

2017 Annual Report

EXIMBANK



2017 Annual Report

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>



The Export-Import Bank of the Republic of China



2017 Annual Report

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I | Summary of Operating Performance

TWD Million

year	FY 2017	FY 2016
Total Operating Revenues	2,429	2,181
Total Operating Expenses	1,737	1,659
Net Income Before Tax	692	522
Profits per Employee Before Tax	3.14	2.49
Loans Outstanding (Average)	105,610	100,220
Guarantees Undertaken	22,076	18,808
Insured Amount of Export Credit Insurance	115,822	115,211
	(December 31, 2017)	(December 31, 2016)
Total Assets	114,358	111,540
Net Equity	29,023	24,296
Capital Adequacy Ratio (%)	36.25	31.96

* The final accounts of FY 2017 are subject to audit.

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



II | Business Report

1. Mission

As a specialized financial institution in export and import credit, The Export-Import Bank of the Republic of China (hereinafter referred to as the “Eximbank”) is established in accordance with “The Export-Import Bank of the Republic of China Act”. Eximbank’s business vision is “to strengthen trade finance and assist external trade”, and its main task is to implement government’s policy in economic, trade and finance by providing domestic manufacturers with financial and export credit insurance services for their expansion of external trade, thereby increasing domestic employment and maintaining domestic economic growth. Eximbank’s business is mainly to provide a variety of medium and long term financing and guarantee services to assist manufacturers in branching out overseas market on exporting capital goods, undertaking overseas construction projects, importing precision machinery equipment and essential industrial raw materials, and introducing foreign technology to Taiwan, etc., to enhance export competitiveness and promote industrial upgrading. Furthermore, various export credit insurance and overseas investment insurance services are provided by Eximbank to protect domestic manufacturers against foreign country’s political and credit risk when conducting export trade or overseas investment.

2. Key Operating Strategies and Achievements

Eximbank’s average loans outstanding in 2017 was TWD105,610 million, an increase of 5.38% from 2016, and guarantees totaled TWD22,076 million, an increase of 17.38% from 2016. The total insured amount of export credit insurance of Eximbank was TWD115,822 million, a year-on-year growth rate of 0.53% from 2016. A summary of key operating strategies and achievements for 2017 is as follows:

(1) Integrate the Government resources and actively cooperate with the “New Southbound Policy” to provide manufacturers with financial support services in all domains

As the New Southbound Policy plays an important role in the foreign economic and trade strategy of Taiwan, Eximbank is committed to building sound financing, guarantee and export credit insurance mechanisms to implement government policy. Moreover, by integrating the resources provided by the National Development Fund of the Executive Yuan, the SME Development Fund of the Ministry of Economic Affairs, and the Trade Promotion Fund of the Bureau of Foreign Trade, Eximbank provides manufacturers with all types of loans, guarantees

and export credit insurance services to ensure the highest quality of financial and hedge services for manufacturers to expand export to the ASEAN, South Asia, Australia, and New Zealand markets. As of the end of December 2017, Eximbank's business operations under New Southbound Policy were: Loans TWD13.779 billion, Guarantees TWD2.757 billion, and Export Credit Insurance TWD20.305 billion, for a total of TWD36.841 billion. According to the key performance indicators set by the "New Southbound Policy Action Plan" of the Executive Yuan, Eximbank's achievement on each business was loans 127.34%, guarantees 216.75%, and export credit insurance 100.94%. The performance was excellent.

(2) In line with the government's "Five-plus-Two Innovative Key Industries Plan" to strongly assist enterprises with financial support

In order to build "Digital Country, Innovative Economy", the Executive Yuan has been actively promoting the "Five-plus-Two Innovative Key Industries Plan". The "Five-plus-Two" Industries include the five major innovative industries of Asia Silicon Valley, Biotechnology, Green Energy, Intelligent Machinery and National Defense, plus two industries of New Agriculture and Circular Economy. Eximbank has stepped up the Five-plus-Two Innovative Industries Plan by providing enterprises with needed financing or guarantees and other financial support to enhance international competitiveness and expand overseas markets. Consequently, Eximbank has been committed to the "Strengthening of Domestic Banks' Promotions on the Innovative Key Industries Program" promulgated by Financial Supervisory Commission, and the credit balance of the innovative key industries was TWD70.713 billion as of December 31, 2017, with an increase of 5.731 billion from 2016.

(3) Gradually increase capital to amplify business undertaking volume for manufacturers to improve competitiveness and bring about industrial upgrading

Ministry of Finance approved Eximbank's capital increase from 2016 up to 2018 for a total of TWD16.8 billion to broaden Eximbank's operational basis. After completion of capital increase, each single customer's unsecured credit limit will be increased to 1.55 billion, which will amplify Eximbank's ability to inject funds to customers, to undertake financing projects of larger scale, and to implement Eximbank's functions of providing manufacturers with financial support for expanding export markets. On the other hand, to cope with the adjustment of Taiwan's industrial structure, Eximbank will strengthen its medium and long-term financing and guarantee facilities to assist manufacturers improving their industrial competitiveness and further driving the industrial upgrading.

(4) Establish the "Syndicated Loan Platform" using funds allocated from the "Trade Promotion Fund" to invest in the "Strengthening Trade Finance Loan Program" to fully support exporters expanding overseas markets

1. In order to stimulate exportation of system integration, turnkey project, and Engineering Industry of Taiwan, Eximbank carried out the government policy of "Syndicated Loan Platform for System integration, Turnkey Project and Engineering Industry Exports". As of December 31, 2017, there were 123 projects developed by Eximbank and 2 projects referred by the economic trade unit with a total loan amount of TWD7.584 billion, which helped the exportation by domestic manufacturers.

2. To extend assistance to manufacturers, Eximbank has applied fund under the “Strengthening Trade Finance Loan Program” from the Ministry of Economic Affairs. Contract was signed in August 2015 with the implementation period from January 1, 2016 to December 31, 2020. The Trade Promotion Fund of the Ministry of Economic Affairs provides TWD6 billion for Eximbank to manage various types of export loans. In 2017, 80 loans were approved, 75 manufacturers serviced and total amount of loan approved was TWD6.278 billion, the export value estimated to grow by TWD18.834 billion.

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

In line with the government policy, Eximbank continues to focus on key export expansion markets of 2017 chosen by Ministry of Economic Affairs, including the United States, Germany, Malaysia, Indonesia, Vietnam, Philippines, China, and India, as well as 18 targeted countries for New Southbound Policy, including India, Indonesia, Vietnam, Thailand, Malaysia, Philippines, Pakistan, Myanmar, Cambodia, Laos, Sri Lanka, Bangladesh, Nepal, Bhutan, Singapore, Brunei, Australia and New Zealand, to provide comprehensive export financing and insurance mechanism to support the requisite financial services for the exporters in order to strengthen manufacturers’ export competitiveness. In 2017, Eximbank approved export credit to key export expansion market countries with a total amount of TWD20.675 billion, representing an increase of TWD3.663 billion, or 21.53% over 2016. The insured amount of export credit insurance of Eximbank was TWD41.427 billion, representing an increase of 7.21% over 2016, which effectively assist manufacturers of Taiwan to expand the export market.



**Chairman of the Board of Directors
Shui-Yung Lin**

(6) Establish relending facilities globally for manufacturers to enhance export competitiveness

To implement government policies, Eximbank established relending relations with global reputable banks by granting credit line to domestic and foreign financial institutions for them to provide loans to importers for the purpose of purchasing products from Taiwan in order to assist domestic manufacturers expanding the export markets. Through this relending model, the competitiveness of Taiwan's products in the international market may be strengthened and further contributed to the transaction. As of the end of 2017, Eximbank has established relending facilities in 24 countries in emerging market, such as Armenia, Marshall Islands, Vietnam, Guatemala, Russia, Ecuador, Kazakhstan, Mongolia, Chile, Colombia, Dominican Republic, El Salvador, Honduras, Nicaragua, Paraguay, Belarus, Bulgaria, Czech Republic, Turkey, Cambodia, India, Indonesia, Philippines, Thailand, and the United States, with the cooperative banks covering the America, Europe, Oceania, Asia, and other regions for a total of 69 financial institutions, total relending amount granted was USD735 million. In the future, Eximbank will continue to meet the requirements of the government economic policy and the market demand, and establish relending relationship focusing on the key export expansion markets to assist manufacturers' export.

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

Eximbank has been vigorously executing guidelines set by the Ministry of Economic Affairs and exerting its niche policies of export financing, relending, export credit insurance and so on, to assist manufacturers moving forward to the emerging markets. In 2017, the approved amount of such



President | Pei-Jean Liu

policy export loan and loan to emerging markets accounted for 59.11% of Eximbank's total approved amount of export loans; and the insured amount in line with government economic and trade policies and for emerging markets accounted for 49.69% of its total export credit insurance. The business expansion of Eximbank to emerging markets in Southeast Asia, Central and South America, East Europe, East Asia, and South Asia, including Brazil, Colombia, Turkey, India, Bangladesh, Sri Lanka, Singapore, Indonesia, Malaysia, Thailand, the Czech Republic, etc. successfully assists exporters winning orders to extend sales to the emerging markets, and to diversify risks.

(8) Strengthen the services to the small and medium enterprises to assist expanding overseas markets

Currently, about 85% of existing customers of Eximbank's export credit insurance are small and medium enterprises, the insured amount in 2017 increased by 12.45% over the same period in 2016. In order to strengthen Eximbank's services to the small and medium enterprises, the "SME Export Insurance Service Window" has been set up. Eximbank has cooperated with more than 30 international credit research companies to commission credit investigation of the buyers for manufacturers, and the credit investigation report has been analyzed by the professional underwriters in order to avoid the possibility of credit risk in international trade.

Furthermore, by utilizing funds provided by "SME Development Fund", Eximbank actively financed the small and medium enterprises to assist them winning orders and expand export markets. At the end of 2017, the average balance of loans to small and medium enterprises reached TWD7.5 billion.

(9) Enhance the cooperation with domestic economic and trade organizations to promote export trade

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

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

Vigorously participating in international organizations, Eximbank is a member of the Berne Union which is the leading international association for export credit insurance. On June 26 2017, the 9th "Regional Cooperation Group CEO Meeting" (RCG CEO Meeting) of Berne Union was held in Taipei and hosted by Eximbank. CEO of official export credit agencies in Asia were invited to visit Taiwan during the conference period of June 26 to June 28, 2017, including Japan, South Korea, Hong Kong, Thailand and India. Later, during the period of November 27 to November 29, 2017, the 4th "Seminar on Cross-Strait-Hong Kong Export Credit Insurance" was held in Kaohsiung and chaired by Eximbank. Staffs and Officers from Hong Kong and Mainland China export credit agencies were invited to share experiences and exchange informations

from work. Various issues on operational practice of export credit insurance business were discussed during the seminar, expecting to assist and support the development of export trade among them by means of business communication and cooperation.

On the other hand, Eximbank participated Berne Union Spring Meeting in Denmark in May and Annual General Meeting in Serbia in October, 2017 to exchange relevant information and practical experience with other members, which helps facilitate the exchange and learning between Eximbank and foreign counterparts, and effectively enhance the international visibility of Taiwan.

Up until the end of 2017, Eximbank has signed Cooperation Agreements with official export credit agencies of 18 countries globally including Poland, Czech Republic, Hungary, Japan, Slovakia, Turkey, Thailand, Indonesia, Malaysia, Belarus, South Korea, Israel, China, Sweden, Sri Lanka, Hong Kong, India and Finland, expecting to assist domestic exporters in expanding global markets.

(11) Using reinsurance arrangements to enhance export insurance underwriting capability of Eximbank

In need of the scale-up of underwriting performance and the improvement of the operational foundation of export credit insurance, Eximbank has renewed a reinsurance contract with the Central Reinsurance Corporation in 2017 with favorable terms and conditions to properly transfer the underwriting risks to the reinsurance company in order to strengthen underwriting capacity of Eximbank and enable the continuous growth of export credit insurance business. In addition, Eximbank actively conducted reinsurance cooperation with others by signing reinsurance contracts with the Nippon Export and Investment Insurance (NEXI), the Asuransi Ekspor Indonesia (ASEI), and the Swedish Export Credits Guarantee Board (EKN).



Minister of Finance Yu-Jer Sheu awarded financial institutions for Excellence in Export Credit Insurance Referral Services in 2017. (Photo taken in February, 2018)

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

By the end of 2017, Eximbank has signed Co-promotion Agreements on export credit insurance with a total of 30 banks, including eight government-owned banks, one foreign bank and 21 private commercial banks, by which to expand Eximbank's services across Taiwan for the purpose of leveraging the comprehensive marketing channel of domestic commercial banks and foreign banks in Taiwan to promote government financial support measures, assist their customers to avoid the risk of uncollectible account receivables, and indirectly protect the financing credit of the financial banks or the negotiating banks.

(13) Participate actively in international syndicated loans to expand business tentacles and enhance international financial cooperation

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

As of the end of 2017, the balance of Eximbank's participation in international syndicated loans was approximately USD325 million, equivalent to TWD9.654 billion. Borrowers consist of 32 financial institutions and international organizations in 14 countries across regions of Asia, Central and South America, Africa, Europe, and the Middle East. In 2017, Eximbank assisted a total of 16 financial institutions in 8 countries, including

Chile, Indonesia, India, South Korea, Malaysia, the Netherlands, Panama, South Africa, and multinational financial organizations of African Export Import Bank and Bladex, which gained USD137 million working capital and contributed to the annual revenue for Eximbank.

Eximbank has been taking part in international syndicated loans cautiously by selecting reputable borrowers to balance risk and revenue of the loan, which have helped Eximbank quickly entering the international financial market to enhance its international visibility, and further developed mutual cooperation opportunities on other businesses with financial peers. Over the years, through participation in international syndicated loans, Eximbank has successfully developed Relending Facilities with banks of good reputation in the emerging markets in Southeast Asia, Eastern Europe and Central and South America and assisted manufacturers expanding to the emerging markets.

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

1. To meet business requirements, Eximbank revised "Directions on Enterprise Loan Pricing" for those loans which require guarantors to include guarantor's enterprise credit rating as reference for Eximbank to consider the markup or markdown of lending interest.
2. For business consideration, Eximbank revised "Interest Rate Quotation Principle for Short-term, General, Medium and Long-term Export Credit" in order to enlarge the range of business supervisor's flexibility to markup or markdown the lending interest.
3. To improve the efficiency of Post-credit tracking analysis and to implement risk control for achieving substantial benefit of post-

credit management, Eximbank amended “Operational Directions for Post-Credit tracking Analysis”

4. To Implement the Green Finance Policy, the competent authority amended Paragraph 5, Article 20 of “Credit Standards for Members of the R.O.C. Bankers Association”. Thus in line with government policy, Eximbank amended its “Credit Extension Policy” to be applicable to all enterprise loans, instead of being limited to project financing.
5. To cope with the needs to broaden scope of qualification for applying general export credit, Eximbank revised “Directions Governing General Export Credit” and added new rule of “Guidelines for Directions Governing General Export Credit”.
6. To extend assistance to exporters for avoiding trade risks and to broaden the criteria for identifying the additional insured, Eximbank revised the Additional Insured Clauses.
7. In order to elevate operational efficiency and improve service quality, Eximbank revised the Standard Operating Procedures (SOP) for “Comprehensive Export Credit Insurance for D/P and D/A Transactions” and other three insurance transactions.

(15) Strengthen the National, Financial, Industrial, and Enterprise Risk Management

In view of the ever-changing international economic and trade situation, Eximbank has reinforced its assessment and monitoring of national risk and financial risk of business dealings, and submits the monitoring reports to executives, in particular on the changes of risks in the higher risk areas and countries. In terms of industrial and enterprise

risk, in addition to the continuous monitoring of the changes in the risk of major industries, Eximbank also coordinate with the government’s promotion of New Southbound Policy to assist manufacturers in expanding the ASEAN, South Asia , Australia, and New Zealand markets, and enhance the study and analysis in the industries related to Taiwan in aforementioned areas to grasp the industrial development trends and diversify the credit risk.

In order to enhance the effectiveness of risk control, apart from the continuously reinforcing functions of risk management information system, Eximbank has also established a function of “instant notification of significant information” in order for Taiwanese buyers (listed, OTC and public offering companies) to grasp the customer risk dynamics of loan, guarantee and export credit insurance businesses.

(16) Vigorously Training Finance Professionals to Enhance Expertise

Eximbank established and carried out an annual training program for employees in order to actively train financial professionals and strengthen their financial expertise. Employees were sent to attend meetings hosted by professional financial research training organizations, and Eximbank also frequently gave theme-based training courses with recruited scholars and experts as professors. In 2017, Eximbank hosted 22 specialized and regulatory topic speeches along with 13 professional training sessions by various departments, and 22 foreign business trip report-based seminars, totaling 1,524 trainees. It positively enhanced bank employees’ professional knowledge to meet business development needs.

3. Credit Rating

- (1) In order to expand the funding source and save the funding cost, Eximbank commissioned the Standard & Poor's Financial Services LLC. and Taiwan Rating Corp. for credit rating and received their confirmed rating results as the highest Issuer Credit Rating among all banks in Taiwan. Eximbank, as the only state-owned specialized bank of export and import credit, plays a key role on public policy and has an indispensable association with the government. Therefore, it was given the ratings aligned with the issuer credit ratings on Taiwan.
- (2) In 2017, credit ratings on Eximbank remained unchanged from the issued date:

Rating Agency	Issued Date	Credit Rating
Standard & Poor's	January 3, 2017	AA-/ Stable/ A-1 +
Taiwan Ratings	January 3, 2017	twAAA/ Stable/ twA-1+



Eximbank held "New Southbound Policy - Business opportunities and Financial Support Application" forum in Taichung. (Photo taken in October 2017)



III | Bank Profile

1. Brief Introduction

Eximbank was established in 1979, under the Statute of “The Export-Import Bank of the Republic of China Act”. The state-owned export and import financial institution is administered by the Ministry of Finance and supervised by the Financial Supervisory Commission. The mission of Eximbank is “to promote export and import trade and to facilitate economic development”. The main function of Eximbank is to provide financing, guarantees,

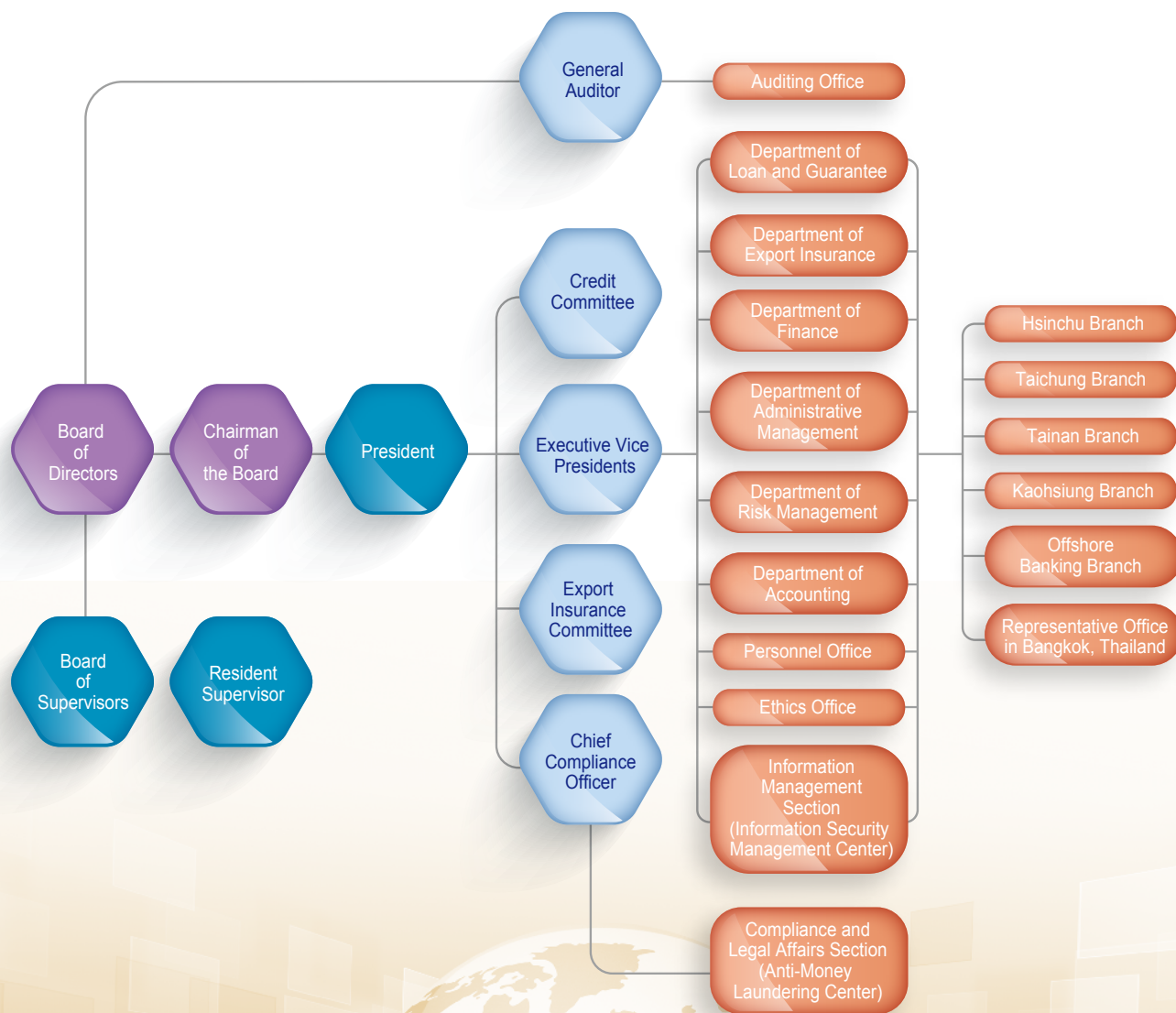
and export credit insurance to the domestic enterprises. With Eximbank’s help, enterprises can expedite their external trades, overseas investments and international cooperation, thus to maintain a sustainable development in nation’s economy. Besides a headquarter, Eximbank has four domestic branches in Kaohsiung, Taichung, Hsinchu and Tainan, as well as an Offshore Banking Unit, and a representative office in Bangkok, Thailand. A representative office in India is meanwhile under construction.



President Pei-Jean Liu of Eximbank and Chairman Wen Shiang Lai of Century Iron & Steel Industrial Co., Ltd. took photo in Overseas Construction Loan signing ceremony held in Eximbank. (Photo taken in June 2017)

2. Bank Organization

(1) Organization Chart



(2) Board of Directors and Supervisors



Shui-Yung Lin

Chairman of the Board of Directors



Pei-Jean Liu

Managing Director



Tzu-Hsin Wu

Managing Director



Hui-Huang Yen

Director



Guann-Jyh Lee

Director



Yu-Chyng Wang

Director



Shang-Hsi Liao

Director



Pi-Lan Hsu

Resident Supervisor



Hui-Mei Chen

Supervisor



Jen-Hsiu Lu

Supervisor

Board of Directors		Board of Supervisors	
Shui-Yung Lin	Chairman of the Board of Directors	Pi-Lan Hsu	Resident Supervisor
Pei-Jean Liu	Managing Director	Hui-Mei Chen	Supervisor
Tzu-Hsin Wu	Managing Director	Jen-Hsiu Lu	Supervisor
Hui-Huang Yen	Director		
Guann-Jyh Lee	Director		
Yu-Chyng Wang	Director		
Shang-Hsi Liao	Director		

(3) Principal Managers and General Auditor

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



Chief Compliance
Officer
Ming-Hsing Yeh

Executive Vice
President
Chien-Cheng Day

President
Pei-Jean Liu

Chairman of the
Board of Directors
Shui-Yung Lin

Executive Vice
President
Hsiu-Chuan Ko

General Auditor
Yu-Huai Wang



IV | Overview of Bank Operations

1. Business Overview

Below is an overview of Eximbank's loans, guarantees, and export credit insurance business in 2017:

(1) Loans

Eximbank's loans include "Medium and Long Term Export Credits", "General Export Credits", "Short Term Export Credits", "Medium and Long Term Import Credits", "Overseas Investment Credits", "Overseas Construction Credits", "Ship Building Credits", "International Syndicated Loans", "Relending Facilities", "Major Public Construction Credits", etc.

Eximbank's loan portfolio mainly consists of medium and long-term loans. In 2017, the average

balance of these loans totaled TWD84,824 million, accounting for 80.32% of total loans.

(2) Guarantees

Eximbank's guarantee services include "Overseas Construction Guarantees", "Import Guarantees", "Export Guarantees", "Domestic Major Public Construction Guarantees", etc.

The structure of Eximbank's guarantee undertaking (based on the proportion of undertaking amount) in 2017 were "Domestic Major Public Construction Guarantees" accounted for 46.69%, "Import Guarantees" accounted for 39.62%, "Overseas Construction Guarantees" accounted for 10.63%, "Export Guarantees" accounted for 3%, and other Guarantees accounted for 0.06%.

(3) Export Credit Insurance

Eximbank's export credit insurance services include "Comprehensive Export Credit Insurance for D/P and D/A Transactions", "Comprehensive Export Credit Insurance for Open Account Transactions", "Export Credit Insurance for Small and Medium Enterprise", "L/C Credit Insurance", "Medium- and Long-term Deferred Payment Insurance", "Overseas Investment Insurance", "GlobalSure Credit Insurance", "Globalsure Account Receivable Insurance for Banks", and "Letter of Credit Insurance for Banks".

The total insured amount of export credit insurance was TWD115,822 million in 2017, an increase of 0.53% from 2016.

2. Market Overview

(1) Overview of Domestic and Global Financial Conditions

The global economic recovery in 2017 continued to increase following the trend of the second half of 2016. The annual growth rates of about 120 economies (accounting for three-quarters of global GDP) have increased, which is the most comprehensive global economic growth in the past eight years. International Monetary Fund (IMF) estimated that the global economic growth rate in 2017 will increase from 3.2% in the previous year to 3.7%. With the strong recovery trend of the developed economies in 2017, coupled with the US incentive to implement taxation reforms and infrastructure projects, which also has spillover effects on the major trading partners of US such as Canada and Mexico, the IMF further predicts that the global economic growth rate will reach 3.9% by 2018.

As the U.S. economic growth in 2017 is better than expected, inflation has gradually approached the 2% target, external demand is expected to rise, and the impact of the tax reform on the overall economy will strengthen recent economic growth. In euro area, the economy recovered steadily in 2017. The

unemployment rate continued to improve, inflation gradually approached the target, the growth trend of domestic demand as well as external demand increased, thus recovery trend remained unchanged. Japan's economic recovery in 2017 continues, private consumption has grown slowly, but there has been no significant improvement in inflation. External demand has boosted export growth, coupled with an increase in government budget expenditures in 2018, the economic recovery is expected to continue. The prospects of overall economic growth of emerging market benefit from the rising of international commodity prices, however the financial environment may be affected by the acceleration of interest rate increases in the United States. The economic growth in Mainland China has gradually slowed down. Benefiting from increased external demand, its economic growth is relatively stable.

Looking ahead, the IMF pointed out that the improvement in global economic growth mainly comes from the enhanced economic recovery of developed countries and the impact of the US tax reform policies. The main risks may include: high asset prices and narrower short-term and long-term yield spreads; the possibility of financial market adjustments will inhibit investment confidence; rapid increase in demand will lead to accelerated inflation and further accelerate the pace of raising interest rates; the monetary easing environment in medium term will also increase the vulnerability of the financial system; and trade protectionism, geopolitical tension and political uncertainty will lead to a recession.

In terms of monetary policy, the US Federal Reserve (Fed) announced a raise in the benchmark fed funds rate by one yard each on March 15, June 14, and December 13, 2017, raising from the range of 0.5%-0.75% to 1.25%-1.5%. The range was further raised by one yard to 1.5%-1.75% on March 21, 2018. It also announced that it will closely monitor inflation and keep pace with gradual increase of the interest rate. Different

from the gradual tightening policy adopted by the United States, and despite the steady recovery of the euro zone economy in 2017, core inflation is still inhibited. It is therefore necessary to maintain monetary easing policy to boost the economy. The European Central Bank (ECB) announced on March 8, 2018 that it will maintain the refinancing rate of 0%, the marginal loan interest rate of 0.25%, and the deposit rate of -0.4%. The monthly 30 billion euros bond purchase schedule will be fold up at the end of September 2018. Officials indicated that the interest rate level will be maintained at the current low level until a period of time after the debt purchase program is over. The Bank of Japan (BOJ) announced on March 9th, 2018 that the monetary policy framework for maintaining the quantitative qualitative easing (QQE) policy and controlling the yield curve remains unchanged. BOJ expressed that it is not possible to discuss the exit of monetary easing policy before reaching the inflation target. Also, in order to reach the target for the 2019 financial year, BOJ do not rule out the policy for further easing.

In terms of global trade, benefiting from the global economic recovery and the growth of global trade volume, the IMF estimated that the global trade volume (commodity plus service) growth rate was 4.7% in 2017, which was higher than the 2.5% in 2016 and also higher than the global economic growth rate of 3.7% in 2017.

In 2017, with the resilience enhancement of the global economy, the demand in semiconductor and machinery markets was hot, and the international agricultural and industrial raw material prices rebounded, which boosted our local export kinetic energy. In 2017, commodity exports grew by 13.2%, and the annual growth rate reached a record high of nearly seven years. If including service trade exports, the annual growth rate of foreign trade would be 7.43%. Benefited from the growth of 0.94% from 2016 of domestic-private sector consumption, fixed investment, and government consumption, the Directorate-General of Budget, Accounting and Statistics estimated initially that the annual economic growth rate for 2017 was



Eximbank held "New Southbound Policy - Business opportunities and Financial Support Application" forum in Taichung, and Chairman Shui-Yung Lin gave speech in the forum. (Photo taken in October 2017)

2.86%, which was a rebound from 1.41% in 2016. The annual consumer price index (CPI) rose by 0.62%, excluding the core prices of vegetables, fruits and energy price rose by 1.04%, the overall price trend remained stable. The average annual unemployment rate was 3.76%, a decrease of 0.16 percentage points over the previous year.

(2) Overview of Credit Market

In 2017, the global economy steadily recovered and the growth rate rose quarter by quarter. The annual economic growth rate reached 3.2%, a new high since 2011. Performance of most countries was better than expected, effectively boosting the global demand for commodity trade growth and giving a shot in the arm for foreign trade oriented countries who have been eager for trade growth. For developed countries, the U.S. economic growth rate has been revised up to 2.3% in 2017, an increase of 0.8% compared to 1.5% in 2016.

Although the Eurozone's growth performance in 2017 was hampered by multinational elections, the region's performance has been gradually entering blissful circumstances, and the growth forecast is about 2.4%, which is the highest level since 2008. As for the emerging market countries, the growth rate of mainland China in 2017 was 6.8%, better than originally expected and slightly higher than the 6.7% in 2016. For Southeast Asian countries, with the booming global merchandise trade and stable prices of raw materials, most countries have better than expected performance in 2017. The average regional growth rate is about 4.9%. In terms of domestic economic conditions, the annual economic growth rate in 2017 was about 2.53%, an increase of 1.12 percentage points from 1.41% of 2016, and the growth trend has been upwards for three years since 2014. Due to the strong expansion of the foreign trade sector, the growth model was contributed 1.36 percentage points by the net foreign demand, which is higher than by



Photo of attendees of the Overseas Construction Loan signing ceremony between Eximbank and Century Iron & Steel Industrial Co., Ltd. (Photo taken in June 2017)

the domestic demand of 1.17 percentage points, showing a share of both internal and external contributions.

In order to assist boosting the domestic economy, Eximbank continued to promote the “Strengthening Trade Financing Program” in 2017, and in coordination with the government’s domestic public construction plan, Eximbank devoted to strengthen the export financing, overseas construction financing, major construction financing, medium and long term import financing, overseas investment financing, international enterprise financing and other credit business. The financing and guarantees business in 2017 were increased by 5.38% and 17.38% respectively over previous year.

(3) Overview on Export Credit Insurance Market

According to the import & export trade statistics provided by the Custom, the external trade of Taiwan reached USD576.9 billion for the entire year of 2017 with a USD57.88 billion trade surplus. In terms of export, Asia remained the main export market of Taiwan. It was also the largest area of Eximbank’s Export Credit Insurance business, accounted for 47.53% of total insured amount. As for industries, electronic products were the primary export goods of Taiwan, thus computer communication and audio video electronic products were the largest target of Eximbank’s export credit insurance business, accounted for 36.8% of total insured amount. It reveals that the Eximbank’s export credit insurance business is in line with the government policy as well as the export trade development trend of Taiwan. By providing enterprises financial instruments to mitigate trade credit risks and enhance export capability, Eximbank assist manufacturers in expanding the emerging markets to achieve its strategic objectives of cultivating Taiwan, reaching out to the world and diversifying export market risks.

3. Social Responsibilities

(1) Environmental Protection

Eximbank cooperated with the government policies of “energy conservation”, “carbon reduction”, “paper reduction” and “green procurement”, etc. By implementing various methods, electricity, water, and oil consumption were reduced by 1.61%, 0.48%, and 5.46% respectively in 2017, from the base period in 2015. The paper consumption maintained the same as in 2015. All energy sources have reached the saving target.

In accordance with the government’s “Green Procurement Plan”, Eximbank has achieved the annual objective of 90% on purchasing “Green Mark” items. As to contribute to the prevention of global warming, Eximbank has participated the “Green Energy Policy”, to support the development of renewable energy.

(2) Public Welfare Activities

Eximbank has engaged in public welfare with various non-profit organizations. The donation of goods to the Garden of Mercy Foundation for AIDS Babies was to help the little lives to survive. The cooperation with Triple-E Institute was to provide personal computers to children in remote urban area. The Mangrove Ecological Trails Clean-up and other activities conducted by Eximbank were to improve the understanding of the fragility of our environment and the importance of its protection, hence to achieve environmental protection awareness. Eximbank will continue to fulfill her designated social responsibilities.

4. Prospects

New Southbound Policy is an important part of Taiwan’s foreign trade strategy. Eximbank is the only state-owned specialized trade financing institution in Taiwan and shoulders its policy

mission of assisting manufacturers in expanding overseas markets. In order for Eximbank to effectively cooperate with government policies and respond to business growth, the government plans to increase the capital year by year, so that the Eximbank will have sufficient funds to assist manufacturers in expanding the ASEAN and South Asian markets. This will not only reduce the capital burden of manufacturers, but also avoid its trade risks by using export insurance, thus help enhance the ability of manufacturers to accept orders. Eximbank provides integral services as strong backing for companies to expand overseas

markets. In the future, Eximbank will continue to respond to the trend of financial environment, review and revise various business regulations and develop new types of business to cope with the development of domestic industrial structure in a timely manner so as to optimize service quality and broaden the service level. Through building a comprehensive financing, guarantee and export insurance mechanism, Eximbank expects to assist manufacturers strengthen their international competitiveness, gain more market opportunities, and ultimately create new momentum for Taiwan's economy and new positioning in the supply chain.



Delegation of China Export & Credit Insurance Corporation visited Eximbank. (Photo taken in November, 2017)

V | Financial Overview

1. Balance Sheets

TWD Thousand

Item	Notes	December 31, 2017		December 31, 2016	
		Amount	%	Amount	%
Assets					
Cash and Cash Equivalents	Note 5 (1)	165,296	0.14	231,687	0.21
Due from the Central Bank and Call Loans to Other Banks	Note 5 (2)	564,212	0.49	245,647	0.22
Financial Assets at Fair Value through Profit or Loss	Note 5 (3)	1,639	0.00	41,006	0.04
Receivables-Net	Note 5 (4)	332,958	0.29	479,343	0.43
Current Period Income Tax Assets				4,344	0.00
Loans and Discounts-Net	Note 5 (5)	104,745,478	91.59	102,020,075	91.47
Held-to-Maturity Financial Assets-Net		7,600,000	6.65	7,600,000	6.81
Other Financial Assets-Net	Note 5 (6)	260,897	0.24	228,342	0.21
Property and Equipment-Net	Note 5 (7)	523,000	0.46	535,835	0.48
Intangible Assets-Net	Note 5 (8)	44,608	0.04	38,900	0.03
Deferred Income Tax Assets-Net		86,331	0.07	79,478	0.07
Other Assets-Net	Note 5 (9)	33,496	0.03	35,174	0.03
Total Assets		114,357,915	100.00	111,539,831	100.00
Liabilities					
Due to the Central Bank and Other Banks		25,025,452	21.88	30,099,269	26.99

Item	Notes	December 31, 2017		December 31, 2016	
		Amount	%	Amount	%
Borrowed Funds from the Central Bank and Other Banks	Note 5 (10)	17,576,883	15.37	18,787,940	16.84
Financial Liabilities at Fair Value through Profit or Loss	Note 5 (11)			3,701,553	3.32
Payables	Note 5 (12)	298,559	0.26	330,391	0.30
Current Period Income Tax Liabilities		53,599	0.05	37,738	0.03
Financial Debentures Payable	Note 5 (13)	17,894,195	15.65	13,997,031	12.55
Other Financial Liabilities	Note 5 (14)	22,149,372	19.37	17,995,346	16.13
Provisions	Note 5 (15)	944,663	0.83	843,523	0.76
Deferred income Tax Liabilities		39,765	0.03	48,086	0.04
Other Liabilities	Note 5 (16)	1,352,563	1.18	1,402,507	1.26
Total Liabilities		85,335,051	74.62	87,243,384	78.22
Equity					
Capital		27,000,000	23.61	22,000,000	19.73
Retained Earnings					
Legal Reserve		817,021	0.71	560,673	0.50
Special Reserve		1,471,325	1.29	1,364,840	1.22
Other Equity		-265,482	-0.23	370,934	0.33
Total Equity		29,022,864	25.38	24,296,447	21.78
Total Liabilities and Equity		114,357,915	100.00	111,539,831	100.00

Note: Figures for 2017 are subject to audit; Figures for 2016 have been recognized by the Ministry of Audit, R.O.C.



2. Statements of Comprehensive Income

TWD Thousand

Item	Notes	January 1, 2017- December 31, 2017		January 1, 2016- December 31, 2016		Percentage Change (%)
		Amount	%	Amount	%	
Interest Revenue		1,852,847	125.34	1,667,191	119.61	11.14
Minus: Interest Expenses		637,401	43.12	410,608	29.46	55.23
Net Interest Income		1,215,446	82.22	1,256,583	90.15	-3.27
Non-Interest Income						
Net Fees and Commissions	Note 5 (17)	49,858	3.37	41,052	2.95	21.45
Gains (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss	Note 5 (18)	-3,435	-0.23	-32,136	-2.31	89.31
Foreign Exchange Gains (Losses)		-1,722	-0.12	-5,048	-0.36	65.89
Net Export Credit Insurance Income	Note 5 (19)	184,638	12.49	181,445	13.02	1.76
Other Non-Interest Income	Note 5 (20)	33,494	2.27	-48,072	-3.45	169.67
Net Operating Income		1,478,279	100.00	1,393,824	100.00	6.06
Bad Debt Expense and Provision of Reserves for Guaranteed Liability	Note 5 (21)	265,942	17.99	365,384	26.21	-27.22
Operating Expenses						
Employee Benefits Expenses		337,528	22.83	330,836	23.74	2.02
Depreciation and Amortization		28,882	1.95	26,767	1.92	7.90
Other Business and Administrative Expenses		154,264	10.44	148,645	10.66	3.78
Net Income (Loss) Before Tax		691,663	46.79	522,192	37.47	32.45
Income Tax (expense)		-44,273	-3.00	-38,446	-2.76	-15.16
Net Income (Loss)		647,390	43.79	483,746	34.71	33.83
Other Comprehensive Income						
Items not to be Reclassified into Profit or Loss:						
Re-measurements of the Defined Benefit Plans		-7,857	-0.53	956	0.07	-921.86
Income Tax Related to Items not to be Reclassified		1,336	0.09	-163	-0.01	919.63
Items that May be Subsequently Reclassified into Profit or Loss:						
Exchange Differences Caused by Translation of Financial Statements of Offshore Branches		-636,416	-43.05	-136,378	-9.79	-366.66
Other Comprehensive Income (After Tax)		-642,937	-43.49	-135,585	-9.73	-374.19
Total Comprehensive Income		4,453	0.30	348,161	24.98	-98.72
Earnings per Share		0.26		0.24		
Basic and Diluted		0.26		0.24		

Note:1. In this year of 2017, capital increased by cash of TWD4.5 billion and TWD0.5 billion were added on June 1 and August 1, and the amount of paid-in capital after the capital increase was changed to TWD27 billion.

2. Figures for 2017 are subject to audit; Figures for 2016 have been recognized by the Ministry of Audit, R.O.C.

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

3. Statements of Cash Flows

TWD Thousand

Item	January 1, 2017- December 31, 2017		January 1, 2016- December 31, 2016	
	Subtotal	Total	Subtotal	Total
Cash Flows from Operating Activities:				
Continuing Operations Income (Loans) Before Income Tax Earnings (Net Loss) Before Taxation of Continued Operations		691,663		522,192
Net Income (Net Loss) Before Income Tax		691,663		522,192
Adjustments:		-9,554,083		-9,710,472
Incomes and Losses with No Impact on Cash Flow		-939,458		-817,139
Bad Debt Expense and Provision of Reserves for Guaranteed Liability	304,107		362,720	
Depreciation	13,960		12,761	
Amortization	14,929		14,001	
Interest Income	-1,852,847		-1,667,191	
Interest Expense	647,288		456,033	
Loss (Gain) on Disposal of Assets	-83,040		733	
Other Adjustments	16,145		3,804	
Assets/Liability Changes Related to Operating Activities		-8,614,625		-8,893,333
(Increase) Decrease in Loans and Discounts	-3,535,023		-3,498,951	
(Increase) Decrease in Receivables	45,422		-84,715	
(Increase) Decrease in Financial Assets at Fair Value through Profit or Loss	39,367		21,340	
(Increase) Decrease in Other Assets	1,470		847	
Increase (Decrease) in Due to the Central Bank and Other Banks	-5,073,817		-5,418,051	
Increase (Decrease) in Payables	-85,665		82,295	
Increase (Decrease) in Financial Liabilities at Fair Value through Profit or Loss	-1,553		-2,678	
Increase (Decrease) in Other Liabilities	-4,826		6,580	
Interest Paid		-673,042		-475,383
Interest Received		1,852,012		1,648,740
Income Tax Paid		-37,907		-5,098

Item	January 1, 2017- December 31, 2017		January 1, 2016- December 31, 2016	
	Subtotal	Total	Subtotal	Total
Net Cash Provided by Inflow (Outflow) from Operating Activities		-7,721,357		-8,020,021
Cash Flows from Investing Activities				
Purchase of Property and Equipment	-15,646		-16,186	
Sale of Property and Equipment	97,572			
Decrease (Increase) in Other Assets	-20,429		-18,953	
Dividend Received	21,248		22,408	
Net Cash Provided by Inflow (Outflow) from Investment		82,745		-12,731
Cash Flows from Financing Activities				
Capital Increase (Decrease)	5,000,000		3,800,000	
Increase (Decrease) in Borrowed Funds from the Central bank and Other Banks	-1,211,057		210,469	
Increase (Decrease) in Financial Debentures Payable	3,900,000		8,000,000	
Increase (Decrease) in Other Financial Liabilities	457,156		-3,961,619	
Increase (Decrease) in Other Liabilities	-45,118		113,427	
Cash Dividends	-204,413		-179,613	
Net Cash Provided by (Used in) Inflow (Outflow) from Financing Activities		7,896,568		7,982,664
Effect of Changes in Foreign Exchange Rates on Cash and Cash Equivalents		-5,782		505
Increase (Decrease) in Cash and Cash Equivalents		252,174		-49,583
Cash and Cash Equivalents, Beginning of Year		8,077,334		8,126,917
Cash and Cash Equivalents, End of year		8,329,508		8,077,334
Composition of Cash and Cash Equivalents				
Cash and Cash Equivalents Listed on the Balance Sheet		165,296		231,687
Due from the Central Bank and Call Loans to Banks Satisfying the Definition of Cash and Cash Equivalents in IAS 7		564,212		245,647
Securities Sold Under Agreements to Repurchase Satisfying the Definition of Cash and Cash Equivalents in IAS 7		7,600,000		7,600,000
Cash and Cash Equivalents, End of Year		8,329,508		8,077,334

4. Statements of Changes in Equity

January 1, 2016-December 31, 2017

TWD Thousand

Item	Attributable to Owners of the Controlling Entity					Total
	Capital	Retained Earnings			Other Equity Items	
		Legal Reserve	Special Reserve	Retained Earnings-Unappropriated	Exchange Differences Caused by Translation of Financial Statements of Offshore Branches	
Balance, January 1, 2016	12,000,000	6,567,175	1,255,973	-	507,312	20,330,460
Capital Increase by cash, June 1, 2016	3,800,000					3,800,000
Capital Increase by capitalized Legal Reserve, June 1, 2016	6,200,000	-6,200,000				
Provision for Legal Reserve		193,498		-193,498		
Provision for Special Reserve			108,867	-108,867		
Cash Dividends Appropriated				-182,174		-182,174
Net Income for FY 2016				483,746		483,746
Other Comprehensive Income for FY 2016				793	-136,378	-135,585
Balance, december 31, 2016	22,000,000	560,673	1,364,840	-	370,934	24,296,447
Capital Increase by Cash, June 1, 2017	4,500,000					4,500,000
Capital Increase by Cash, August 1, 2017	500,000					500,000
Provision for Legal Reserve		256,348		-256,348		
Provision for Special Reserve			106,485	-106,485		
Cash Dividend Appropriated				-278,036		-278,036
Net Income for FY 2017				647,390		647,390
Other Comprehensive Income for FY 2017				-6,521	-636,416	-642,937
Balance, December 31, 2017	27,000,000	817,021	1,471,325	-	-265,482	29,022,864

5. Financial Analysis

TWD Thousand; %

Item (Note 2)		year	FY 2017	FY 2016
Operating Ability	Non-Performing Loan Ratio		0.12%	0.20%
	Ratio of Interest Income to Annual Average Loans		1.67%	1.57%
	Total Asset Turnover (Times)		1.31%	1.27%
	Average Operating Income per Employee		6,719	6,637
	Average Profit per Employee		2,943	2,304
Profitability	Return on Tier 1 Capital		2.75%	2.50%
	Return on Assets		0.57%	0.44%
	Return on Equity		2.43%	2.17%
	Net Income to Net Operating Income		43.79%	34.71%
	Earnings per Share (TWD)		0.26	0.24
Financial Structure	Ratio of Liabilities to Assets		74.62%	78.22%
	Ratio of Property and Equipment to Equity		1.80%	2.21%
Growth Rate	Asset Growth Rate		2.53%	2.79%
	Profit Growth Rate		32.45%	7.42%
Cash Flow	Cash Flow Ratio		-27.26%	-23.50%
	Cash Flow Adequacy Ratio		-1,587.83%	-525.14%
	Cash Flow Sufficiency Ratio		-9,331.51%	62,996.00%
Liquid Reserve Ratio			60.58%	107.26%
Total Secured Loans to Interested Parties			-	-
Total Secured Loans to Interested Parties as a Percentage of Total Loans			-	-
Operating Scale	Market Share of Assets		0.24%	0.25%
	Market Share of Net Worth		0.84%	0.73%
	Market Share of Loans		0.39%	0.39%

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

1. The decrease in non-performing loan ratio in 2017 was mainly because Eximbank actively dealt with non-performing loans.
2. The increase in ratio of interest income to annual average loans balance in 2017 was mainly attributed to the growth of loan business and rise of interest rates.
3. The decrease in assets growth rate in 2017 was mainly because the less increase of loans balance in 2017 that caused the less asset increase in 2017.
4. The increase of profit growth rate in 2017 was mainly attributed to the increase of operating volume of loans, export credit insurance, and guarantee undertaking, as well as the compensation obtained from the expropriation of land and superficies of Head office.
5. The decrease in the cash flow ratio and cash flow adequacy ratio for 2017 was mainly due to the increase in discount and lending, which resulted in a decrease in net cash inflows from operating activities. The decrease in the cash flow sufficiency ratio was mainly due to the land sale income from the head office, resulting from increasing in net cash inflows in investment activities.
6. The decrease in liquid reserve ratio in 2017 was mainly caused by the increase in TWD interbank borrowing.

Note 1: Figures for 2017 are subject to audit; Figures for 2016 have been recognized by the Ministry of Audit, R.O.C.

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 Measuring Cash Flow Analysis:

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

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

6. Capital Adequacy

Unit: TWD Thousand; %

Item	Year	FY 2017	FY 2016	
Self-Owned Capital	Common Equity	27,458,207	22,848,281	
	Additional Tier 1 Capital	-	-	
	Tier 2 Capital	1,096,581	1,048,747	
	Self-Owned Capital	28,554,788	23,897,028	
Total Risk Weighted	Credit Risk	Standardized Approach	76,123,164	72,296,420
		Internal Ratings-Based Approach	-	-
		Assets Securitization	-	-
	Operational Risk	The Basic Indicator Approach	2,626,234	2,445,020
		The Standardized Approach / The Alternative Standardized Approach	-	-
		Advanced Measurement Approach	-	-
	Market Risk	Standardized Approach	25,515	34,156
		Internal Models Approach	-	-
	Total Risk-Weighted Assets		78,774,913	74,775,596
	Capital Adequacy Ratio		36.25%	31.96%
Tier 1 Risk-Based Capital Ratio		34.86%	30.56%	
Common Equity to Risk-Based Capital Ratio		34.86%	30.56%	
Leverage Ratio		21.85%	18.78%	

Note 1: Under the Ministry of Finance Circular Tai-Tsai-Rong (2) No. 89774873, Eximbank's balance sheets, income statements, statements of changes in equity, and statements of cash flows are exempt from verification by a certified public accountant.

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

Note 3: The following financial formulae are used in calculations on this table:

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

7. Notes to Financial Statements

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

I. Declaration of Compliance

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

II. Preparation Bases

1. Measurement Bases

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

2. Functional Currency and Presentation Currency

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

III. Foreign Currency transactions

1. Foreign Currency transactions

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

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

2. Translation of Foreign Currency Financial Statements

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

IV. Financial Instruments

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

1. Financial Assets

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

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

Financial assets that are measured at fair value through profit or loss include financial assets held for trading and those that are classified at initial recognition as assets measured at fair value through profit or loss. These assets are re-measured at fair value subsequently and the changes at the fair value are recognized in gains or losses of the current period.

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

value and recognized as financial assets when the fair value is positive; and recognized as financial liabilities when the fair value is negative.

(2) Held-to-Maturity Financial Asset

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

(3) Loans and Receivables

Loans and receivables include bank-originated and non-bank-originated. Bank-originated loans and receivables refer to those that are generated when the Eximbank 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



Delegation of Honduras Led by Minister of Industry and Commerce and President of Central Bank of Honduras visited Eximbank. (Photo taken in February 2017)

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 Measured at Cost

Investments on equity instruments of which the fair value cannot be reliably measured are estimated at their original cost initially recognized. If there is objective evidence indicating that a financial asset is impaired, the loss shall be recognized. Subsequent reversal of such impairment loss is not allowed.

(5) Securities Traded under Repurchase or Resale Agreements

Securities traded by Eximbank under repurchase or resale agreements are managed as financing transaction according to its substance of transactions. For the securities

traded under repurchase or resale agreements, the interest expenses or interest incomes are recognized as occurred at the date of sale and purchase as well as the agreed period of sale and purchase. The repo trade liabilities, bond liabilities, reverse repo trade bills and bond investments are recognized at the date of sale or purchase.

(6) Impairment of Financial Assets

a. At the end of each reporting date, Eximbank conducts an evaluation to determine whether any objective evidence exists which would indicate the impairment of an asset. 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



Eximbank held “New Southbound Policy - Business opportunities and Financial Support Application” forum in Tainang. (Photo taken in April 2017)

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 shall be written off upon approval by the Board of Directors. Bad debt already written off that is collected in part or full should be reflected in the balance of "Allowance for Doubtful Accounts".
- d. If the amount of impairment loss decreases in the subsequent period, and such respective reduction is obviously related to incidents after the loss was recognized (e.g., improvement of credit ratings of the debtor), then previously recognized impairment losses will be adjusted by reversing the allowance account. Such reversal shall not cause the carrying value of the financial asset to be greater than the amortized cost as if the loss was not recognized. The reversal amount shall be recognized as profit or loss of the current period.

(7) Derecognizing Financial Assets

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

2. Financial Liabilities

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

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

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

Valuation gains/losses incurred on the balance sheet date and the relevant interest and fees of financial liabilities at fair value through profit or loss are recognized in the comprehensive income statement under the item of "Gains or Losses of Financial Assets and Financial Liabilities at Fair Value through Profit or Loss".

(2) Financial Liabilities Measured at Amortized Cost

Financial liabilities that are not classified as "financial liabilities at fair value through profit or loss" are measured at amortized cost. Interbank deposits, accounts payables, due from the Central Bank and call loans to banks and debt securities issued that are not classified as financial liabilities at fair value through profit or loss are also included in this category.

(3) Derecognizing Financial Liabilities

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

V. Property and Equipment

1. Eximbank's property and equipment are stated at historic cost less accumulated depreciation. Historic cost includes all expenses directly attributable to acquisition of the assets.

2. Land is not affected by depreciation. Depreciation of other assets is calculated using the straight-line method over service life to derive the residual value. Estimated service life, residual value, and depreciation methods are reviewed at the end of the reporting period. Any changes in estimates shall be applied prospectively.
3. Gains or losses incurred at sale or disposal of property and equipment are measured as the difference between disposal price and book value of assets and are recorded in gains or losses.

VI. Intangible Assets

Eximbank's intangible assets are all computer software which are recognized at cost. Amortization of intangible assets is calculated using the straight-line method over the economic service life, with a maximum estimated service life of five years. Subsequent measurements are based on the cost model Eximbank applies. Residual value, amortization periods and amortization methods are reviewed at the end

of the reporting period, and any changes in estimates will be applied prospectively.

VII. Non-financial Asset Impairment

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 of reporting date, if the evaluation produces evidence indicating the recognized impairment loss of an asset in the prior year has no longer existed or has reduced, the recoverable amount should be re-measured. Reversal of impairment loss is recognized when the recoverable amount of the asset has increased. However, the book value after the reversal should not exceed the depreciated or amortized book value of the asset assuming no impairment loss was recognized.



Mongolian representative in Taiwan visited Eximbank with Mongolian Employers' Federation. (Photo taken in April 2017)

VIII. Allowance for Bad Debt and Guarantee Reserve

1. Loans

In accordance with the definition of impairment loss of loans and accounts receivables specified in IAS No. 39, the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” announced by the FSC, and Eximbank’s “Guidelines for Asset Evaluation and Loss Reserve”, Eximbank evaluates the debtors’ collateral, length of time overdue and allocates an appropriate allowance for bad debt on the balance sheet date determined by whichever 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 allocated as 1% in accordance with IAS No. 37 and the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” released by the competent authority (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 calculates the actuarial net pension costs annually in accordance with the provisions specified in the “Regulations for the Allocation and Management of Workers’ Retirement Reserve Funds” and relevant specification specified in the IAS No. 19, and recognizes the costs under the item “pension and resignation pay”. Meanwhile, Eximbank contributes (calculated as total payroll of the year times actuarial contribution ratio) to Eximbank’s “Pension Fund Supervisory Commission” for the use of staff and the designated account in the Bank of Taiwan, “Pension Fund Supervisory Commission”, for the use of workers and security personnel. For employees covered by the new labor pension scheme, the Bank makes contributions (6% of the employees’ salary) to the employees’ individual pension accounts at the Bureau of Labor Insurance, and recognizes the contribution costs under the item “Employee and Worker Pension Fund and Resignation Pay”.
- (2) 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 2017 is TWD658,047 thousand. The amount of the allocated plan asset is TWD347,006 thousand. The amount of employee benefit reserve liability is TWD313,671 thousand (including the amount payable to the Chairman and President amounting to TWD3,630 thousand).

- (3) Actuarial gains or losses are recognized as other comprehensive income as incurred. Service costs from the prior period are recognized as current gains and losses.

3. Employee Preferential Deposit

- (1) Eximbank provides employee preferential deposits, including fixed amount preferential deposits for employees in-service and fixed amount preferential retirement deposits for retired and in-service employees. The excess interest of these preferential deposits is part of employee benefits.
- (2) The excess interest Eximbank pays to the preferential deposits for employees in-service is calculated on an accrual basis monthly and recognized as "Interest of Preferential Deposit" of "Non-operating Expenses". According to Article 30 of the "Regulations Governing the Preparation of Financial Reports by Public Banks", the excess interest paid to the preferential retirement deposits apply to the provisions on confirmed benefit programs specified in the IAS No.19. The actuarial estimation regarding the mentioned benefit program are in accordance with the competent authority's regulations. However, the reported values of the program are estimated. Therefore, in future cases where the amounts the Bank

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

XI. Recognizing Income and Expenses

1. Interest Revenue and Expenses

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

2. Fee Income

Fee income is recognized 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

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

2. Deferred Income Tax

The deferred income tax assets and liabilities shall be measured based on the estimated tax rates at the expected future time when the assets are realized or the tax rates during the payment period of the liabilities. Calculation of tax rates shall be based on the tax rates which have been legalized or substantially legalized on the balance sheet date. Temporary differences between the carrying amounts and tax basis of assets and liabilities in the balance sheet are calculated using the balance sheet method and recognized as deferred income tax. For Eximbank, 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. For the originally recognized assets and liabilities, if not caused by the corporate mergers, and the transaction was not affecting the accounting profits or taxable income (loss) at that time, then the deferred income tax caused by the assets or liabilities shall not be recognized.

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

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

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

I. Impairment Losses on Loans

Eximbank estimates possible impairment on loans and receivables every month and determines whether the items shall be recognized as loss mainly based on observable evidence of possible impairment. The evidence may include observable data indicating adverse changes in the payment status of the borrower or the national/local economic conditions related to the default of payments. The analysis by the management level of expected cash flows is based on past experience of losses on assets



Client of Eximbank visited Eximbank with buyers from India and Bangladesh. (Photo taken in June 2017)

with similar credit risk characteristics. The Bank reviews the method and assumptions of expected cash flows and the timing every month in order to reduce the difference between the estimated and the actual amount of losses.

II. Fair Value of Financial Instrument

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 models of similar financial instruments. When there is no observable market parameter, the fair value of the financial instrument is estimated based on appropriate assumptions. When determining the fair value using valuation models, all models shall be adjusted to ensure that the results reflect the actual data and market price.

III. Income Tax

The final amount of tax payments is determined through various transactions and calculations. Differences might emerge with some

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

IV. Post-Employment Benefits

1. The present value of retirement benefit obligations is based on actuarial calculations with several assumptions. Any changes in these assumptions will affect the carrying value of retirement benefit obligations.
2. Assumptions used for determining the net pension cost (income) include discount rates. Eximbank determines the appropriate discount rates at the end of each year, and the rates are used to estimate the present value of future cash flows of retirement benefit obligation payments. To determine the appropriate discount rates, Eximbank shall



Delegation of Lafise Group from Nicaragua visited Eximbank. (Photo taken in June 2017)

consider the yields of high-quality corporate bonds or government bonds and that is in the same currency used to pay the retirement benefits and with maturity in the same period of relevant pension liabilities.

3. In estimating the excess interest gained by retired employees via preferential deposits (of retirement benefit obligations), the actuarial assumptions are in accordance with Order Letter Jin Guan Yin Fa No. 10110000850, i.e. discount rate shall be at least 4% or above, withdrawal rate of pension preferential deposit shall not be lower than 1%, and the probability of changes in preferential deposit programs is assumed to be 50%. In future cases where the amount 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 TWD18,020,325 thousand, including guarantee receivables of TWD17,490,181 thousand, custodial collections receivables of TWD467,080 thousand, joint loans receivables of TWD63,004 thousand, and collateral of TWD60 thousand.
- (2) No bills receivable (or payable).
- (3) Undisbursed loan commitments of TWD26,496,184 thousand.

Note 4. Financial Information of the Operating Segments

Eximbank's results of operating segments are periodically reviewed by the management level in order to develop the policies regarding resource allocation and performance assessment. The information used is classified by the nature of the business activities in which it is engaged in accordance with the provisions specified in the IFRS No. 8 "Operating Segments". The operating segments responsible for reporting are the Credit Business Segment and the Export Credit Insurance Business Segment.



Papua New Guinea Representative in Taiwan visited Eximbank.(Photo taken in July 2017)

Eximbank Financial Information of Operating Segments Fiscal Years 2017 and 2016

TWD Thousand

	FY 2017				FY 2016		
	Credit Business	Export Insurance Business	Adjustment	Total	Credit Business	Export Insurance Business	Total
Net Interest Income	1,199,067	16,379		1,215,446	1,239,486	17,097	1,256,583
Non-Interest Income	17,300	159,471	86,062	262,833	-15,336	152,577	137,241
Net Fees and Commissions	45,675	4,183		49,858	36,558	4,494	41,052
Gains (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss	-3,435			-3,435	-32,136		-32,136
Foreign Exchange Gains (Losses)	-1,722			-1,722	-5,048		-5,048
Net Export Credit Insurance Income		184,638		184,638		181,445	181,445
Other Non-Interest Income	-23,218	-29,350	86,062	33,494	-14,710	-33,362	-48,072
Net Operating Income	1,216,367	175,850	86,062	1,478,279	1,224,150	169,674	1,393,824
Bad Debt Expense and Provision of Reserves for Guaranteed Liability	265,942			265,942	365,384		365,384
Operating Expenses	340,997	179,677		520,674	331,039	175,209	506,248
Net Income (Losses) Before Tax	609,428	-3,827	86,062	691,663	527,727	-5,535	522,192

Note:1.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.

2. In 2017, due to the MRT acquisition of land and superficies of head office, Eximbank was compensated in the amount of approximately TWD86,062 thousand, which is not included in the scope of credit or export insurance business, and is therefore included in the adjustment column.

Note 5. Details of Significant Accounts

1. Cash and Cash Equivalents

Item	Date	December 31, 2017	December 31, 2016
Cash on hand		3	9
Petty Cash & Revolving Funds		271	271
Checks for Clearance		0	40
Due from Banks		165,022	231,367
Total		165,296	231,687

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

Item	Date	December 31, 2017	December 31, 2016
Due from the Central Bank		29,972	16,767
Call Loans to Other Banks		534,240	228,880
Total		564,212	245,647



President Pei-Jean Liu of Eximbank and President Lung- Yu Chung of Taisin International Bank in “Letter of Credit Insurance for Banks” signing ceremony. (Photo taken in August 2017)

3. Financial Assets at Fair Value through Profit or Loss

Item	Date	December 31, 2017	December 31, 2016
Valuation Adjustments of Financial Assets Held for Trading		1,639	41,006
Total		1,639	41,006

4. Receivables-Net

Item	Date	December 31, 2017	December 31, 2016
Receivables		0	13
Earned Revenue Receivable		563	655
Interest Receivable		242,883	243,932
Accounts Receivable Factoring without Recourse		42,163	121,334
Premium Receivable		0	12
Other Receivable		149,453	115,587
Total		435,062	481,533
Allowance for Doubtful Accounts		-102,104	-2,190
Net Amount		332,958	479,343



Chairman Shui-Yung Lin gave speech in the 4th Seminar on Cross-Strait -Hong Kong Export Credit Insurance 2017(Photo taken in November 2017)

5. Loans and Discounts-Net

Item	Date	December 31, 2017	December 31, 2016
Short-Term Loans		20,836,160	17,149,006
Short-Term Secured Loans		5,000	30,000
Medium-Term Loans		57,243,890	56,995,664
Medium-Term Secured Loans		2,582,344	3,244,456
Long-Term Loans		2,368,231	1,633,708
Long-Term Secured Loans		22,769,175	23,843,548
Overdue Loans		67,334	204,434
Total		105,872,134	103,100,816
Allowance for Doubtful Accounts		-1,120,756	-1,072,956
Discount of Premium		-5,900	-7,785
Net Amount		104,745,478	102,020,075

6. Other financial Assets-Net

Item	Date	December 31, 2017	December 31, 2016
Reinsurance Reserve Assets		170,897	138,342
Financial Assets Carried at Cost		90,000	90,000
Net Amount		260,897	228,342

7. Property and Equipment-Net

Item	Date	December 31, 2017	December 31, 2016
Land		103,279	105,905
Revaluation Increments-Land		174,791	186,420
Buildings		405,361	402,503
Accumulated Depreciation- Building		-190,824	-183,621
Machinery and Computer Equipment		53,403	48,930
Accumulated Depreciation - Machinery and Computer Equipment		-38,167	-36,581
Transportation Equipment		10,767	10,911
Accumulated Depreciation - Transportation Equipment		-8,622	-9,071
Miscellaneous Equipment		32,810	30,285
Accumulated Depreciation - Miscellaneous Equipment		-20,011	-20,372
Leasehold Improvements		956	947
Accumulated Depreciation- Leasehold Improvements		-743	-421
Net Amount		523,000	535,835



Eximbank hosted the 4th Seminar on Cross-Strait-Hong Kong Export Credit Insurance 2017 in Kaohsiung, and attendees' photo taken at the venue. (Photo taken in November 2017)

8. Intangible Assets- Net

Item	Date	December 31, 2017	December 31, 2016
Software		44,608	38,900
Total		44,608	38,900

9. Other Assets -Net

Item	Date	December 31, 2017	December 31, 2016
Inventory of Supplies		293	361
Prepaid Expenses		32,000	33,382
Other Prepayments		30	50
Refundable Deposits		1,097	1,219
Temporary Payments and Suspense Accounts		76	162
Other Deferred Assets		0	0
Total		33,496	35,174



Delegation of Indonesia China Business Council visited Eximbank. (Photo taken in October 2017)

10. Borrowed Funds from the Central Bank and Other Banks

Item	Date	December 31, 2017	December 31, 2016
Borrowed Funds From the Central Bank		17,576,883	18,787,940
Total		17,576,883	18,787,940

11. Financial Liabilities at Fair Value through profit or Loss

Item	Date	December 31, 2017	December 31, 2016
Designated as Financial Liabilities at Fair Value through profit or loss		0	3,700,000
Valuation Adjustment of Designated as Financial Liabilities at Fair Value through profit or loss		0	1,553
Total		0	3,701,553

12. Payables

Item	Date	December 31, 2017	December 31, 2016
Accrued Expenses		95,010	92,443
Accrued Interest		63,362	83,152
other Tax payable		7,801	7,518
Dividends (Official) and Bonuses Payable		77,119	3,496
Custodial Collections Payable		541	515
Commissions Payable		8	3
Reinsurance Benefits Payable		2,881	11,475
Other Payable		51,837	131,789
Total		298,559	330,391

13. Financial Debentures Payable

Item	Date	December 31, 2017	December 31, 2016
Financial Debentures Payable		17,900,000	14,000,000
Discount on Financial Debentures Payable		-5,805	-2,969
Total		17,894,195	13,997,031

14. Other Financial Liabilities

Item	Date	December 31, 2017	December 31, 2016
Commercial Papers Payable		3,000,000	0
Discount on Commercial Papers Payable		-3,129	0
Funds Appropriated for loans		19,152,501	17,995,346
Total		22,149,372	17,995,346



Eximbank conducted the Mangrove Ecological Trails Clean-up to enhance the awareness of environmental issues. (Photo taken in December 2017)

15. Provisions

Item	Date	December 31, 2017	December 31, 2016
Guarantee Liability Reserve		177,225	152,169
Unearned Premium Reserve		110,434	102,541
Claim Reserve		343,333	291,498
Employee Benefits Liability Reserve		313,671	297,315
Total		944,663	843,523

16. Other Liabilities

Item	Date	December 31, 2017	December 31, 2016
Unearned Premiums		33	111
Unearned revenues		58,779	63,527
Refundable Deposits		355	1,108
Custodial Deposits		2,051	2,106
Temporary Receipts and Suspense Accounts		89,256	133,673
Funds Appropriated for Export Credit Insurance		1,202,089	1,201,982
Total		1,352,563	1,402,507



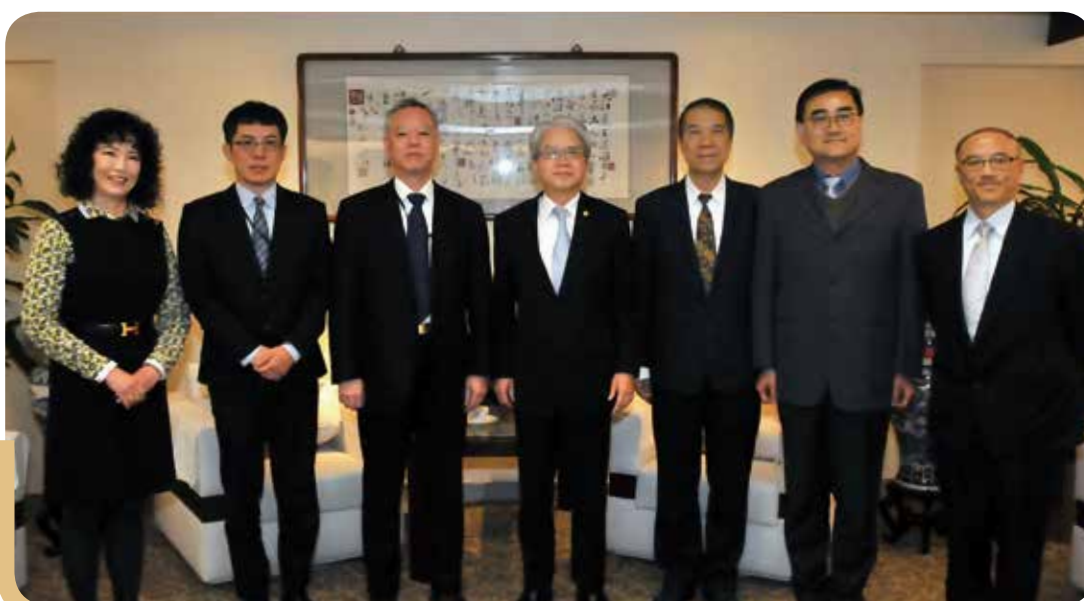
The facilitators of Garden of Mercy Foundation for AIDS Babies presented a Certificate of Appreciation to Eximbank. (Photo taken in April 2017)

17. Net Fees and Commissions

Item	Date	January 1, 2017 - December 31, 2017	January 1, 2016 - December 31, 2016
Revenue from Fees and Commissions		71,247	62,601
Expenses from Fees and Commissions		21,389	21,549
Net Amount		49,858	41,052

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

Item	Date	January 1, 2017 - December 31, 2017	January 1, 2016 - December 31, 2016
Interest Income of Financial Assets (+)		0	0
Gain on Disposal of Financial Assets (+)		11,698	23,770
Gain (+)/Loss (-) on Valuation of Financial Assets		-6,672	-13,160
Interest Expenses of Financial Liabilities (-)		-9,886	-45,424
Loss on Disposal of Financial Liabilities (-)		-128	0
Gain (+)/ Loss (-) on Valuation of Financial Liabilities		1,553	2,678
Net Amount		-3,435	-32,136



Delegation of Japan-Taiwan Exchange Association visited Eximbank. (Photo taken in January, 2018)

19. Net Export Credit Insurance Income

Item	Date	January 1, 2017 - December 31, 2017	January 1, 2016 - December 31, 2016
Export Credit Insurance Income		388,979	400,309
Premium Income		303,654	289,517
Reinsurance Commissions Income		58,659	51,596
Claims Recovered from Reinsurers		26,666	50,311
Unearned Premium Reserve Collected		0	8,885
Export Credit Insurance Costs		204,341	218,864
Reinsurance Premium		137,476	129,016
Commission Expenses		2,874	1,872
Insurance Claims Payments		36,818	63,826
Provision for Unearned Premium Reserve		2,974	0
Provision for Claim Reserve		24,199	24,150
Net Amount		184,638	181,445



The delegation of Honduras accompanied by the Ambassador of Honduras visited Eximbank. (Photo taken in February 2018)

20. Other Non-Interest Income

Item	Date	January 1, 2017 - December 31, 2017	January 1, 2016 - December 31, 2016
Other Non-Interest Income		110,845	40,110
Gains from Financial Assets Carried at Cost		21,248	22,408
Gains from Disposal of Land, Plant and Equipment		83,317	0
Miscellaneous Income		6,280	17,702
Other Non-Interest Losses		77,351	88,182
Loss on Disposal of Fixed Assets		277	733
Preferential Deposit Interest in Excess		77,074	87,449
Net Amount		33,494	-48,072

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

Item	Date	January 1, 2017 - December 31, 2017	January 1, 2016 - December 31, 2016
Bad Debt Expenses for Loans		140,509	342,420
Bad debt Expenses for Account Receivables Factoring		-792	-49
Guarantee Liability Provisions		25,456	22,699
Bad debt Expenses for Other Account Receivables		100,769	314
Total		265,942	365,384





VI | Risk Management

1. Credit Risk Management System and Capital Requirement

(1) Credit Risk Management System

2017

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. Organization 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>

Item	Contents
3. Scope and Characteristics of the Credit Risk Reporting and Evaluation System	<p>Eximbank has established a customer data integration system, a risk assessment system, a credit registry system and a risk management system in order to manage risks associated with its credit extension business and to monitor loans to all borrowers' credit portfolios. The customer data integration system wherein is used to compile basic data for individual clients, the credit system is used for approving and granting loans, and an objective analysis must be executed using the risk assessment system before credit is granted. The risk management system runs up daily exposure for analysis and for executives to use for decision-making purposes.</p> <p>Risk management includes monthly reporting on domestic and international economic conditions, exposure changes in countries where loans are granted, and Financial and industrial risks. Eximbank compiles data on relevant country risks, exposure associated with key credit risks, and risk limit management. This information is reviewed by the Board of Directors and is used for risk management and credit policymaking.</p> <p>Based on the regulations prescribed by the competent authority, Eximbank discloses qualitative and quantitative data associated with its credit risks on the website.</p>
4. Credit Risk Hedging and Risk Mitigation Policies / Strategies and Procedures of Monitoring Instruments for Hedging and Risk Mitigation	<p>Eximbank has also established "Country Risk", "Financial Risk" and "Corporate Credit Risk" early warning indicators. For each debtor, it established a rating system and sought assistance from international credit agencies. For countries with a relatively high risk level (Level C and below), financial institutions or credit customers at Level C- or below, or when there were recent negative reports about a particular country or a bank, Eximbank analyzed warning indicators to interpret risks and to strengthen risk management as a reference when considering to extend its business.</p> <p>To lower credit risk, export financing cases such as medium or long-term export loans for turn-key factory equipment or full line 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 email to the Executives and staff of departments related to sales and risk management, disclosing 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	<p>Eximbank has applied the capital requirement for credit risk based on the "Standardized Approach" of the Basel III Capital Accord.</p>



Eximbank Clients visited Eximbank with Russian buyer. (Photo taken in March, 2018)

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

December 31, 2017

TWD Thousand

Type of Exposure	Credit Risk Exposures after Mitigation	Capital Requirement
Sovereign	19,197,701	307,163
Public Sector Entities/ Non-Central	-	-
Banks (including Multilateral)	14,787,288	839,389
Corporate (including Securities and Insurance Corp.)	80,786,560	4,840,563
Regulatory Retail Portfolios	684,191	23,306
Residential Property	-	-
Rights of Securities Investment	-	-
Other Assets	863,403	79,432
Total	116,319,143	6,089,853



The Prosecutor, Pei-Ling Tsai, Anti-Money Laundering Office, Executive Yuan, was invited to deliver a lecture at Eximbank. (Photo taken in May 2017)

2. Operational Risk Management System and Capital Requirement

(1) Operational Risk Management System

2017

Item	Contents
1. Operational Risk Strategy and Procedure	<p>Eximbank's operational risk strategy includes strengthening internal controls, ensuring that employees abide by regulations, conducting training and displaying standard operating procedures on an internal website for staff to refer to and comply with. In addition, Eximbank has also established "Guidelines for Decentralization of Responsibility and Detailed List" expressing division of authority and responsibility as well as facilitating daily operations.</p> <p>Operational risk management includes determining and evaluating risk along with monitoring and reporting. It establishes operational risk management mechanisms of major 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 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>



Item	Contents
4. Operational Risk Hedging and Risk Mitigation Policies / Strategies and Procedures of Monitoring Instruments for Hedging and Risk Mitigation	<p>Eximbank's "operational risk management standards" expressed the processing method of risk identification, assessment, monitoring and control / offset. By means of measures of insurance, outsourcing and other risk transfer, it achieved the effect of risk mitigation and fully implemented operational risk management.</p> <p>Eximbank expressly prescribed the authorization scope of the business, division of responsibilities and reporting lines in order to clarify the responsibilities incumbent upon all sectors in accordance with "Guidelines for Decentralization of Responsibility".</p> <p>To avoid litigation, all units of Eximbank shall handle the legal compliance pursuant to the "Directions for Implementation of Legal Compliance Control System for The Export-Import Bank of the Republic of China".</p> <p>Eximbank has established Information Security Protection Mechanism and provided an emergency response plan to ensure that the business is enabled and the losses are controlled to the minimum in event of an emergency.</p> <p>It is required to strengthen the risk management education and training in order to enhance operational risk awareness and to improve operational risk management environment.</p>
5. Method Applied for Legal Capital Requirement	Eximbank has applied the capital requirement for operational risk based on the "Basic Indicator Approach" of the Basel III Capital Accord.

(2) Operational Risk-Based Capital Requirement

December 31, 2017

TWD Thousand

FY	Gross Profit	Capital Requirement
2015	1,423,594	
2016	1,464,305	
2017	1,466,033	
Total	4,353,932	217,697



3. Market Risk Management System and Capital Requirement

(1) Market Risk Management System and Capital Requirement

2017	
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 policy-making.</p> <p>Eximbank discloses on its website qualitative and quantitative data associated with its market risks based on the regulations prescribed by the financial supervisors.</p>
4. Market Risk Hedging or Risk Mitigation / Strategies and Procedures of Monitoring Instruments for Hedging and Risk Mitigation	<p>To lower market risks, 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, the Head of related Department should immediately report to the President for immediate responses.</p> <p>Related units should be consulted and evaluations should be conducted as a due diligence before establishing a transaction position.</p>
5. Method Applied for Legal Capital Requirement	<p>Eximbank has applied the capital requirement for market risks based on the "Standardized Approach" of the Basel III Capital Accord.</p>

(2) Market Risk-Based Capital Requirement

December 31, 2017

TWD Thousand

Risk	Capital Requirement
Interest Risk	-
Equity Position Risk	-
Foreign Exchange Risk	2,041
Commodity Risk	-
Total	2,041

4. Liquidity Risk

(1) Duration Analysis of Prime Assets and Liabilities

Term Structure Analysis of TWD-Denominated Assets and Liabilities December 31, 2017

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	69,282,298	4,641,643	5,917,539	4,355,237	7,047,449	11,981,903	35,338,527
Major Outflows of Matured Funds	87,402,457	8,471,789	2,737,607	11,477,568	4,097,982	18,017,707	42,599,804
Gap	-18,120,159	-3,830,146	3,179,932	-7,122,331	2,949,467	-6,035,804	-7,261,277

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, 2017

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	1,538,112	43,202	34,147	68,684	117,726	1,274,353
Major Outflows of Matured Funds	1,765,786	575,052	69,996	60,123	80,251	980,364
Gap	-227,674	-531,850	-35,849	8,561	37,475	293,989

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

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

(2) Management of Asset Liquidity and the Funding Gap

Eximbank seeks to diversify funding sources and to maintain funding stability. It refrains from over-concentrated use of remaining funds and embraces earning assets with liquidity. As for management of the liquidity risk, 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.



Eximbank visited Taiwan Mitsubishi Corporation Ltd. (Photo taken in March 2018)



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