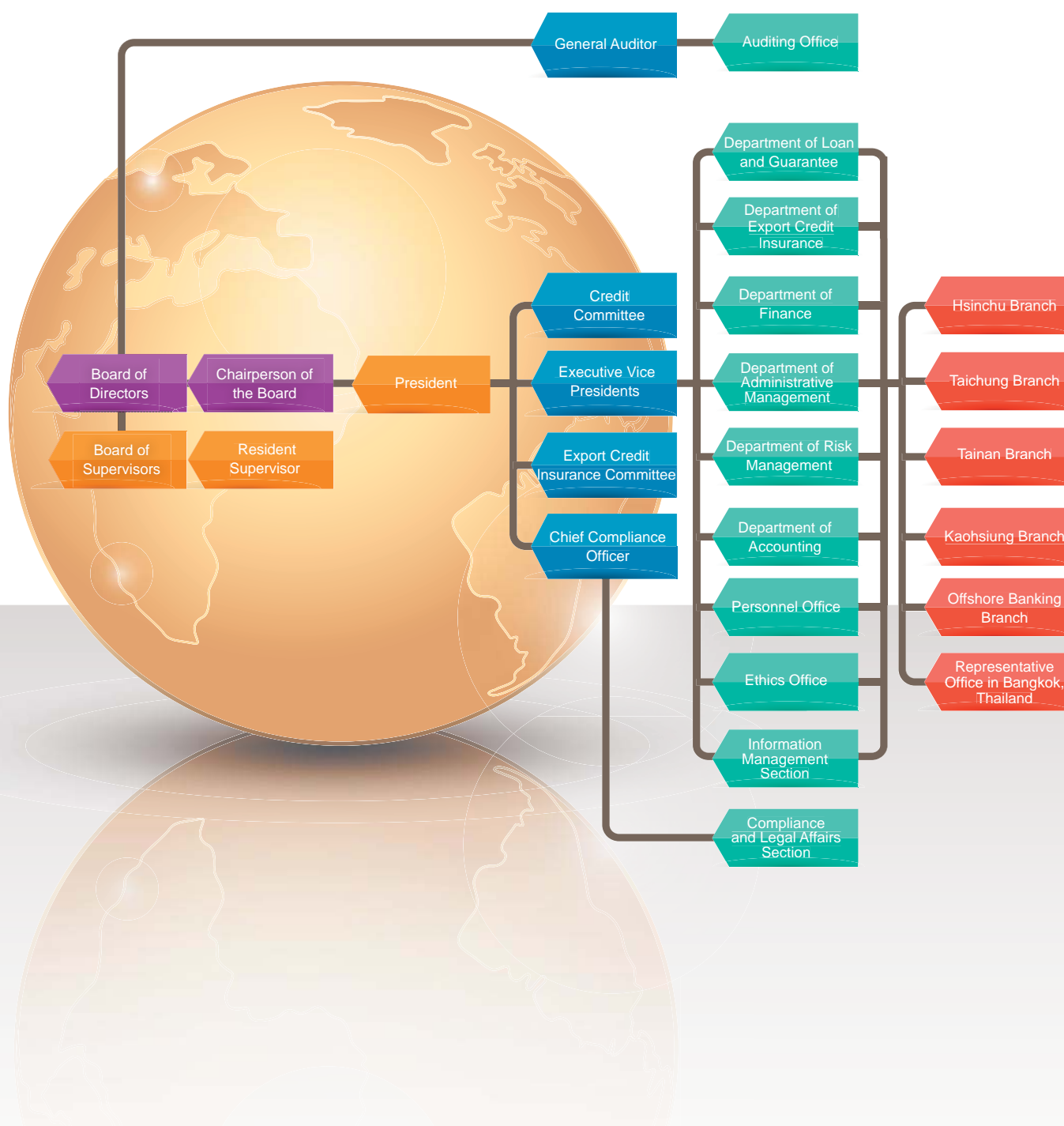
Eximbank was established on January 11, 1979, under the Statute of “The Export-Import Bank of the Republic of China Act”. It is a state-owned bank supervised by the Ministry of Finance with a mission of “promoting export trade and developing the economy” and a business vision of “strengthening trade finance and assisting external trade”. Eximbank's main objective is to support government economic and trade policies by providing financing, guarantees, and export credit and investment insurance to help enterprises expand external trade and overseas investments. By increasing international cooperation, it also ensures the steady and continuous development of Taiwan's economy.

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



2. Organization

(1) Organization Chart



(2) Board of Directors and Supervisors



Chairperson of the Board of Directors

Jong-Yuan Ling



Managing Director

Shui-Yung Lin



Managing Director

Yu-Jer Sheu



Director

Hui-Huang Yen



Director

Zhen-Ni Yang



Director

Yu-Chyng Wang



Director

Shang-Hsi Liao



Resident Supervisor

Hsiu-Ming Lin



Supervisor

Hui-Mei Chen



Supervisor

Bi-Chen Tsai

III. Bank Profile

Board of Directors		Board of Supervisors	
Jong-Yuan Ling	Chairperson of the Board of Directors	Hsiu-Ming Lin	Resident Supervisor
Shui-Yung Lin	Managing Director	Hui-Mei Chen	Supervisor
Yu-Jer Sheu	Managing Director	Bi-Chen Tsai	Supervisor
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
Shui-Yung Lin	President
Song-Bin Huang	Executive Vice President
Pei-Jean Liu	Executive Vice President
Hsiu-Chuan Ko	General Auditor
Chin-Huo Tsai	Chief Compliance Officer
Tung-Meng Lin	Advisor
Chao-Ming Chen	Advisor
Fu-Sheng Huang	Advisor
Chien-Cheng Day	Senior Vice President and General Manager, Department of Loan and Guarantee
Cheng-Tsung Liao	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
Hsien-Chang Chen	Senior Vice President and General Manager, Personnel Office
Hsueh Hsun Wu	Senior Vice President and General Manager, Ethics Office



General Auditor
Hsiu-Chuan Ko

Executive Vice President
Cheng-Tsung Liao

President
Shui-Yung Lin

Chairperson of the Board
of Directors
Jong-Yuan Ling

Executive Vice President
Pei-Jean Liu

Chief Compliance Officer
Chin-Huo Tsai

IV Operations Overview

04

1. Business Overview

Below is a summary of Eximbank's loan, guarantee, and export credit insurance business in 2015:

(1) Loans

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

Eximbank's loan portfolio mainly consists of medium and long-term loans. In 2015, the average balance of these loans totaled TWD81,712 million, accounting for 84.60% of total loans.

(2) Guarantees

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

Eximbank's guarantees (based on amount underwritten) in 2015 consisted of 49.10% major public construction guarantees, 33.45% import guarantees, 12.48% overseas construction guarantees, 4.89% export guarantees, and 0.08% other guarantees.

(3) Export Credit Insurance

Eximbank's export credit insurance includes Comprehensive D/P, D/A Export Credit Insurance, Comprehensive Open Account Export Credit Insurance, SME Safety Export Credit Insurance, Letter of Credit Insurance, Medium and Long-Term Export Credit Insurance, Overseas Investment Insurance, GlobalSure Credit Insurance, GlobalSure Account Receivable Insurance for Banks, and Letter of Credit Insurance for Banks.

The total insured amount in 2015 was TWD110,152 million, an increase of 9.19% compared to 2014.



The then Political Deputy Minister of Finance Wu Tang-Chieh supervised the handover at Eximbank's handover ceremony of new Chairperson of the Board (Photo taken July 2015).

2. Market Overview

(1) Domestic and Global Financial Conditions

The global economic activity remained sluggish in 2015. Growth in emerging market and developing economies accounting for more than 70% of global growth has fallen for the fifth consecutive year. Economic activity in the major oil-exporting nations weakened because of the sharp fall in oil prices, while there is only a modest recovery in advanced countries. The International Monetary Fund (IMF) estimated that global economic growth fell from 3.4% to 3.1% in 2015 and forecast global economic growth at 3.4 % in 2016.

Although the US economy and its labor market continued moderate growth, the slumping

international oil prices impacted on shale oil producers' production and equipment investment, with dollar strength weighing on export and manufacturing activity and inhibiting economic expansion. Economic recovery progressed slowly in the EU area with a slight improvement in unemployment rate, while low interest rates and depreciation of the EUR did not enhance sustainable investment growth. It will face the risk of weakening outlook on economic growth, inflation and even the possibility of deflation. Japan's economy shrank again in the fourth quarter of 2015, while private consumption and inflation remained continuously in the doldrums, not to mention the exports impacted by pressure on JPY appreciation and Mainland China's slowing

growth, reflecting weak economic prospect. Growth is slowing in emerging economies with global financial instability, which are facing with the risk of fluctuations in exchange rates and excessive debt. The slowdown of Mainland China's economic growth is having spillovers to other emerging economies through trade channels, commodity price falls, weak confidence and intensified volatility in financial markets.

Looking to the future, IMF pointed out that the global economic outlook is still facing downside risks, including deceleration of economic growth in emerging market economies; Mainland China's structural reforms away from investment and manufacturing industries toward consumption and service industries; energy and commodity price falls; the United States' gradual tightening of monetary policy. Geopolitical tensions, continuous conflicts and uncertainty are another major risk faced by the Middle East and Europe.

With respect to monetary policy, the US Federal Reserve (Fed) announced to raise the benchmark federal funds rate to a range of 0.25% to 0.50% on December 16, 2015 and expected gradual increases in the federal funds rate in the future. Unlike the United States' gradual tightening, the EU area and Japan continue to ease monetary policy to boost economy step by step because the economy remains weak, as well as being affected by lower international oil prices, financial market turmoil, and a risk to uncertain prospect existing in Mainland China and other emerging economies. The European Central Bank (ECB) announced on December 3, 2015 to lower the interest rate on

the deposit facility from negative 0.2% to negative 0.3%, extending the duration of the monthly asset purchase programme of 60 billion euro to March 2017, and stressed it would not exclude the use of other policy tools if necessary. The Bank of Japan (BOJ) still continued its quantitative and qualitative easing (QQE) with the previous year's monetary policy to maintain an 80 trillion yen monetary base annually, and assessed that the economy would continue a moderate recovery.

Global trade was affected by weak demand and economic slowdown, the export-oriented emerging market and developing economies suffered a severe blow and impacted the volumes of world trade. IMF estimated the world trade growth rate dropped to 2.6% in 2015 from a 3.4% increase last year. That was expected to have been lower than the global economic growth rate of 3.1%. Taiwan's export performance was impacted by the factors of weak international demand, low-priced oil and steel shock and independent supply chain in Mainland China. The export value was 285.3 billion US dollars, a 10.9% decline compared with the previous year. Among the main export products in 2015, except for the slight growth of 0.6% in means of conveyance, the minerals, chemicals, basic metal and its products, rubber, plastics and their products, electronic components, etc. were obviously in recession. Because of the weak demand in extended export causing agricultural and industrial raw materials' continuous fall of prices, the imports in 2015 amounted to 237.2 billion US dollars with a 15.8% decline. With respect to the domestic economy in 2015, the

annual economic growth rate moved down to 0.75% from the previous year's 3.92%, the annual growth rate of CPI fell to negative 0.31% from the previous year's 1.20% and unemployment rate fell to 3.78% from 3.96%. The employment situation has improved.

In terms of financial markets, the US quantitative easing (QE) has successfully exited, and the US will decide on a timetable for raising interest rates depending on the economic performance. Higher rate uncertainty will increase the operating costs and risks of the financial sector, and another weak global economic growth and increasingly stringent capital and liquidity requirements since the implementation of Basel III are making the global financial industry doubtful about business prospects; the strength of the domestic economic

recovery is also not strong. In order to activate the domestic economy, the central bank's monetary policy will remain accommodative. Abundant capital in financial markets and continued low interest rates contributed to persistent competition in finance.

(2) Credit Market Overview

Looking back at 2015, recovery was well underway in the United States despite the fact that the Federal Reserve could raise interest rates. There was still stable and moderate growth in Europe in spite of the problem of Greek exit from the euro zone and refugee placement. However, the growth in Mainland China slowed and caused the global economic upheaval. Reviewing the domestic economic atmosphere in Taiwan, the economy in



Delegation led by Vice-President of El Salvador visited Eximbank to enhance mutual exchanges (Photo taken Nov. 2015).

2015 showed “going high in the beginning and kept falling subsequently” phenomenon, the continuous decline in exports was the main cause of economic downturn. Furthermore, most of the monitoring indicators had flashed blue lights since April. Related information shown by Department of Statistics, Ministry of Economic Affairs indicated the domestic economic growth rate in 2015 was 0.75%, representing a significant decline compared to 3.92% in 2014.

In order to boost the domestic economy, Eximbank made efforts to implement a program in 2015 for “strengthening export loans” while assisting major government infrastructure projects. It raised lines of credit for exports, overseas construction projects, major infrastructure projects, medium and long term import, overseas investment and loans for international enterprises. In 2015, year-on-year growth in Eximbank's loan and guarantee businesses were 1.08% and 7.12% respectively.

(3) Export Credit Insurance Market Overview

Based on customs statistics, Taiwan's external trade was up to USD500 billion in 2015 with USD50 billion trade surplus approximately. In terms of export markets, Asia remained the main market, accounting for more than 60% of the total export value. Asia was also the major region covered by Export Credit Insurance followed by Europe (exclusive of Eastern Europe) accounting respectively for 47.43% and 18.05% of total insured amount with the increase of 8.29% in Asia and 6.23% in Europe (exclusive of Eastern

Europe); with respect to industries, electronics products accounted for 34.1% of total export value and increased over the previous year. As for the products, computers, communications and audio-visual items were the first major products on the basis of insured amount, accounting for 38.54%, increasing by 9.48% in 2014. The business of Export Credit Insurance was in line with government policy and export trade development, providing enterprises financial instruments to mitigate trade credit risks and enhance exports in helping expand emerging markets. Therefore, it is the ultimate aim that Eximbank can cultivate Taiwan richly while reaching out to the world and diversify risk as well.

3. Social Responsibility

(1) Environmental Awareness

Eximbank has launched a project to reduce consumption of energy to conform to government's policies of energy conservation and carbon emission reduction. The project set up goals to improve utilization of power, water, gasoline and paper, all employees were encouraged to carry out the policy accordingly. Comparing with previous year, Eximbank's power, water, gasoline and paper consumption dropped by 0.17%, 6.93%, 12.49% and 6.28% respectively. The result manifested Eximbank's commitment to environment protection.

(2) Social Responsibility

Eximbank has organized charity bazaars with several public welfare associations, supported blood donations with Taiwan Blood Services Foundation, and held eco-protection walks and litter pick-up hikes throughout the year. To fulfill social responsibility is a corporate mission to Eximbank, and such responsibility will be carried on through time.

4. Prospects

Eximbank will continuously respond to the trends in the financial environment with the development of domestic industrial structure by duly reviewing and revising the business rules and developing new types of business in order to improve service

quality and to expand the level of service. In addition, by using the Executive Yuan's National Development Fund to strengthen applications for overseas investment loans, machinery and equipment export financing, export loans for green energy and industry equipment, Eximbank actively implements “strengthening trade financing programs” to meet the government's program in response to economic boom. Eximbank also cooperates with the Bureau of Foreign Trade to carry out “preparedness plans to strengthen export insurance” project to extensively offer preferential export credit insurance to help the industries expand sales in the global markets and to promote exports and increase domestic employment opportunities.



The Chairperson of the Board Jong-Yuan Ling led colleagues participated in the 2015 Cross-Strait export credit insurance Seminar held in Hong Kong (Photo taken Nov. 2015)



Financial Statements

1. Balance Sheets

TWD Thousand

Item	Notes	December 31, 2015		December 31, 2014	
		Amount	%	Amount	%
Assets					
Cash and Cash Equivalents	Note 6 (1)	225,818	0.21	61,011	0.06
Due from the Central Bank and Call Loans to Other Banks	Note 6 (2)	1,099	0.00	1,034	0.00
Financial Assets at Fair Value through Profit or Loss	Note 6 (3)	62,347	0.06	163,285	0.16
Securities purchased under resell agreements				159,619	0.16
Receivables – Net	Note 6 (4)	373,419	0.35	269,448	0.27
Current Period Income Tax Assets		4,344	0.00		
Loans and Discounts – Net	Note 6 (5)	99,006,040	91.24	92,158,400	91.94
Held-to-Maturity Financial Assets – Net		7,900,000	7.28	6,500,000	6.49
Other Financial Assets – Net	Note 6 (6)	257,158	0.24	253,115	0.25
Property and Equipment – Net	Note 6 (7)	533,159	0.49	515,928	0.51
Intangible Assets–Net	Note 6 (8)	34,017	0.03	35,102	0.04
Deferred Income Tax Assets – Net		78,654	0.07	91,626	0.09
Other Assets – Net	Note 6 (9)	35,952	0.03	29,578	0.03
Total Assets		108,512,007	100.00	100,238,146	100.00
Liabilities					
Due to the Central Bank and Other Banks		35,517,320	32.73	31,258,374	31.18
Borrowed Funds from the Central Bank and Other Banks	Note 6 (10)	18,577,471	17.12	15,533,579	15.50

Item	Notes	December 31, 2015		December 31, 2014	
		Amount	%	Amount	%
Financial Liabilities at Fair Value through Profit or Loss	Note 6 (11)	8,004,231	7.38	8,008,200	7.99
Payables	Note 6 (12)	261,293	0.24	314,951	0.31
Current Period Income Tax Liabilities				66,376	0.07
Financial Debentures Payable	Note 6 (13)	5,999,868	5.53	8,999,526	8.98
Other Financial Liabilities	Note 6 (14)	17,656,965	16.27	14,153,869	14.12
Provisions	Note 6 (15)	829,654	0.76	764,339	0.76
Deferred Income Tax Liabilities		51,489	0.05	45,898	0.05
Other Liabilities	Note 6 (16)	1,282,500	1.18	1,301,060	1.30
Total Liabilities		88,180,791	81.26	80,446,172	80.26
Equity					
Capital		12,000,000	11.06	12,000,000	11.97
Retained Earnings					
Legal Reserve		6,567,931	6.05	6,388,244	6.37
Special Reserve		1,255,973	1.16	1,149,137	1.15
Other Equity		507,312	0.47	254,593	0.25
Total Equity		20,331,216	18.74	19,791,974	19.74
Total Liabilities and Equity		108,512,007	100.00	100,238,146	100.00

Note: Figures for 2015 are subject to audit; Figures for 2014 have been recognized by the Ministry of Audit, R.O.C.



Central American Bank for Economic Integration visited Eximbank to strengthen bilateral economic and trade cooperation (Photo taken Jan. 2016).

2. Statements of Comprehensive Income

TWD Thousand

Item	Notes	January 1, 2015- December 31, 2015		January 1, 2014- December 31, 2014		Percentage Change (%)
		Amount	%	Amount	%	
Interest Revenue		1,521,252	112.96	1,491,531	119.99	1.99
Minus: Interest Expenses		280,741	20.85	374,336	30.11	-25.00
Net Interest Income		1,240,511	92.11	1,117,195	89.87	11.04
Non-Interest Income						
Net Fees and Commissions	Note 6 (17)	34,770	2.58	34,376	2.77	1.15
Gains (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss	Note 6 (18)	-54,668	-4.06	-33,276	-2.68	-64.29
Foreign Exchange Gains (Losses)		5,771	0.43	5,043	0.41	14.44
Net Export Credit Insurance Income	Note 6 (19)	178,059	13.22	170,368	13.71	4.51
Other Non-Interest Income	Note 6 (20)	-57,738	-4.29	-50,634	-4.07	-14.03
Net Operating Income		1,346,705	100.00	1,243,072	100.00	8.34
Bad Debt Expense and Provision of Reserves for Guaranteed Liability	Note 6 (21)	354,434	26.32	273,753	22.02	29.47
Operating Expenses						
Employee Benefits Expenses		353,323	24.90	339,256	27.29	-1.16
Depreciation and Amortization		24,961	1.85	23,665	1.90	5.48
Other Business and Administrative Expenses		145,854	10.83	120,821	9.72	20.72
Net Income Before Tax		486,133	36.10	485,577	39.06	0.11
Income Tax		-36,914	-2.74	-33,066	-2.66	-11.64
Net Income		449,219	33.36	452,511	36.40	-0.73
Other Comprehensive Income						
Items not to be Reclassified into Profit or Loss:						
Re-measurements of the Defined Benefit Plans		-2,277	-0.17	9,127	0.73	-124.95
Income Tax Related to Items not to be Reclassified		387	0.03	-1,551	-0.12	124.95
Items that May be Subsequently Reclassified into Profit or Loss:						
Exchange Differences Caused by Translation of Financial Statements of Offshore Branches		252,719	18.77	392,439	31.57	-35.60
Other Comprehensive Income (After Tax)		250,829	18.63	400,015	32.18	-37.30
Total Comprehensive Income		700,048	51.98	852,526	68.58	-17.89
Earnings per Share		0.37		0.38		
Basic and Diluted		0.37		0.38		

Note 1: Figures for 2015 are subject to audit; Figures for 2014 have been recognized by the Ministry of Audit, R.O.C.

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

3. Statements of Cash Flows

TWD Thousand

Item	January 1, 2015- December 31, 2015		January 1, 2014- December 31, 2014	
	Subtotal	Total	Subtotal	Total
Cash Flows from Operating Activities:				
Continuing Operations Income (Losses) Before Income Tax		486,133		485,577
Net Income (Net Loss) Before Income Tax		486,133		485,577
Adjustments:		-3,439,673		-6,217,143
Income and Losses with No Impact on Cash Flow		-642,222		-536,221
Bad Debt Expense and Provision of Reserves for Guaranteed Liability	440,301		407,105	
Depreciation	12,608		12,715	
Amortization	12,353		10,950	
Interest Income	-1,521,252		-1,491,531	
Interest Expense	372,648		515,559	
Loss (Gain) on Disposal of Assets	141		369	
Other Adjustments	40,979		8,612	
Assets/Liability Changes Related to Operating Activities		-2,797,451		-5,680,922
(Increase) Decrease in Loans and Discounts	-7,038,986		-2,430,637	
(Increase) Decrease in Receivables	-88,068		120,822	
(Increase) Decrease in Financial Assets at Fair Value through Profit or Loss	100,938		-69,617	
(Increase) Decrease in Other Assets	-6,992		-796	
Increase (Decrease) in Due to the Central Bank and Other Banks	4,258,946		-3,005,490	
Increase (Decrease) in Payables	-8,854		-196,346	
Increase (Decrease) in Financial Liabilities at Fair Value through Profit or Loss	-3,969		-93,750	
Increase (Decrease) in Other Liabilities	-10,466		-5,108	
Interest Paid		-409,689		-525,547
Interest received		1,503,564		1,520,265
Income Tax Paid		-88,685		-35,155
Net Cash Provided by (Used in) Operating Activities		-1,948,350		-4,772,003
Cash Flows from Investing Activities:				
Purchase of Property and Equipment	-29,988		-53,166	

V. Financial Statements

Item	January 1, 2015- December 31, 2015		January 1, 2014- December 31, 2014	
	Subtotal	Total	Subtotal	Total
Sale of Property and Equipment	8		2	
Decrease (Increase) in Other Assets	-10,649		-21,271	
Dividend received	19,151		20,369	
Net Cash Provided by (Used in) Investing Activities		-21,478		-54,066
Cash Flows from Financing Activities:				
Increase (Decrease) in Borrowed Funds from the Central Bank and Other Banks	3,043,892		-167,803	
Increase (Decrease) in Financial Debentures Payable	-3,000,000		1,000,000	
Increase (Decrease) in Other Financial Liabilities	3,503,096		4,058,623	
Increase (Decrease) in Other Liabilities	-8,093		-43,158	
Cash Dividends	-168,229		-173,521	
Net Cash Provided by (Used in) Financing Activities		3,370,666		-4,674,141
Effect of Changes in Foreign Exchange Rates on Cash and Cash Equivalents		4,415		-799
Increase (Decrease) in Cash and Cash Equivalents		1,405,253		-152,727
Cash and Cash Equivalents, Beginning of year		6,721,664		6,874,391
Cash and Cash Equivalents, End of year		8,126,917		6,721,664
Composition of Cash and Cash Equivalents:				
Cash and Cash Equivalents Listed on the Balance Sheet		225,818		61,011
Due from the Central Bank and Call Loans to Banks Satisfying the Definition of Cash and Cash Equivalents in IAS 7		1,099		1,034
Securities Sold Under Agreements to Repurchase Satisfying the Definition of Cash and Cash Equivalents in IAS 7		7,900,000		6,659,619
Cash and Cash Equivalents, End of Year		8,126,917		6,721,664



4. Statements of Changes in Equity

January 1 – December 31, 2014 and 2015

TWD Thousand

Item	Attributable to Owners of the Controlling Entity					Total
	Capital	Retained Earnings			Other Equity Items	
		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchanges Differences Caused by Translation of Financial Statements of Offshore Branches	
Balance, January 1, 2014	12,000,000	6,207,239	1,046,916	—	-137,846	19,116,309
Provision for Legal Reserve		181,005		-181,005		
Provision for Special Reserve			102,221	-102,221		
Cash Dividends Appropriated				-176,861		-176,861
Net Income for FY 2014				452,511		452,511
Other Comprehensive Income for FY2014				7,576	392,439	400,015
Balance, December 31, 2014	12,000,000	6,388,244	1,149,137	—	254,593	19,791,974
Provision for Legal Reserve		179,687		-179,687		
Provision for Special Reserve			106,836	-106,836		
Cash Dividends Appropriated				-160,806		-160,806
Net Income for FY 2015				449,219		449,219
Other Comprehensive Income for FY 2015				-1,890	252,719	250,829
Balance, December 31, 2015	12,000,000	6,567,931	1,255,973	—	507,312	20,331,216

5. Financial Analysis

TWD Thousand; %

Analytical Item (Note 2)		Year	FY 2015	FY 2014
Operating Ability	Non-Performing Loan Ratio		0.59%	0.82%
	Ratio of Interest Income to Annual Average Loans		1.46%	1.45%
	Total Asset Turnover (Times)		1.29	1.25
	Average Operating Income per Employee		6,293	6,093
	Average Profit per Employee		2,099	2,218
Profitability	Return on Tier 1 Capital		2.59%	2.66%
	Return on Assets		0.43%	0.46%
	Return on Equity		2.24%	2.33%
	Net Income to Net Operating Income		33.36%	36.40%
	Earnings per Share (TWD)		0.37	0.38
Financial Structure	Ratio of Liabilities to Assets		81.26%	80.26%
	Ratio of Property and Equipment to Equity		2.62%	2.61%
Growth Rate	Asset Growth Rate		8.25%	2.41%
	Profit Growth Rate		0.11%	14.79%
Cash Flow	Cash Flow Ratio		-4.45%	-12.06%
	Cash Flow Adequacy Ratio		439.28%	974.45%
	Cash Flow Sufficiency Ratio		9,071.38%	8,826.25%
Liquid Reserve Ratio			92.61%	544.86%
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%	0.24%
	Market Share of Net Worth		0.64%	0.69%
	Market Share of Loans		0.39%	0.37%

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

1. The decrease in non-performing loan ratio in 2015 was mainly because Eximbank had actively coped with non-performing loan.
2. The increase in asset growth rate in 2015 was mainly attributed to the growth of loan business.
3. The decrease in profit growth rate in 2015 was mainly due to a large amount of bad debts, and the Financial Supervisory Commission ROC required that the tier 1 escrow credit rate reach at least 1.5% for Mainland China in order to ensure Eximbank's capacity to bear loss and the increase in allowance for bad debts set aside, while the profit was equivalent to the previous year.
4. The increase in cash flow ratio in 2015 was mainly caused by the increases of call loans from other banks which led to the increases in net cash provided by operating activities.
5. The decrease in liquid reserve ratio in 2015 was mainly caused by the increase in TWD interbank borrowing.

Note 1: Figures for 2015 are subject to audit; Figures for 2014 have been recognized by the Ministry of Audit, ROC.

Note 2: Financial Formulae

1. Operating Ability

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

2. Profitability

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

3. Financial Structure

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

4. Growth Rates

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

5. Cash Flows (Note 6)

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

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

7. Operating Scale

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

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

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

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

Note 6: Comments on Cash Flow Analysis

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

Note 7: Financial institutions handling deposits and loans include domestic banks, the local branches of 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 2015	FY 2014
Self-Owned Capital	Common Equity			18,996,800	18,563,308
	Additional Tier 1 Capital			-	-
	Tier 2 Capital			1,041,696	1,029,061
	Self-Owned Capital			20,038,496	19,592,369
Total Risk-Weighted Assets	Credit Risk	Standardized Approach		76,102,347	72,308,063
		Internal Ratings-Based Approach		-	-
		Assets Securitization		-	-
	Operational Risk	The Basic Indicator Approach		2,267,559	1,971,253
		The Standardized Approach / The Alternative Standardized Approach		-	-
		Advanced Measurement Approach		-	-
	Market Risk	Standardized Approach		63,732	180,631
		Internal Models Approach		-	-
	Total Risk-Weighted Assets			78,433,638	74,459,947
	Capital Adequacy Ratio				25.55%
Tier 1 Risk-Based Capital Ratio				24.22%	24.93%
Common Equity to Risk-Based Capital Ratio				24.22%	24.93%
Leverage Ratio				16.19%	15.88%

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

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

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

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

7. Notes to Financial Statements

Note I. Summary of Significant Accounting Policies and Measurement Bases:

I. Declaration of Compliance

Eximbank is a state-owned enterprise. 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 FSC (Financial Supervisory Commission), and the Budget Act, the Financial Statement Act and the Accounting Act.

II. Preparation Base

1. Measurement Bases

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

2. Functional Currency and Presentation Currency

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

III. Foreign Currency Transactions

1. Foreign Currency Transactions

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

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

2. Translation of Foreign Currency Financial Statement

The functional currency of Eximbank's offshore banking unit and overseas representative offices 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 arising from conversions are recorded as other comprehensive income. Exchange differences arising from translation of the net investment in foreign operations are recorded as other comprehensive income in Eximbank's financial statement.



President Shui-Yung Lin awarded prizes of “Best Partner in Export Credit Insurance” and “Best Partner in Emerging Markets of Export Credit Insurance” to distinguished manufacturers. (Photo taken Oct. 2015).

IV. Financial Instruments

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

1. Financial Assets

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

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

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

These assets are re-measured at fair value subsequently and the changes 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 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

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

(3) Loans and Receivables

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

(4) Financial Assets Carried at Cost

Investments on equity instruments 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 accounted for under the financing method. For 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 which would indicate that 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 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. Debt which is confirmed to be uncollectible is written off upon approval by the Board of Directors. Bad debt already written off that is collected in part or full should be reflected in the allowance for doubtful accounts.
- 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.



Chairperson of the Board Jong-Yuan Ling attended the general meeting of Eximbank employees union (Photo taken Dec. 2015).

(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 and those that are carried at amortized cost.

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

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

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

(2) Financial Liabilities Measured at Amortized Cost

Financial liabilities that are not classified as "financial liabilities at fair value through profit or loss" are measured at amortized cost. Interbank deposits, accounts payables, due from the Central Bank and call loans to banks and debt securities issued that are not classified as financial liabilities at fair value through profit or loss are also 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. Eximbanks' real estate properties and equipment are stated at historic cost less accumulated depreciation. Historic cost includes all expenses directly attributable to acquisition of the assets.
2. Land is not affected by depreciation. Depreciation of other assets is computed using the straight-line method over service life to derive the residual value. Estimated service life, residual value, and depreciation methods are reviewed at the end of the reporting period. Any changes in estimates will be applied prospectively.
3. Gains or losses incurred at sale or disposal of real estate properties and equipment are measured as the difference between disposal price and book value of assets and are recorded in gains or losses.



President Shui-Yung Lin attended the series of seminars on expanding emerging markets (Photo taken Sep. 2015).

VI. Intangible Assets

Eximbank's intangible asset is all computer software, which is recognized at cost. Amortization of intangible assets is computed using the straight-line method over the economic service life, with a maximum estimated service life of five years. Subsequent measurements are based on the cost model Eximbank applies. Residual value, amortization periods and amortization methods are reviewed at the end of the reporting period, and any changes in estimates will be applied prospectively.

VII. Non-financial Asset Impairment

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

VIII. Allowance for Bad Debt and Guarantee Reserve

1. Loans

In accordance with the definition of impairment loss of loans and accounts receivables stated in IAS No. 39, the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans” announced by the FSC, and Eximbank Guidelines for Asset Evaluation and Loss Reserve, Eximbank evaluates debtors' collateral, length of time overdue and allocates an appropriate allowance for bad debt on the balance sheet date according to which of the two is the higher at the time.

2. Guarantee Reserve

Eximbank's guarantee business focuses mainly on performance obligations, which are not classified as financial guarantee contracts. 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 FSC.

IX. Export Credit Insurance Related Reserve

1. Unearned Premium Reserve and Claims Reserve: Eximbank allocates a reserve in accordance with the "Regulations Governing Insurance Reserves" released by the competent authority and other relevant regulations.

2. Liability adequacy reserve: In accordance with IFRS No. 4, Eximbank carries out liability adequacy tests annually, and will allocate an additional reserve to make up for any insufficiencies found in the test.

X. Employee Benefits

1. Short-Term Employee Benefits

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

2. Retirement Benefits

- (1) Pensions: for employees covered by the old labor pension scheme, Eximbank annually calculates the actuarial net pension costs in accordance with the “Regulations for the Allocation and Management of Workers' Retirement Reserve Funds” and IAS No. 19, and recognizes the costs under the item “pension or resignation pay”. Meanwhile, Eximbank makes contributions (calculated as total payroll of the year times actuarial contribution ratio) to Eximbank's “Pension Fund Supervisory Commission” for the use of staff and the designated account in the Bank of Taiwan, “Pension Fund Supervisory Commission”, for the use of workers and security personnel. For employees covered by the new labor pension scheme, the Bank makes contributions (6% of the employees' salary) to the employees' individual pension accounts at the Bureau of Labor Insurance, and recognizes the contribution costs under the item “Employee and Worker Pension Fund and Resignation Pay”.

(2) Festival Benefits: in accordance with IAS No. 19, Eximbank calculates the actuarial net pension costs and recognizes the costs under the item "Retirement Benefit Payments".

(3) Eximbank recognizes pension liabilities on the balance sheet after calculating the actuarial present value of defined benefit obligations less the fair value of the pension fund and adjusts for unrecognized net gains and losses of pension and the net amount after recognizing service costs in the prior 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 2015 is TWD651,202 thousand. The amount of the allocated plan asset is TWD362,003 thousand. The amount of employee benefit reserve liability is TWD292,371 thousand (including the amount payable to the Chairman and President amounting to TWD 3,172 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 forms part of employee benefits.

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



Mr. Alden Rivera Montes, Minister of Economic Development of Honduras, visited Eximbank to strengthen bilateral economic and trade cooperation. (Photo taken June 2015).

XI. Recognizing Income and Expenses

1. Interest Revenue and Expenses

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

2. Fee Income

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

3. Dividend Income

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

XII. Income tax

1. Current income tax

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

2. Deferred Income Tax

Deferred tax assets and liabilities are measured based on the estimated tax rates at the time when the assets are realized or the tax rates during the payment period of the liabilities. Calculation of tax rates should be based on the tax rates which have been legalized or substantially legalized on the balance sheet date. Temporary differences between the carrying amounts and tax basis of assets and liabilities in the balance sheet are calculated using the balance sheet approach and recognized as deferred tax. The temporary differences are mainly due to the unrealized value of certain financial instruments (including derivatives), reserve and deferring of pensions and other retirement benefits. The deferred tax arising from assets and liabilities that are initially recognized as assets or liabilities will not be recognized if the transactions do not affect the accounted profit or taxable income (loss) and are not caused by corporate mergers.

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

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

Note 2. Source of Significant Accounting Judgments and Estimation Uncertainty

I. Impairment Losses on Loans

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

II. Fair Value of Financial Instruments

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

III. Income Tax

The final amount of tax payments 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. Differences between the final tax amount and the original amount recognized will affect the recognized income tax and deferred tax.

IV. Post-Employment Benefits

1. The present value of retirement benefit obligations is based on actuarial calculations based on several assumptions. Any changes in these assumptions will affect the carrying value of retirement benefit obligations.
2. Assumptions used for determining the net pension cost (income) include discount rates. Eximbank determines the appropriate discount rates at the end of each year, and the rates are used to estimate the present value of future cash flows of retirement benefit obligation payments. To determine the appropriate discount rates, Eximbank considers the yields of high-quality corporate bonds or government bonds and that should be in the same currency used to pay retirement benefits and with maturity in the same period of relevant pension liabilities.

3. In estimating the excess interest gained by retired employees via preferential deposits (of retirement benefit obligations), the actuarial assumptions are in accordance with Order Jin-Guan-Yin-Fa-Tze No. 10110000850: discount rate should be 4% or above, withdrawal rate of pension preferential deposit should be 1% or above, and the probability of changes in preferential deposit programs is assumed to be 50%. In future cases where the amounts paid are different from the estimated value of retirement benefit obligations, the difference is viewed as changes in accounting estimates and will be recognized in gains and losses of the year when the changes occur.

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

1. The following are not recognized on the balance sheet but are addressed in the footnotes: assets (liabilities) under trust, agency, and guarantee of TWD13,457,231 thousand, including guarantee receivables of TWD 12,969,352 thousand, custodial collections receivables of TWD 417,132 thousand, joint loans receivables (memo account) of TWD 69,797 thousand, and collateral of TWD950 thousand.
2. No bills receivable (or payable).
3. Undisbursed loan commitments of TWD 24,450,634 thousand.

Note 4: Since 2015, Eximbank has fully adopted 2013 edition of International Financial Reporting Standards approved and published by the FSC (not including “Financial Instruments” in IFRSs No. 9) to prepare financial reports. The applicable 2013 edition of International Financial Reporting Standards did not cause any significant changes to Eximbank's financial reports through assessment. Some of the important projects wherein are as follows:

(A) IFRSs No. 13 “Fair Value Measurement”

The Standards define fair value, establish a framework to measure the fair value, and regulate the fair value measure and regulate the disclosures related to fair value measurement. The Standards do not have any significant impact on Eximbank's financial condition and the results of operations according to assessment.

(B) IAS No.1 “Presentation of Financial Statements”

The Standards amend presentation of other comprehensive income (loss) and classify the items reported in other comprehensive income (loss) as “Items not to be Reclassified into Profit or Loss” and “Items that May be Subsequently Reclassified into

Profit or Loss” depending on the nature. The amendment also provides that other comprehensive income items recognizing pre-tax amount of which the related tax should be separately reported with the preceding two categories. Eximbank has changed presentation of other comprehensive income (loss) in accordance with the Standards.

(C) IAS No.19 “Employee Benefits”

The Standards mainly amend that the net defined benefit liability (asset) multiplied by the discount rate to determine the net interest and to substitute the pre-amendment interest costs and expected return on plan assets, delete the accounting policy choice that actuarial gains and losses may adopt the “corridor method” or recognize in gains and losses at a time when occurring, and regulate that the re-measurements of the defined benefit plans (including actuarial gains and losses) should be recognized in other comprehensive income when occurring, and prior service cost should be recognized in gains and losses when occurring, not to be recognized as expenses any longer using straight-line method within the average period prior to the acquired condition. The Standards do not have any significant impact on Eximbank's financial condition and the results of operations according to assessment.

(D) Recognizing and Measurement of Financial Liabilities initially Designated at Fair Value Through Profit or Loss

According to the amended provisions of “Regulations Governing the Preparation of Financial Reports by Public Banks”, financial liabilities measured at fair value through profit or loss, the amount of change at fair value, due to changes in the credit risk, is recognized in other comprehensive income and not to be subsequently reclassified into profit or loss, such amount of change at fair value of the remaining liabilities is reported in profit or loss. But if the above accounting treatment causes or exacerbates improper accounting ratio, full benefits or losses of the liabilities are reported in profit or loss. The Standards do not have any significant impact on Eximbank's financial condition and the results of operations according to assessment.

Note 5: Financial Information of the Operating Segments

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



V. Financial Statements

Eximbank Financial Information of Operating Segments Fiscal Years 2015 and 2014

TWD Thousand

	FY2015			FY2014		
	Credit Business	Export Insurance Business	Total	Credit Business	Export Insurance Business	Total
Net Interest Income	1,219,678	20,833	1,240,511	1,097,065	20,130	1,117,195
Non-Interest Income	-44,144	150,338	106,194	-22,352	148,229	125,877
Net Fees and Commissions	31,170	3,600	34,770	29,380	4,996	34,376
Gains (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss	-54,668		-54,668	-33,276		-33,276
Foreign Exchange Gains (Losses)	5,771		5,771	5,043		5,043
Net Export Credit Insurance Income		178,059	178,059		170,368	170,368
Other Non-Interest Income	-26,417	-31,321	-57,738	-23,499	-27,135	-50,634
Net Operating Income	1,175,534	171,171	1,346,705	1,074,713	168,359	1,243,072
Bad Debt Expense and Provision of Reserves for Guaranteed Liability	354,434		354,434	273,753		273,753
Operating Expenses	324,832	181,306	506,138	308,124	175,618	483,742
Net Income (Losses) Before Tax	496,268	-10,135	486,133	492,836	-7,259	485,577

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 6: Details of Significant Accounts

1. Cash and Cash Equivalents

Item \ Date	December 31, 2015	December 31, 2014
Cash on Hand	11	18
Petty Cash & Revolving Funds	273	241
Checks for Clearance	0	91
Due from Banks	225,534	60,661
Total	225,818	61,011

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

Item \ Date	December 31, 2015	December 31, 2014
Due from the Central Bank	1,099	1,034
Total	1,099	1,034

3. Financial Assets at Fair Value through Profit or Loss

Item \ Date	December 31, 2015	December 31, 2014
Valuation Adjustments of Financial Assets Held for Trading	62,347	163,285
Total	62,347	163,285

4. Receivables – Net

Item \ Date	December 31, 2015	December 31, 2014
Receivables	52	8
Earned Revenue Receivable	555	720
Interest Receivable	222,707	205,816
Accounts Receivable Factoring without Recourse	126,212	40,419
Premium Receivable	0	14
Other Receivable	26,066	23,656
Total	375,592	270,633
Allowance for Doubtful Accounts	-2,173	-1,185
Net Amount	373,419	269,448

5. Loans and Discounts – Net

Item	Date	December 31, 2015	December 31, 2014
Short-Term Loans		14,711,819	13,504,978
Short-Term Secured Loans		30,000	30,000
Medium-Term Loans		56,951,653	52,346,600
Medium-Term Secured Loans		2,999,646	3,776,537
Long-Term Loans		1,870,960	1,788,441
Long-Term Secured Loans		22,968,373	21,062,140
Overdue Loans		535,602	739,799
Total		100,068,053	93,248,495
Allowance for Doubtful Accounts		-1,057,001	-1,084,287
Discount of Premium		-5,012	-5,808
Net Amount		99,006,040	92,158,400



A delegation led by H.H. Mohammed bin Salim Al Said, Oman's Chief of Protocol, Ministry of Foreign Affairs, visited Eximbank to promote bilateral cooperation. (Photo taken Dec. 2015).

6. Other Financial Assets – Net

Item	Date	December 31, 2015	December 31, 2014
Reinsurance Reserve Assets		167,158	163,115
Financial Assets Carried at Cost		90,000	90,000
Net Amount		257,158	253,115

7. Property and Equipment – Net

Item	Date	December 31, 2015	December 31, 2014
Land		105,905	93,868
Revaluation Increments – Land		186,420	186,420
Buildings		397,696	388,497
Accumulated Depreciation – Building		-176,577	-169,621
Machinery and Equipment		54,357	50,975
Accumulated Depreciation – Machinery and Equipment		-43,965	-39,961
Transportation Equipment		11,255	10,710
Accumulated Depreciation – Transportation Equipment		-9,142	-9,793
Miscellaneous Equipment		28,230	25,926
Accumulated Depreciation – Miscellaneous Equipment		-21,873	-21,093
Leasehold Improvements		960	0
Accumulated Depreciation – Leasehold Improvements		-107	0
Net Amount		533,159	515,928

8. Intangible Assets – Net

Item	Date	December 31, 2015	December 31, 2014
Software		34,017	35,102
Total		34,017	35,102



Eximbank hosted project meeting of “Syndicated Loan Platform for System Integration, Turnkey Project and Engineering Industry Exports” (Photo taken Jan 2016).

9. Other Assets – Net

Item	Date	December 31, 2015	December 31, 2014
Inventory of Supplies		282	234
Prepaid Expenses		34,284	27,322
Other Prepayments		75	92
Refundable Deposits		1,068	803
Temporary Payments and Suspense Accounts		199	1,008
Other Deferred Assets		44	119
Total		35,952	29,578

10. Borrowed Funds from the Central Bank and Other Banks

Item	Date	December 31, 2015	December 31, 2014
Borrowed Funds from the Central Bank		18,577,471	15,533,579
Total		18,577,471	15,533,579

11. Financial Liabilities at Fair Value through Profit or Loss

Item	Date	December 31, 2015	December 31, 2014
Designated as Financial Liabilities at Fair Value through Profit or Loss		8,000,000	8,000,000
Valuation Adjustments of Designated as Financial Liabilities at Fair Value through Profit or Loss		4,231	8,200
Total		8,004,231	8,008,200

12. Payables

Item	Date	December 31, 2015	December 31, 2014
Accrued Expenses		93,799	90,832
Accrued Interest		99,665	137,047
Other Tax Payable		7,722	7,698
Dividends (Official) and Bonuses Payable		179	7,601
Accounts Payable Factoring without Recourse		0	4,327
Custodial Collections Payable		3,230	1,498
Commissions Payable		90	165
Reinsurance Benefits Payable		16,805	13,501
Other Payable		39,803	52,282
Total		261,293	314,951

13. Financial Debentures Payable

Item	Date	December 31, 2015	December 31, 2014
Financial Debentures Payable		6,000,000	9,000,000
Discount on Financial Debentures Payable		-132	-474
Total		5,999,868	8,999,526



V. Financial Statements

14. Other Financial Liabilities

Item	Date	December 31, 2015	December 31, 2014
Funds Appropriated for Loans		17,656,965	14,153,869
Total		17,656,965	14,153,869

15. Provisions

Item	Date	December 31, 2015	December 31, 2014
Guarantee Liability Reserve		129,693	136,599
Unearned Premium Reserve		119,578	102,553
Claim Reserve		288,012	253,241
Employee Benefits Liability Reserve		292,371	271,946
Total		829,654	764,339

16. Other Liabilities

Item	Date	December 31, 2015	December 31, 2014
Unearned Premiums		389	687
Unearned Revenues		56,669	66,837
Refundable Deposits		1,522	2,084
Custodial Deposits		2,005	2,057
Temporary Receipts And Suspense Accounts		20,070	28,190
Funds Appropriated For Export Credit Insurance		1,201,845	1,201,205
Total		1,282,500	1,301,060

17. Net Fees and Commissions

Item	Date	January1,2015 ~ December 31, 2015	January1,2014 ~ December 31, 2014
Revenue from Fees and Commissions		56,370	55,227
Expenses from Fees and Commissions		21,600	20,851
Net Amount		34,770	34,376

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

Item	Date	January1,2015 ~ December 31, 2015	January1,2014 ~ December 31, 2014
Interest Income of Financial Assets (+)		1,015	177
Gain on Disposal of Financial Assets		39,833	86,574
Gain (+) / Loss (-) on Valuation of Financial Assets		-7,578	-64,724
Interest Expenses of Financial Liabilities (-)		-91,907	-141,223
Loss on Disposal of Financial Liabilities (-)		0	-1,530
Gain (+) / Loss (-) on Valuation of Financial Liabilities		3,969	87,450
Net Amount		-54,668	-33,276

19. Net Export Credit Insurance Income

Item	Date	January1,2015 ~ December 31, 2015	January1,2014 ~ December 31, 2014
Export Credit Insurance Income		413,720	380,409
Premium Income		305,509	277,251
Reinsurance Commissions Income		63,265	44,647
Claims Recovered from Reinsurers		44,946	56,981
Unearned premium reserve collected		0	1,530
Export Credit Insurance Costs		235,661	210,041
Reinsurance Premium		134,148	119,290
Commission Expenses		2,251	2,478
Insurance Claims Payments		51,509	68,867
Provision for Unearned Premium Reserve		9,725	0
Provision for Claim Reserve		38,028	19,406
Net Amount		178,059	170,368

V. Financial Statements

20. Other Non-Interest Income

Item	Date	January1,2015 ~ December 31, 2015	January1,2014 ~ December 31, 2014
Other Non-Interest Income		22,039	23,652
Gains from Financial Assets Carried at Cost		19,151	20,369
Miscellaneous Income		2,888	3,283
Other Non-Interest Losses		79,777	74,286
Loss on Disposal of Fixed Assets		141	369
Preferential Deposit Interest in Excess		79,636	73,917
Net Amount		-57,738	-50,634

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

Item	Date	January1,2015 ~ December 31, 2015	January1,2014 ~ December 31, 2014
Bad Debt Expenses for Loans		361,540	192,232
Bad Debt Expenses for Factoring Receivables		0	-136
Provision of Reserves for Guaranteed Liability		-7,122	81,606
Bad Debt Expenses for Other Receivables		16	51
Total		354,434	273,753



VI

Risk Management

06

1. Credit Risk Management System and Capital Requirement

(1) Credit Risk Management System

2015

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/non-accrual loans. The Department of Risk Management is in charge of Eximbank's overall credit risk management. Each business unit supervises and monitors the credit risk implementation of its subordinate units, which shall all follow the relevant regulations and provisions of credit risk management.</p>
3.Scope and Characteristics of 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>

VI. Risk Management

Item	Contents
	<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 follow-up 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, 2015

TWD Thousand

Type of Exposure	Credit Risk Exposures after Mitigation	Capital Requirement
Sovereign	19,788,538	316,617
Public Sector Entities/ Non-Central Government	-	-
Banks (Including Multilateral Development Banks)	12,853,183	693,949
Corporate (Including Securities and Insurance Corp.)	73,087,406	4,963,427
Regulatory Retail Portfolios	1,309,568	37,059
Residential Property	-	-
Rights of Securities Investment	-	-
Other Assets	846,224	77,136
Total	107,884,919	6,088,188

2. Operational Risk Management System and Capital Requirement

(1) Operational Risk Management System

2015

Item	Contents
1. Operational Risk Strategy and Procedure	<p>The Bank'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 the Bank'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>The Bank'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>The Bank 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 the Bank shall handle the legal compliance pursuant to the "Considerations for Implementation of Legal Compliance Control System for Export-Import Bank of the Republic of China".</p> <p>The Bank 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, 2015

TWD Thousand

FY	Gross Profit	Capital Requirement
2013	1,174,363	
2014	1,314,076	
2015	1,423,594	
Total	3,912,033	195,602

3. Market Risk Management System and Capital Requirement

(1) Market Risk Management System

2015

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>

Item	Contents
4. Market Risk Hedging or Risk Mitigation / Strategies and Procedures of Monitoring Instruments for Hedging and Risk Mitigation	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. Related units should be consulted and evaluations should be conducted as a due diligence before establishing a transaction position.
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, 2015

TWD Thousand

Risk	Capital Requirement
Interest Rate Risk	-
Equity Position Risk	-
Foreign Exchange Risk	5,099
Commodity Risk	-
Total	5,099



Mr. Jorge von Wedemeyer Knigge , Chairman of Lima Chamber of Commerce, visited Eximbank to promote bilateral economic and trade cooperation (Photo taken Nov. 2015).

4. Liquidity Risk

(1) Duration Analysis of Prime Assets and Liabilities

Term-Structure Analysis of TWD-Denominated Assets and Liabilities December 31, 2015

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	61,003,099	3,495,953	6,393,905	2,356,369	6,992,931	12,342,107	29,421,834
Major Outflows of Matured Funds	75,293,309	6,966,642	7,179,979	12,146,875	4,961,274	4,553,336	39,485,203
Gap	-14,290,210	-3,470,689	-786,074	-9,790,506	2,031,657	7,788,771	-10,063,369

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, 2015

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	1,678,224	121,328	226,885	67,067	142,942	1,120,002
Major Outflows of Matured Funds	1,947,669	851,652	89,399	44,473	48,793	913,352
Gap	-269,445	-730,324	137,486	22,594	94,149	206,650

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 enhance funding stability. It refrains from over-concentrated use of remaining funds and embraces earning assets with liquidity. As for management of liquidity risks, Eximbank not only complies with related requirements of the 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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