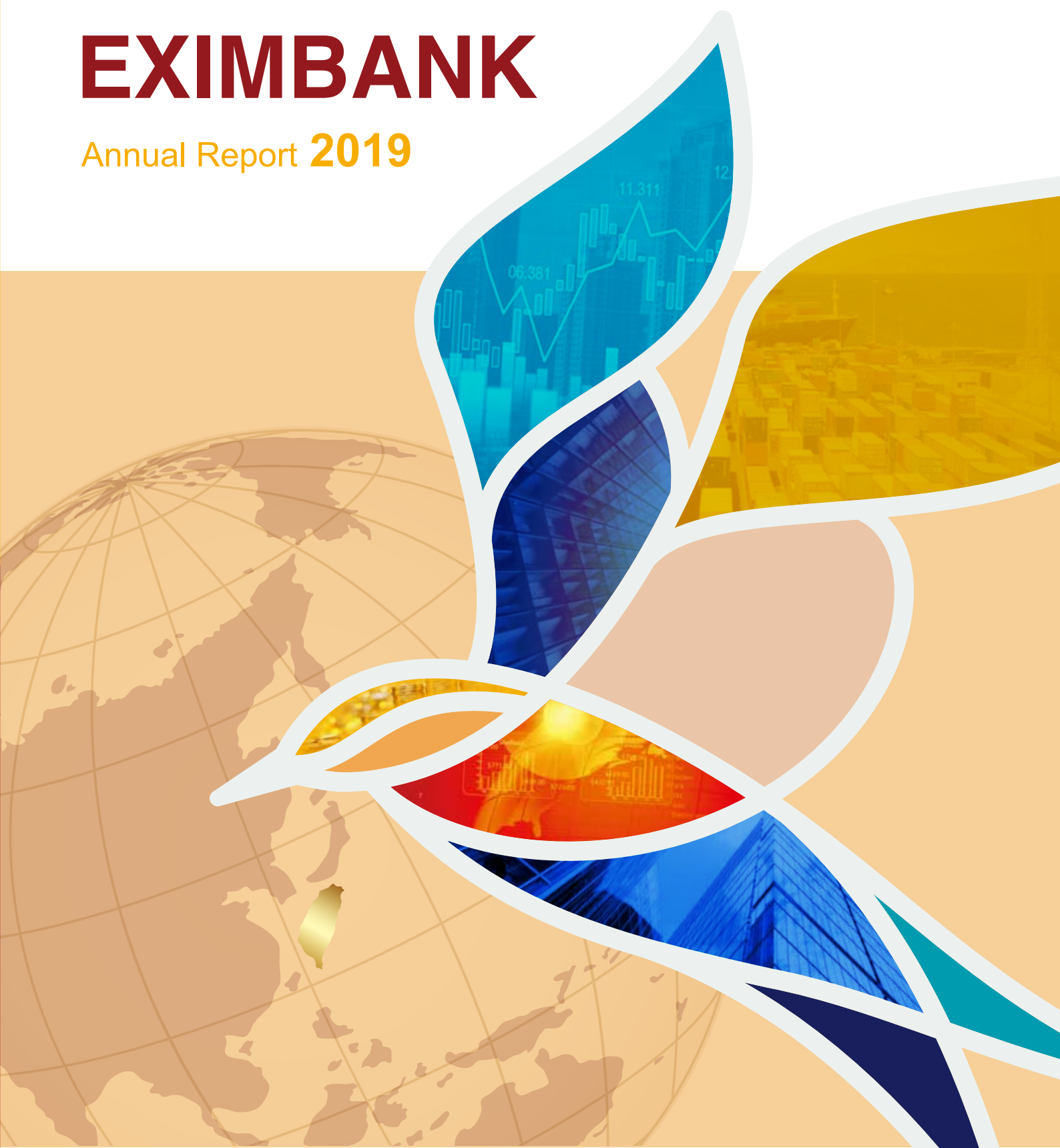


EXIMBANK

Annual Report **2019**



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Annual Report **2019**

Vision

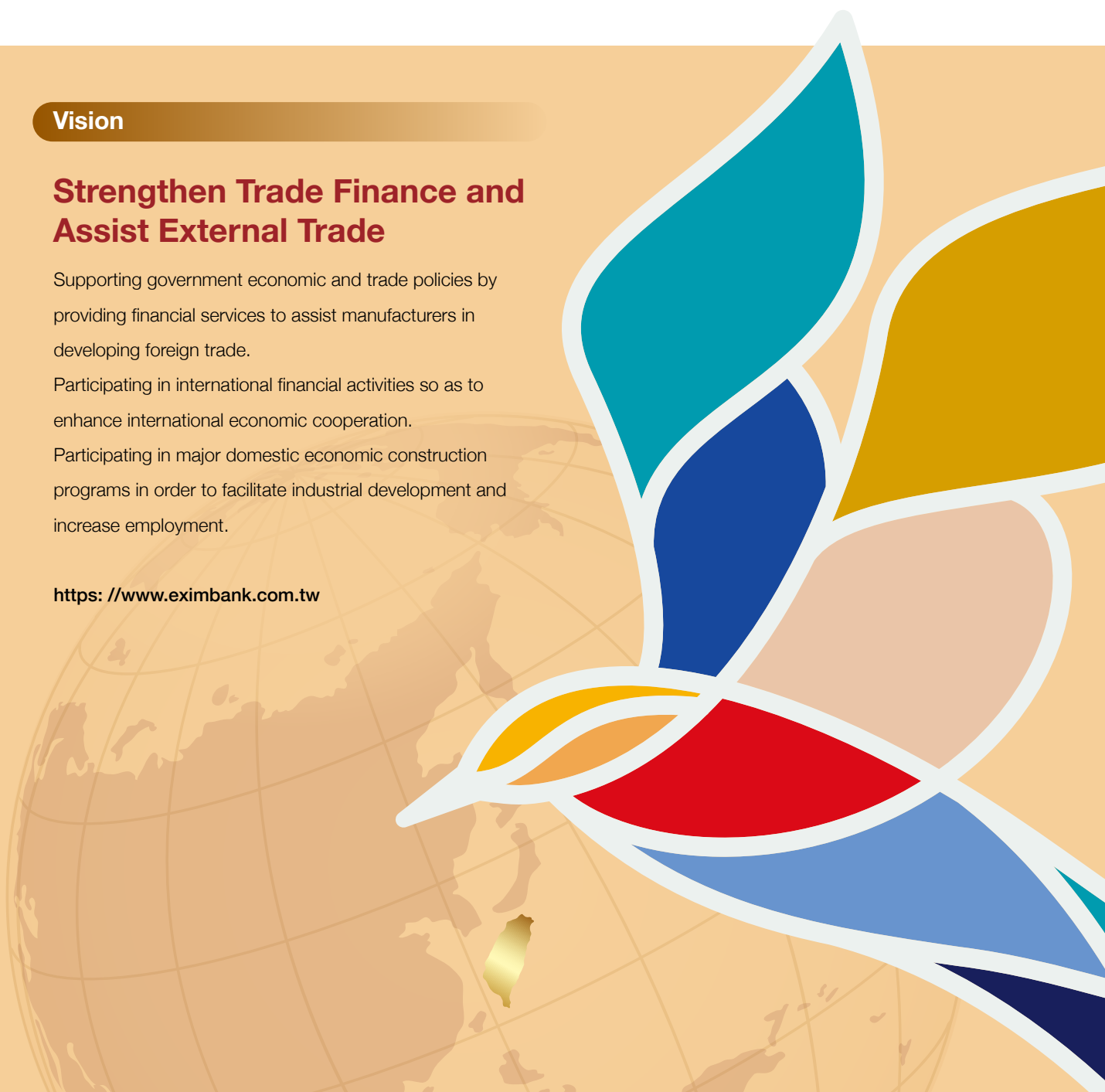
Strengthen Trade Finance and Assist External Trade

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.

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



EXIMBANK

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1.

Summary of Operating Performance

TWD Million

Year	FY 2019	FY 2018
Total Operating Revenues	3,192	2,883
Total Operating Expenses	2,486	2,213
Net Income Before Tax	706	670
Profits per Employee Before Tax	3.03	2.93
Loans Outstanding (Average)	117,515	109,753
Guarantees Undertaken	24,431	22,998
Insured Amount of Export Credit Insurance	146,770	131,379
	(December 31, 2019)	(December 31, 2018)
Total Assets	142,295	122,368
Net Equity	34,194	32,060
Capital Adequacy Ratio (%)	31.72	33.83

* The final accounts of FY 2019 are subject to audit.

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

2

II.

Business Report

1. Mission

The Export-Import Bank of the Republic of China (Eximbank) is a specialized financial institution established in accordance with The Export-Import Bank of the Republic of China Act. Eximbank's vision is to "strengthen trade finance and assist foreign trade". In line with the government policies on economic, trade and finance, the primary task of Eximbank is to assist enterprises expanding foreign trade in order to enhance employment and maintain domestic economic growth. Eximbank offers various financing and guarantee facilities to enhance the export competitiveness of the enterprises and further promote industrial upgrading. It also provides various export credit insurance facilities to protect enterprises against credit or political risks while engaging in export trade or overseas investment. In recent years, Eximbank has been engaged in the promotion of the Executive Yuan's New Southbound Policy by assisting enterprises to strengthen and diversify export products, export markets, and marketing strategies. In addition, in response to the US-China trade conflict, Eximbank has conducted funds returned to Taiwan into the substantive investment to promote industrial upgrading, and

assisted Taiwanese enterprises arranging and establishing overseas networks for production and supply chain. Furthermore, in line with the implementation of Forward-Looking Infrastructure Plan, Eximbank has assisted enterprises to obtain and carry out domestic major public construction and infrastructure projects to improve infrastructure in Taiwan and drive economic growth.

2. Key Operating Strategies and Achievements

Eximbank's average loans outstanding in 2019 was TWD117,515 million, an increase of 7.07% from 2018, and guarantees totaled TWD24,431 million, an increase of 6.23% from 2018. The insured amount of export credit insurance by Eximbank was TWD146,770 million, a year-on-year growth rate of 11.71% from 2018. A summary of key operating strategies and achievements for 2019 is as follows:

- (1) Consolidating government resources to implement New Southbound Policy through various mechanisms to assist domestic enterprises in global layout**

As the New Southbound Policy plays an important role in the foreign economic and trade strategy of Taiwan, Eximbank devoted itself to implement government policy for achieving its goal of Promote export trade and develop economy. By means of cooperation with government to obtain resources such as: National Development Fund of the Executive Yuan, the Small and Medium Enterprise Development Fund of the Small and Medium Enterprise Administration, Ministry of Economic Affairs, and the Trade Promotion Fund of the Bureau of Foreign Trade, Ministry of Economic Affairs, Eximbank provides various loans and guarantees to enterprises and offers measures such as expanding the discount range of insurance premiums and waive buyer's credit report fees, etc.

Eximbank ensures the highest quality of financial and hedge services for enterprises to expand export to the ASEAN, South Asia, Australia, and New Zealand markets. As of the end of December 2019, Eximbank's business operations under New Southbound Policy were: Loans TWD30.806 billion, Guarantees TWD3.562 billion, and Export Credit Insurance TWD25.286 billion, for a total of TWD59.654 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 loan 130.64%, guarantee 122.83%, and export credit insurance 109.12%. The performance was excellent.

(2) Launching projects in response to the impact of the US-China trade conflict to assist enterprises returning to Taiwan for investment and industrial transformation

In order to implement government policy on assisting Taiwan enterprises in the global layout to respond to the impact of the US-China trade war,

as well as policy of "salmon return home" to call on Taiwanese enterprises to substantially participate in production activities in Taiwan or return to Taiwan for investment, Eximbank introduced the project of "Loan, Guarantee and Export Insurance Project to Encourage Taiwanese Enterprises to Return to Taiwan for Investment" by providing various loan, guarantee and export credit insurance services with attractive terms and conditions to assist enterprises in reducing the cost of funding, expanding the markets worldwide, and boosting economic development in Taiwan.

The project is mainly for Taiwanese enterprise who has invested in overseas subsidiaries for more than two years, and its overseas subsidiary has returned to Taiwan for investment. To meet its capital requirement for investment in Taiwan or for set up factories to purchase machinery and equipment, as well as for its parent company to increasing investment in Taiwan, Eximbank provides relevant financial support and services required for subsequent operations. In terms of Export Credit Insurance, Eximbank offers preferential measures on premium and credit report fees according to different conditions, to substantially reduce the burden on enterprises and help control the risk of accounts receivable.

(3) Implementing government policy of the "Forward-Looking Infrastructure Plan" by providing domestic enterprises with financial services related to domestic major public construction and infrastructure projects

The "Forward-Looking Infrastructure Plan" implemented by the government includes the construction of a safe and convenient track, the construction of water environment in

response to climate change, the construction of green energy environment that promotes environmental sustainability, the construction of digital environment for creating the Smart Nation, and the strengthening of a balanced urban and rural construction, etc., all of which are within the scope of domestic major public construction and infrastructure projects with the support from Eximbank's loan and guarantee services. In line with the promotion of Forward-Looking Infrastructure Plan, Eximbank has provided loans and guarantees to the public construction related enterprises in Taiwan. In 2019, new domestic major public construction loans or guarantees undertaken by Eximbank included MRT system projects, water environment construction, urban and rural construction, rail engineering and MRT civil engineering, etc.. Moreover, Eximbank has increased the credit lines of loans and guarantees for existing domestic major public construction enterprises, by which will increase the capacity of Taiwanese enterprises to undertake domestic major public constructions.

(4) In line with “Five-plus-Two Innovative Key Industries Plan”, carrying out various financial supports to assist the development of the innovative key industries

1. Aiming at building “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.
2. Eximbank has stepped up the Five-plus-Two Innovative key Industries Plan by providing



Chairman of the Board of Directors
Shui-Yung Lin

enterprises with requisite financing and guarantees to enhance their international competitiveness and expand overseas markets. Consequently, Eximbank has been committed to the “Encourage and Reward Program for Strengthening Domestic Banks’ Promotion on the Innovative Key Industries” promulgated by Financial Supervisory Commission, and the credit balance of industries was TWD80.381 billion as of December 31, 2019, with an increase of TWD6.671 billion from 2018, a growth of 9.05%.

(5) Implementing government policy to boost export project, strengthen the promotion of export financing, relending facility and export credit insurance as well as other related attractive measures to help exporters dominate business opportunities

1. For the purpose of assisting manufacturers to enhance their export momentum, Eximbank cooperated with the Bureau of Foreign Trade, Ministry of Economic Affairs (hereinafter referred to as BOFT) to provide various financial services such as export project loans, relending facility and export credit insurance, hoping to help Taiwan exporters overcome dilemma and expand international markets.

(1) To assist enterprises further, Eximbank has applied TWD 6 billion fund from the Ministry of Economic Affairs under the “Strengthening Trade Finance Loan Program” to support various Eximbank export credit services. The implementation period of the Program is 5 years from January 1, 2016 to December 31, 2020. In 2019, 77 loans were approved, 76

enterprises serviced and total amount of loan approved was TWD6.125 billion, the export value estimated to grow by TWD18.375 billion.

(2) Since 2009, Eximbank has cooperated with BOFT for the promotion of the “New Cheng Ho Plan-San Pao Project” and assisted exportation and expanded overseas markets. Thereafter, BOFT has been continuously supporting Eximbank by providing NT\$1 billion in funding for “Promotion of Exportation by Relending Facility” to expand cooperation with global refinancing banks on attractive terms and encourage foreign importers to purchase Taiwanese commodities.

(3) In 2019, Eximbank continued to implement “Strengthening the Export Insurance Reserve Program” of BOFT. Providing manufacturers with preferential measures on export credit insurance premium and credit report fees; which will effectively encourage manufacturers to export and expand foreign trade. The total insured amount under this plan for 2019 is NT\$64.262 billion. It not only reduces the burden of exporters, but also transfers accounts receivable risk to Eximbank and assists manufacturers to expand their trade.

2. Eximbank continuingly implementing the Executive Yuan’s “Promotion of the Global Export Credit Insurance Programs”. In 2019, the total insured cases under this project was 4,269, with an amount of NT\$12.856 billion. This program is not only helpful for Taiwan to stabilize global exportation, but also assists manufacturers to open up emerging markets.

(6) Vigorously engage in the turnkey and machinery equipment export financing, and cooperate with the National Development Fund of the Executive Yuan to provide medium and long-term financing to help manufacturers dominate overseas business

1. In order to achieve industrial integration of traditional and high-tech industries and industrial upgrading, assist manufacturers to enhance international competitiveness and invest overseas, explore international resources and establish international production and marketing channels, the National Development Fund of the Executive Yuan (hereinafter referred to as National Development Fund) provides funds for Eximbank to finance domestic manufacturers.
2. Eximbank has been cooperating with the National Development Fund since May 10, 2006 to launch loan projects successively such as “Export Credit for Machinery and Equipment”, “Export Credit for Green Energy and Industrial Equipment” and “Overseas Investment Project Loans”. Eximbank is currently the manager bank of the aforementioned three loan projects, and other domestic banks are invited to participate in the financing program. Eximbank deals with the matters such as signing contracts with the lending banks, appropriation and repayment, applying to the National Development Fund for allocation of funds, etc.. Up to the end of December 2019, Eximbank has handled 1,124 cases, and the approved loan amount is approximately NT\$90.678 billion.
3. In order to promote the long and medium-term export of the turnkey project in Taiwan, Eximbank has set up a special task force

for solving problems arising from the export financing demands of manufacturers. Eximbank customize and design loan terms and conditions under the current regulations to meet the requirements of the manufacturers and assist them exploring overseas markets.

(7) Cooperating with the Small and Medium Enterprise Development Fund of the Ministry of Economic Affairs and Small and Medium Enterprise Credit Guarantee Fund of Taiwan for small and medium enterprise (SME) financing programs, and implement government policy to strengthen financial services to SME.

1. By utilizing funds provided by “Small and Medium Enterprise Development Fund” and credit guarantees offered by “Small and Medium Enterprise Credit Guarantee Fund”, Eximbank actively financed the small and medium enterprises to assist them in winning orders and expanding export markets. At the end of 2019, the average balance of loans to small and medium enterprises reached TWD6.4 billion.
2. Currently, about 85% of existing export credit insurance customers of Eximbank are small and medium enterprises, the insured amount in 2019 reached NT\$45.328 billion. In order to reinforce Eximbank’s services to the small and medium enterprises, the “SME Export Insurance Service Counter” has been set up. Eximbank has cooperated with more than 30 international credit research companies to commission credit-checking of the buyers for exporters, and the credit report has been analyzed by the professional underwriters in order to avoid the possibility of credit risk in international trade.

(8) Assisting enterprises to strengthen the advantages and market share in developing service trade, and accelerate the development of Taiwan's service trade and the exportation of service industry

In order to assist developing Taiwan's service trade, Eximbank has been actively undertaking service trade loans and guarantees to enhance the competitiveness of Taiwan's service industry, strengthen the advantages of enterprises in developing service trade, and then expand the scale of the industry and branch out the global market. Up to the end of 2019, Eximbank has approved a total of NT\$10.771 billion in service trade loans, and a total of NT\$ 3.889 billion in service trade guarantees.

(9) Diversified assistance to enterprises for developing emerging markets with remarkable results

1. In line with the government policy, Eximbank continues to focus on 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 credit and insurance mechanism to support the requisite financial services for the exporters in order to strengthen export competitiveness. In 2019, the total credit amount approved for export (relending not included) is equivalent to NT\$27.71 billion, with a growth rate of 35.46% from 2018. The insured amount of export credit insurance were NT\$25.286 billion, with a growth rate of 14.58% from 2018.

2. Eximbank has been vigorously executing guidelines set by the Ministry of Economic Affairs and exerting its niche policies of export credit, relending, and export credit insurance, etc. to assist enterprises to move forward to the emerging markets. In 2019, the approved amount of such policy export credit to emerging markets is NT\$21.614 billion, accounted for 55.88% of Eximbank's total approved amount of export loans; and export credit insurance amount in line with government economic and trade policies and for emerging markets is NT\$78.102 billion, accounted for 53.21% of its total export credit insurance. The business expansion of Eximbank to emerging markets in Southeast Asia, Central and South America, East Europe, and Africa, including Indonesia, Cambodia, Malaysia, Singapore, Thailand, Philippines, Vietnam, Turkey, United Arab Emirates, Saudi Arabia, India, Bangladesh, Poland, Russia, Brazil, Mexico, Peru, Nicaragua, Kenya, Ivory Coast, Uganda, China, Belarus, Argentina, Egypt, South Africa, Ethiopia, Mozambique etc. has successfully assisted exporters to win orders and extend sales to the emerging markets, and to diversify risks.

(10) Continuous promotion of various import and export guarantees and domestic major public construction guarantees; and actively provision of overseas construction projects for financing and guarantee services to assist domestic constructors winning overseas construction business opportunities

1. To aid manufacturers winning the opportunities in domestic and international construction markets, Eximbank implemented government policies to provide various export and import guarantees. Furthermore, meeting the requirements of manufacturers to participate in domestic public construction projects, Eximbank launched the domestic major public construction guarantee services since 2002 to provide manufacturers with various construction guarantee services as demanded. Up to now, the service of domestic major public construction guarantee has become one of the most important guarantee services of Eximbank. Given that the government implemented forward-looking infrastructure plan to strengthen the economy, Eximbank will proactively promote various public construction financial services to carry out government policies and assist Taiwanese constructors to grasp business opportunities.
2. Furthermore, in order to assist enterprises to expand overseas markets, especially the new southbound market which is the main target promoted by the government, Eximbank will not only continuously offer various guarantees and domestic major public construction guarantee services, but also actively press ahead overseas construction financing and guarantee services, especially new southbound countries with expectation to provide immediate financial support to those companies interested in overseas construction projects and improve their competitiveness.
3. The commitment of Eximbank undertaking overseas construction projects and major domestic public construction projects in 2019 was accumulated approximately NT\$14 billion, an increase of 11.25% compared to the same period in 2018.



President

Pei-Jean Liu

(11) Participating in domestic syndicated loans to assist enterprises in importing precision machinery and equipment, important industrial raw materials, and introducing foreign technology

Eximbank has been timely participating in domestic syndicated loans such as loans for assisting enterprises to import essential fuels, etc. to fulfill the requirements of Taiwan's enterprises for steady operation. The government has been making an utmost effort to promote green energy, and under the consideration of ensuring stable power supply and environmental protection, the use of gas to replace coal has become a trend. To promote government's energy policy and support Taiwan's development of green energy industry, Eximbank participated in a domestic syndicated loan of a power company and assisted enterprise import essential fuel and natural gas to support the stable operation of its power plant and enhance its operational competitiveness, through which assisted Eximbank in implementing the Executive Yuan's "Stable Power Supply, improving Air Pollution" policy blueprint and the power supply safety of Taiwan. In 2019, Eximbank's approved export and import financing amount totaled NT\$ 46.014 billion, a 1% increase from the same period in 2018.

(12) For promoting the "Syndicated Loan Platform for System Integration, Turnkey Project and Engineering Industry Exports", Eximbank organized syndicated loans with commercial banks to extend financial support and promote industrial upgrading.

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, 2019, there were 226 projects developed by Eximbank and 2 projects referred by the economic trade unit with a total loan amount of TWD15.589 billion, which helped the exportation by domestic exporters.

(13) Strengthen establishment of relending relations for Exporters 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 purchasing products from Taiwan and assist domestic exporters exploring export markets. Through this relending model, the competitiveness of Taiwan's products in the international market may be strengthened and transaction may be conducted. As of the end of 2019, Eximbank has established relending relations in 26 emerging market countries, such as Brazil, Chile, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay, Armenia, Belarus, Bulgaria, Czech Republic, Russia, Turkey, Marshall Islands, Cambodia, India, Indonesia, Mongolia, Philippines, Thailand, Uzbekistan, Vietnam, Columbia, Myanmar, etc., and the United States. Banks cooperated with Eximbank covering the America, Europe, Oceania, Asia, and other regions for a total of 73 financial institutions. Total relending amount granted was USD826 million. In the future, Eximbank will continue to keep up with the government economic policy and market demand to establish relending relationship focusing on the key export expansion markets to assist exporters.

(14) Actively participated in international syndicated loans to extend business tentacles and enhance international financial cooperation

1. Eximbank closely watching the international economic and financial developments, continuously tracking market opportunities, and actively participating in international syndicated loan briefing sessions, in order to increase international visibility and fully implement its policy-oriented function.

As of the end of 2019, the balance in international syndicated loans Eximbank participated was approximately USD344 million, equivalent to TWD10.32 billion. Borrowers consist of 28 financial institutions and international organizations in 11 countries across regions of Asia, Central and South America, Africa, Europe, and the Middle East. In 2019, Eximbank assisted a total of 9

financial institutions in 5 countries including Panama, Qatar, Indonesia, Philippines and South Africa in obtaining USD98 million working capital, and contributed to the annual revenue for Eximbank.

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



On December 9, 2019, the Ministry of Finance held the “Witness Ceremony for Promotion of Collective Agreement and Employee Stock Ownership Trust by State-Owned Enterprise”, and President Tsai Ing-wen was invited to witness. (Photographed in December 2019)

(15) Pressing ahead with export credit insurance service, assisting manufacturers to enhance order receiving ability and avoid trade risks

1. Eximbank provides comprehensive export credit insurance services for exporters, whether exported in the term of D/P, D/A, O/A or L/C, in order for the exporters to strive for business opportunities and minimize credit risk. Among them, the “GlobalSure Credit Insurance”, with a business proportion of 76.09%, is tailor-made to encourage manufacturers to adopt blanket insurance methods to enjoy preferential rates, and prevent manufacturers from Adverse Selection of insurance against Eximbank, and effectively enlarge the export credit insurance business volume. The total insured amount for this insurance service in 2019 reached NT\$111.679 billion, an increase of 18.61% compared to 2018.
2. Eximbank continues to intensify the One-stop service so that each account officer may offer financing and export credit insurance services to customers for them to give consideration to the management of trade risks, and flexible scheduling of funds. One-stop service of Eximbank not only provides manufacturers with diversified services, but makes the benefits of cross-marketing services in financing and export credit insurance business more prominent.

(16) Make good use of reinsurance and international cooperation of insurance industry to strengthen export credit insurance energy

1. In view of the requirement in scale-up of insurance performance and the sound

operating basis of export credit insurance, Eximbank has renewed a reinsurance contract with the Central Reinsurance Corporation in 2019 to properly transfer risks to the reinsurance company in order to strengthen export credit insurance capability of Eximbank.

2. To intensify cooperation with international insurance industry and deepen business communication, Eximbank signed cooperation agreements with SACE, the official export credit agency of Italy, and EKF, the official export credit agency of Denmark. Each has been effective since May 27, 2019 and August 20, 2019 respectively. The main content is to intensify cooperation in the field of export credit insurance, including debt collection, personnel training, exchange visits and business promotion opportunities. As of the end of 2019, Eximbank has signed cooperation agreements with 20 official export credit agencies in various countries such as Poland, Czech Republic, Hungary, Japan, Slovakia, Turkey, Thailand, Indonesia, Malaysia, Belarus, South Korea, Israel, China, Sweden, Sri Lanka, Hong Kong, India, Finland, Italy, Denmark, etc., and signed reinsurance contracts with Japan and Sweden to help Taiwan manufacturers expand the global market.

(17) Expand service level through the network of cooperating bank

1. In order to simplify the loan procedure for manufacturers to obtain funds needed as early as possible, and to intensify the expansion of export financing business, Eximbank continues to cooperate with experienced domestic foreign exchange designated banks, and signed “cooperation

agreement to promote foreign exchange business”, and authorised them to review export documents and collect money under Eximbank’s loans, to accelerate loan disbursements and shorten the operating process. In 2019, Eximbank authorised foreign exchange cooperation banks to examine 39 cases, which was extremely beneficial to the promotion of export credit business.

2. Eximbank has signed Co-promotion Agreements of Export Credit Insurance with a total of 30 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 export credit insurance, assist their customers to avoid the risk of uncollectible account receivables, and indirectly secures the financing credit of the lending banks or the negotiating banks.

3. In response to the evolution of international trade and the demands of manufacturers, Eximbank aimed at strengthening asset quality for financial institutions and has developed new products such as “GlobalSure Credit Insurance for Factoring Business” and “L/C Insurance for Forfaiting Business”. In 2019, Eximbank signed contracts of “Global Sure Credit Insurance for Factoring Business” with Taiwan Business Bank and Changhua Commercial Bank, signed contract of “L/C Insurance for Forfaiting Business” with Bank SinoPac, CTBC Bank, First Commercial Bank, Taishin International Commercial Bank, KGI Commercial Bank, Hua Nan Commercial Bank, Taipei Fubon Commercial Bank and Mega International Commercial Bank, and signed both contracts with E.Sun Commercial Bank. In 2019, Eximbank’s cooperation with financial institutions to promote export insurance amounted to NT\$ 9.651 billion, an increase of 36.92% over the same period last year.



Passed by APG in its 2019 Annual Meeting, Taiwan was evaluated as the best of “regular follow-up” level. Premier Su of the Executive Yuan awarded trophy to the evaluated organizations to praise them for their efforts on anti-money laundering. (Photographed in October 2019)

(18) Gradually increases capital to amplify business undertaking volume for assisting enterprises to improve competitiveness

Ministry of Finance approved capital increase for Eximbank from 2016 up to 2019 with a total of TWD18.6 billion to broaden its operational basis. After completion of capital increase, each single customer's unsecured credit limit will be increased to 1.693 billion, which will amplify Eximbank's ability to inject funds to customers, undertake financing projects of larger scale, provide export loan, guarantee, and export credit insurance services to fully assist enterprises. Through the capital increase, Eximbank has been successful in reducing the capital cost of local exporters, avoiding trade risks, and driving the growth of the overall export value, which will further implement Eximbank functions of providing enterprises 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 enterprises to improve their industrial competitiveness and further driving the industrial upgrading.

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

In order to assist domestic enterprises to expand export and enhance cooperation with economic and trade organizations, Eximbank continuously cooperated with Taiwan External Trade Development Council (TAITRA) to jointly handle the business expansion activities in 2019 such as joint forums or dispatch personnel to the important exhibition held by the TAITRA for introducing its relevant business, strengthen mutual business exchange and cooperation, simultaneously set up corresponding window to exchange business information for providing updated trade and financial information to enterprises in no time. By means of implementing various cooperation projects, both parties may provide enterprises with



In order to fully reveal the business energy and achievements on its deep ploughing of the new southbound market, Eximbank held a presentation of "Keep a foothold in Taiwan, make the world green with envy, and connect to New Southbound market" on October 22, 2019, and invited VIPs from the industry, government and academic circles. (Photographed in October 2019)

relevant information to expand overseas markets, enhance their export competitiveness, gain greater business opportunities, and speed up the economic development of Taiwan.

(20) Actively participated in international organizations to assist domestic manufacturers expanding global market

Eximbank is a member of the Berne Union and participated the Berne Union 2019 Spring Meeting held in Singapore from the 8th of April to the 12th of April. Simultaneously, the 69th Regional Cooperation Group Meeting was held at the same place on April 8, 2019 to enhance cooperation among members and to elevate the international visibility of Taiwan. During the period of September 4 to September 6, 2019, Eximbank participated in the 6th “Cross-Strait-and Hong Kong Export Credit Insurance Meeting” held in Shanghai, China to share together with export credit agencies from Hong Kong and Mainland China experiences and professional knowledge of industry information and country risk in order to master trend and control risk.

From October 20 to October 24, Eximbank participated in the Berne Union Annual General Meeting held in Hyderabad, India, and the 70th Regional Cooperation Group Meeting was held at the same place on October 20 to strengthen the cooperation between members and enhance international visibility.

(21) Revising regulations, streamlining work processes, and improving service performance

1. Eximbank stipulated “Directions on Promotion of Overseas Business” to be in line with government policies and to stimulate future business development in order to increase

the flexibility and opportunities of overseas business promotion.

2. Eximbank revised “Directions on Short-term Export Credit and Guarantee” and “Guidelines for Directions on Short-term Export Credit and Guarantee” to help expand and promote related business.
3. Eximbank revised “Guidelines for Issuing Letter of Intent for Financing by Account Officers in Each Rank” to conform to the organizational structure adjustment of Eximbank.
4. In compliance with the law and to implement the policy on Anti-Money Laundering and Countering the Financing of Terrorism, Eximbank revised “Standard Operating Procedure of Department of Loan and Guarantee for Anti-money Laundering and Countering the Financing of Terrorism”.
5. In order to improve the efficiency of Eximbank’s Overseas Representative Offices to promote business and prepare site visit reports, Eximbank stipulated the “Standard Operating Procedures for Business Promotion and Site Visit Reports of Overseas Representative Offices”.
6. Eximbank revised “Directions for Management of Credit, Export Credit Insurance and Other Transactions to Related Parties”, “Directions for Medium and Long-term Import Credits and Guarantees”, “Operational Directions for Tracking and Analyzing after Extending Credit”, and “Operational Directions for dealing with Non-Performing Loans, Non-Accrual Loans and Bad Debts” for business requirements.
7. To meet business requirements, Eximbank revised “Guidelines for Directions on General Export Credits”, “Guidelines for Directions on Medium and Long-Term Export Credits

- and Guarantees”, “Guidelines for Pricing of Enterprise Loans”, and “Guidelines for Qualification for Trader to apply for Credits and Guarantees”.
8. In order to enhance the policy function of the relending business, Eximbank revised the “Directions on Pricing of Loans to Financial Institutions” to provide attractive interest rates to implement government’s New Southbound Policies, and assist exporters to expand emerging markets.
 9. In order to assist manufacturers expanding overseas market, Eximbank has taken into consideration the differences in the legal environment and market characteristics of the local relending banks, and adjusted the terms of the relending facility agreements, interest rate pricing and loan application documents to adapt to local condition, which will facilitate foreign cooperative banks to promote such trade financing services and assist Taiwan manufacturers to expand export business.
 10. In line with the revision of “Directions on Standard Operating Procedure for Examination and Monitoring Anti-money Laundering and Countering the Financing of Terrorism”, amended the Notes and Chart of “Management and Control of Risk from Anti-money Laundering and Countering the Financing of Terrorism” to enhance the risk control for high risk countries or transactions.
 11. The list of relending banks is updated periodically and placed on official website of Eximbank to provide domestic exporters with immediate information. Domestic exporters may check from the list whether customers are dealing with those relending banks, and provide customers with the relending information to encourage foreign importers purchase Taiwanese products.
 12. In compliance with the law, revised “Directions on Standard Operating Procedure for Risk Management of Anti-money Laundering and Countering the Financing of Terrorism”.



Minister of Finance Jain-Rong Su awarded financial institutions for Excellence in “2019 Export Credit Insurance Referral Services” in the seminar of public financial institution held in February 2020, in recognition of the government’s concern on export insurance policy. (Photographed in February 2020)

13. In compliance with internal regulations, revised the “Directions on Authorization Scope for the Verification of Export Credit Insurance”.
14. In order to enhance the management of recourse operations for accounts receivable, stipulated “Directions on recourse of overseas accounts receivable under export credit insurance”.
15. In compliance with internal regulations, revised the “Directions on Hierarchical Responsibilities and delegation” and “The Detailed Chart of Responsibilities”.
16. In compliance with internal regulations, revised “Directions on Standard Operating Procedure for inquiring Related Parties of Export Credit Insurance Transactions”.
17. To meet the requirement of business development, revised “GlobalSure Credit Insurance”.
18. In line with Insurance practice, Eximbank revised 9 Standard Operating Procedures for Insurance business.
19. For business development, revised the “Directions on Procedures and Standards for the Verification of Credit Limit of Buyers or Issuing Banks”.
20. For balancing business growth and risk control, revised the “Directions on Credit Risk Limit of the Same Credit Account”, “Directions on Credit Risk Limit for Group Enterprises” and “Directions on credit limit for Participating in the Syndication Loan”.
21. In order to expand the small and medium enterprises credit business and improve

operating efficiency, revised SOP of “Directions on Credit Rating of Enterprises” and “Risk Assessment and Management for Enterprises” and added Risk Assessment Report and Chart for small and medium enterprises.

22. Eximbank revised its “Directions on Notification of Major Incidents to Competent Authority and Superior Authority”.

(22) Implement risk management mechanism, improve management system, and enhance risk control effectiveness

In view of the ever-changing international economic and trade situation, Eximbank has reinforced its assessment and monitoring of country risks and financial risks of business dealings, and submits the monitoring reports to executives, in particular on the change of risks in the higher risk areas and countries. In terms of industry and enterprise risks, Eximbank continuously monitors the change in risks of enterprises and related industries, and limits the credit line on enterprises and various industries, in order to effectively master the dynamic development of enterprises and related industries and diversify the credit risk.

In order to enhance the effectiveness of risk control, Eximbank has continuously reinforced functions of risk management information system, and established the database and the instant notification system of significant information on listed, OTC and public offering companies to master the risk dynamics of loan, guarantee and export credit insurance customers.

(23) Planning and executing the operation of legal Compliance, implementing Anti-money Laundering and Countering the Financing of Terrorism Related Mechanisms

On October 3, 2019, Premier Su attended “Going Further, Doing Better” anti-money Laundering event, and awarded trophy to Eximbank; besides, Chairman Wellington L. Koo of Financial Supervisory Commission publicly praised Eximbank in the 49th bank president meeting on November 25, 2019. Eximbank has been praised several times for participated in the “Third Round of Mutual Evaluation by Asia/Pacific group on Anti-Money Laundering” and actively devoted to the preparation for the evaluation, which helped the evaluation process successfully completed with impressive result and won international recognition.

(24) 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 enhance their financial expertise. Employees were sent to attend meetings hosted by professional financial research training organizations. Eximbank also frequently gave theme-based training courses with recruited scholars and experts as professors. In 2019, Eximbank hosted 17 specialized and regulatory topic speeches along with 14 professional training sessions by various departments, and 23 foreign business trip report-based seminars, totaling 2,063 trainees. It positively enhanced bank employees’ professional knowledge to meet business development needs.



Delegation of Indonesia Eximbank and Indonesian Economic and Trade Office to Taipei visited Eximbank to promote mutual business exchanges and cooperation. (Photographed in December 2019)

3. Credit Rating

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

Eximbank's credit rating has not changed since the date of grant:

Rating Agency	Latest Rating	Credit Rating
Standard & Poor's	February 13, 2020	AA-/ Stable/ A-1 +
Taiwan Ratings	February 13, 2020	twAAA/ Stable/ twA-1+



Eximbank, represented by President Pei-Jean Liu, was awarded in the 47th bank president meeting of Financial Supervisory Commission for promoting and organizing "Syndicated Loan Platform for System Integration, Turnkey Project and Engineering Industry Exports". (Photographed in April 2019)



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III.

Bank Profile

1. Brief Introduction

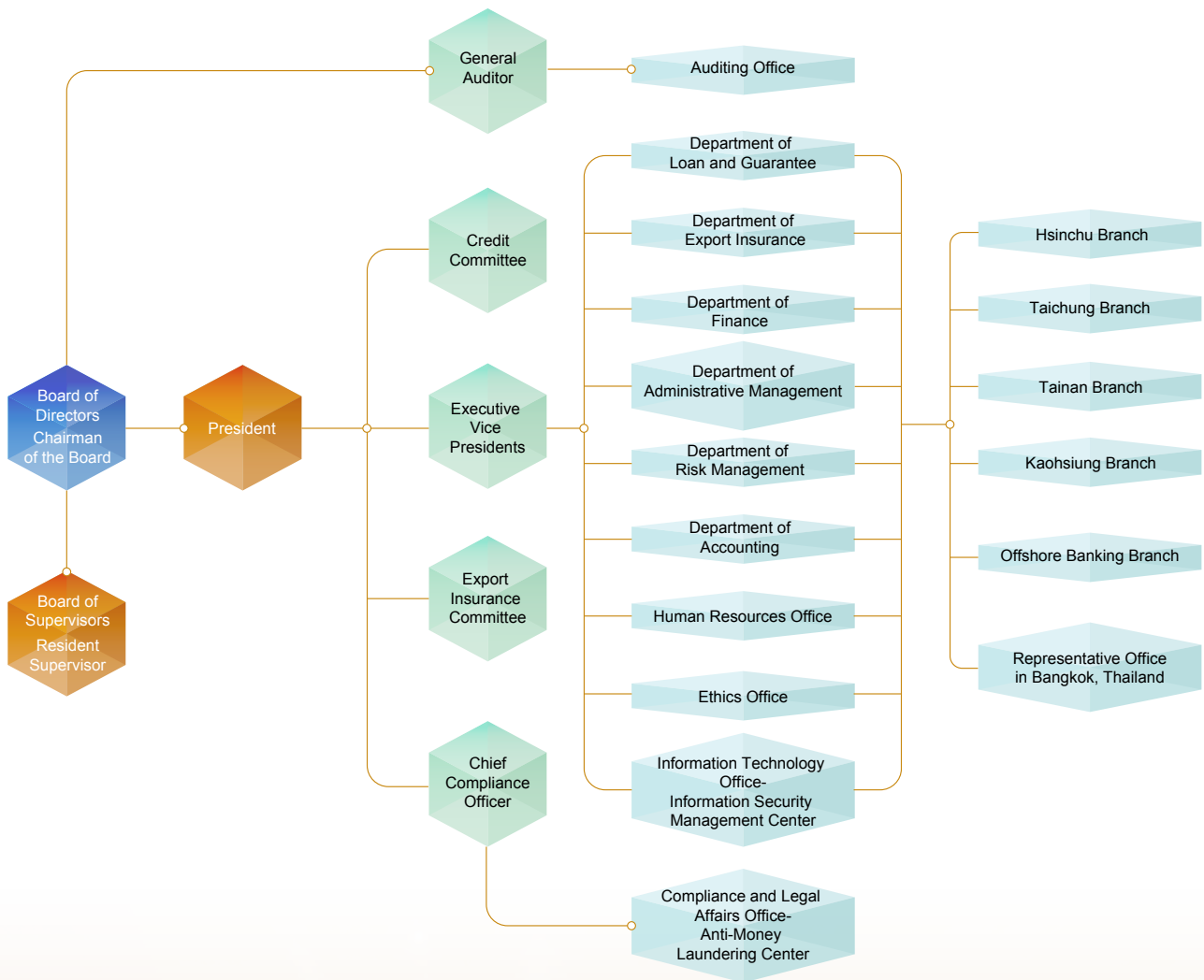
Eximbank was established on January 11, 1979 under the Statute of “The Export-Import Bank of the Republic of China Act”. As a state-owned specialized export and import financial institution supervised by the Ministry of Finance and administered by the Financial Supervisory Commission, Eximbank’s mission is “to promote export and import trade and develop the economy”, and its business vision is “to Strengthen trade finance and assist external trade”. As a policy bank, the main objective of Eximbank is to

support government economic and trade policies by providing loans, guarantees, and export credit insurance to help enterprises expand external trade and overseas investments and increase international cooperation to maintain the steady and continuous development of Taiwan economy.

In order to assist enterprises to export, Eximbank provides export credit and export insurance services, and successively establishes branches in Kaohsiung, Taichung, Hsinchu and Tainan, as well as Offshore Banking Branch and Representative Offices in Bangkok, Thailand.

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



✓ Shu-Yi Chang

Director



✓ Yu-Chyng Wang

Director



✓ Shang-Hsi Liao

Director



✓ Jen-Hsiu Lu

Resident Supervisor



✓ I-Hui Lee

Supervisor



✓ Yen-Huang Hsu

Supervisor

Board of Directors		Board of Supervisors	
Shui-Yung Lin	Chairman of the Board of Directors	Jen-Hsiu Lu	Resident Supervisor
Pei-Jean Liu	Managing Director	I-Hui Lee	Supervisor
Tzu-Hsin Wu	Managing Director	Yen-Huang Hsu	Supervisor
Hui-Huang Yen	Director		
Shu-Yi Chang	Director		
Yu-Chyng Wang	Director		
Shang-Hsi Liao	Director		

(3) Principal Managers and General Auditor

Name	Title
Pei-Jean Liu	President
Hsiu-Chuan Ko	Executive Vice President
Chien-Cheng Day	Executive Vice President
Yu-Huai Wang	General Auditor
Ming-Hsing Yeh	Chief Compliance Officer
Jin- Shong Yang	(Senior Vice President and) General Manager, Department of Loan and Guarantee
Ting-Chieh Wang	(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
Fu-Hua Hsieh	(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	(Senior Vice President and) General Manager, Human Resources Office
De-Ruen Yang	(Senior Vice President and) General Manager, Ethics Office
Chih-Hsien Huang	(Senior Vice President and) General Manager, Information Technology Office
Ming-Ti Chang	(Senior Vice President and) General Manager, Compliance and Legal Affairs Office



General Auditor
Yu-Yuan Hsia

Executive Vice President
Hsiu-Chuan Ko

Executive Vice President
Chien-Cheng Day

Chief Compliance Officer
Jin-Shong Yang

Chairman of the Board of Directors
Shui-Yung Lin

President
Pei-Jean Liu

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IV.

Overview of Bank Operations

1. Business Overview

Below is an overview of Eximbank loans, guarantees, and export credit insurance business in 2019:

(1) Loans

Eximbank 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”, “Domestic Major Public Construction and Infrastructure Project Credits”, etc.

Eximbank’s loan portfolio mainly consists of medium and long-term loans. In 2019, the average balance of these loans totaled TWD93,511 million, accounting for 79.57% of total loans.

(2) Guarantees

Eximbank’s guarantee services include “Overseas Construction Guarantees”, “Medium and Long Term Import Guarantees”, “Export Guarantees”, “Overseas Investment Guarantees”, “Domestic

Major Public Construction and Infrastructure Project Guarantees”, and “Ship Building Guarantees”, etc.

The structure of Eximbank’s guarantee undertaking (based on the proportion of undertaking amount) in 2019 were “Domestic Major Public Construction Guarantees” accounted for 51.30%, “Import Guarantees” accounted for 38.43%, “Overseas Construction Guarantees” accounted for 6.00%, “Export Guarantees” accounted for 4.21%, and other Guarantees accounted for 0.05%.

(3) Export Credit Insurance

Eximbank 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”, “Trade Credit Insurance for L/C Transactions”, “Medium and Long-term Deferred Payment Insurance”, “Overseas Investment Insurance”, “GlobalSure Credit Insurance”, “GlobalSure Credit Insurance for Factoring Business”, and “L/C Insurance for Forfaiting Business”.

The total insured amount of export credit insurance was TWD146,770 million in 2019, an increase of 11.71% from 2018.

2. Market Overview

(1) Domestic and Global Financial Conditions

In 2019, economic growth was affected and the annual growth rate of merchandise trade declined due to the continuous friction of the U.S.-China trade negotiations, uncertainty of Brexit, social unrest in several countries, and geopolitical tensions, etc. Monetary policy easing continued into 2019 in several economies. The Federal Reserve announced 3 rate cuts in the second half of 2019. The International Monetary Fund (IMF) estimated the global economic growth rate in 2019 to be

2.9%, a decrease of 0.7% from 3.6% in 2018. At the beginning of 2020, political and economic risks decreased as the United States and China signed their first phase of the trade agreement, and Brexit entered into the transition period at the end of January. Adding to the substantial support the easing provided in 2019, its lagged effects should help global economic activity recover in early 2020. Nevertheless, the Coronavirus disease (COVID-19) outbreak causes tremendous economic hardship around the world, which has heavily destroyed confidence, disrupted manufacturers' supply chains, and severely affected aviation, tourism, and other related services and industries. Moreover, crude oil prices slumped in March and April. All of such setbacks have slowed down the world economic prospect.

With regard to U.S., because of the U.S.-China trade conflict, the decline in global productivity, and



Eximbank was awarded in the “Going Further, Doing Better” Anti-money Laundering event held by the Executive Yuan on October 3, 2019. Chairman Shui-Yung Lin led the delegation and took picture with the Minister of Finance Jain-Rong Su. (Photographed in October 2019)

the recession of manufacturing industry in 2019, coupled with the decrease in fiscal incentives, and the trade policies hindered companies' willingness to invest, the Federal Open Market Committee (FOMC) adopted preventive measures to cut interest rates 3 times in the second half of 2019. The International Monetary Fund (IMF) estimates the US economic growth rate in 2019 to be 2.3%, a decrease of 0.6% from 2.9% in 2018. The signing of the first phase of the trade agreement between U.S. and China in January 2020 may probably be helpful for the recovery of enterprise investments, however, the technological competition between the U.S. and China may go on in the future, and bilateral trade tensions between the U.S. and other regions may also continue, which will pose threats to the economic outlook. On the other hand, the COVID-19 has affected private consumption, therefore the Federal Open Market Committee (FOMC) announced a rate cut of 0.5% on March 3, 2020, and further announced 1% cut on March 15, the target range for the federal funds rate at 0 to 0.25 percent, activated Quantitative Easing to support economic activities.

In 2019, the economy of China was affected by the negative impact such as: manufacturers' lower investment willingness caused by low profits, government supervision of non-bank financial institutions, slowing growth of labor, and the US-China trade conflict. The People's Bank of China has repeatedly cut banks' reserve requirement ratio, and execute policy on improving the interest transmission efficiency. Although under the easing monetary policy environment, the economic slowdown is still beyond expectation. International Monetary Fund (IMF) estimates the economic growth rate in 2019 to be 6.1%, a decrease of 0.6% from 6.7% in 2018. In January 2020, the U.S. and China reached the first phase of trade agreement, and the downside risk was mitigated. However, the outbreak of COVID-19 occurred during the same period. Lockdown was carried out in several cities, which seriously damaged manufacturers' production, and caused the decrease in overseas tourism, the decline in import demands, and the interruption of the production and supply chains, etc. These severe negative spillover effects have greatly affected the global economy.

Continuously affected by global trade policies and Brexit uncertainty, the economic confidence of the Eurozone has continued to decline, industrial production in Germany and Italy has slowed down, and overall demand and supply in exportation has been adversely affected, thus European Central Bank announced that the interest rate on the deposit facility was decreased in September 2019, and net purchases were restarted under the Governing Council's asset purchase program (APP) at a monthly pace of €20 billion as from 1 November 2019. International Monetary Fund (IMF) estimates the economic growth rate in 2019 to be 1.2%, a decrease of 0.7% from 1.9% in 2018. Affected by the COVID-19 in early 2020, the European Central Bank announced pandemic emergency refinancing operations to provide liquidity support to the euro area financial system, in addition to launch the Quantitative Easing (QE) new Pandemic Emergency Purchase Programme

(PEPP) for reacting the impact of the COVID-19 disease on the Eurozone economy.

The industrial chains of Southeast Asian countries are closely linked to the United States and China. In 2019, affected by the US-China trade conflict, Thailand, Malaysia, Indonesia, and Singapore have suffered a decline in exportation because of the slowing down of global demand. International Monetary Fund (IMF) estimates the economic growth rate of ASEAN countries in 2019 to be 4.8%, a decrease from 5.3% in 2018. Since the beginning of 2020, in order to stimulate economic growth and respond to the impact of the COVID-19, most of the central banks of ASEAN countries have adopted interest rate cuts.

Benefited and stimulated from order transfer effect of the US-China trade negotiation and businessmen's return to Taiwan for investment, Taiwan's semiconductor and related supply chain



In August 2019, Eximbank held a seminar on “Eximbank 40-Assist Heading to Southbound and Returning to Taiwan” in Hanoi, Vietnam, which attracted many local Taiwanese enterprises and relending cooperative banks to participate, and negotiate business with a warm spectacle. (Photographed in August 2019)

manufacturers have invested in advanced processes for expanding productivity, moreover, 5G-related infrastructure and offshore wind power investment have been carried out successively, which have driven economic growth in Taiwan. The Directorate-General of Budget, Accounting and Statistics of the Executive Yuan estimates the annual economic growth rate for 2019 to be 2.71%, with the overall economic performance ranking first among the Four Asian Tigers. Taiwan is committed to promoting industrial transformation, and is ranked the 12th in the 2019 Global Competitiveness Report of World Economic Forum (WEF), which is one place higher than 2018. In 2020, COVID-19 has been affecting global economic activities of production, demand and supply chain, etc. Due to the relatively mild epidemic situation in Taiwan, domestic manufacturing activities are as usual. However, being a small open economy, Taiwan is deeply affected by the international climate. The COVID-19 disease will hold back global economic performance and trade expansion, which will also affect economic growth performance of Taiwan in 2020.

(2) Overview of Credit Market

Since the last two quarters of 2018, the U.S.-China trade conflict and international uncertainties has affected business confidence and investment, global trade momentum has cooled down, and the global economic growth rate fell to 3.0% in 2019. For developed countries, the U.S. economic growth rate in 2019 fell to 2.4%, down 0.5% from 2.9%

in 2018; the Eurozone's economic growth rate in 2019 fell to 1.2%; as for emerging market, China's economic growth rate in 2019 was 6.1%, lower than 6.6% in 2018. Besides, influenced by the US-China trade conflict and the slowdown in global trade momentum, the economic growth rate of Southeast Asian countries was lower than expected, which was 5.5% in 2019. With regard to domestic economic situation in Taiwan, global demand has been weakened by the trade conflict which affected the exportation and orders. On the other hand, trade conflict has brought opportunities for the transfer of orders and production bases, coupled with the increase in Taiwanese investors' return to Taiwan, has boosted performance in domestic demand. The overall economy of the first three quarters in 2019 showed a trend of rising quarter by quarter. The annual economic growth rate in 2019 was about 2.4%, an increase of 0.13% from 2.27% of 2018.

To help boost the domestic economic prosperity, Eximbank is committed to implement "Innovative Key Industries" policy in 2019, and in line with government's domestic public construction project, Eximbank focused on financial services such as export financing, overseas construction financing, major public construction project financing, and medium and long-term import financing, overseas investment financing and international corporate financing, which resulted in an increase of 7.07% and 6.23% respectively in financing and guarantee performance in 2019 compared with the 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 US\$329.2 billion for the entire year of 2019 with an USD43.5 billion trade surplus. In terms of exportation, Asia remained the main export market of Taiwan. It was also the largest area of Eximbank's Export Credit Insurance business, accounted for 50.26% 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 33.95% of total export value. 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 has assisted 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) Eximbank Strongly Implement Energy Conservation and Carbon Reduction to Strengthen Environmental Awareness

In line with the Government's initiatives to promote "energy saving and carbon reduction", "energy saving and paper reduction" and "green procurement", Eximbank has set up an "energy saving implementation plan" to cover cost saving of water, electricity, oil, and paper used, to improve related equipment, and to urge colleagues to cooperate. In 2019, after implementing various cost-saving measures, according to the "Government Institutions and Schools Energy Saving Action Plan", the amount of electricity, water and oil used were lower than those in 2015 (the base period) by 7.5%, 1.73%, and 5.51% respectively, and paper consumption amount remained the same with 2015. All have reached the goal of "not growing". In addition, Eximbank actively implemented the government's green procurement promotion plan and achieved the annual objectives of 90% green procurement on the designated items; conducted office trash classification and resources recycle; and purchased office equipment only with Environmental Protection Mark to build a society of resources sustainability.

(2) Eximbank Actively Conducted Public Welfare Activities to Enhance its Image and Fulfill its Social Responsibility

In 2019, Eximbank celebrated its 40th anniversary with the activity theme on “social care”, and has been actively conducting various public welfare activities:

1. In order to fulfill social responsibilities and help to prevent insufficient blood reserves, Eximbank organized an activity of “donate blood with love, there is no substitute” in cooperation with the Taiwan Blood Services Foundation.
2. At its 40th anniversary Gala, Eximbank invited the “Taipei Music Foundation for the Visually Impaired” to perform, in order to show talents, confidence, and vitality of the visually impaired.
3. In response to the government’s promotion of circular economy policies, Eximbank cooperated with the “Societies of the Republic of China Starlight Disability Service Association” to handle resource integration activities, donate equipment such as computers and peripherals to recycle materials, and use the recovered income as service funds for people with disabilities.
4. Eximbank continuously supported the Charity Concert of the Taipei Kuanyin-Line Psychology and Social Service Association, and provide various charity services with the collected funds to help the disadvantaged families settle down and accompany the elderly with continuous support and care.
5. Eximbank participated in activity organized by Triple-E Institute to realize the Refurbished Computers Project. By donating used computers and peripherals to students from economically disadvantaged and remote areas, Eximbank achieved the purpose of reducing digital gaps as well as reducing environmental pollution to response to the government’s policy of promoting circular economy for environmental sustainability.



The 11th Regional Cooperation Group CEO Meeting of the Berne Union was held in Tokyo, Japan in January 2020. Eximbank exchanged market information with representatives of the official export credit agencies of Asian countries to strengthen industry cooperation. (Photographed in January 2020)

6. Eximbank participated the 5th Caring for Autism Charity Run held by “New Taipei City Autism Adaptation Sports Promotion Association” and sponsored the “Eden Social Welfare Foundation” to organize the 2019 Barrier-free Life Festival, to encourage autistic people to engage in moderate physical exercise, and to care about how elderly people plan barrier-free life, expecting people with disability to live a full life, be healthy physically and mentally, and feel at ease to grow old.
7. Eximbank continually purchase self-made products from charity groups as business promotion gifts to customers throughout the year, including the mosaic tray from the Taiwan fund for Children and Family, the glass tie clips from the ECPAT Taiwan , the bath towel from Ember Society, and other Self-made products by Taiwan Foundation for the Blind, Children Are Us Foundation, Yilan County Autistic Welfare Association and Huaguang Social Welfare Foundation, New Taipei City Sheep Miao Shelter Factory and Yu-cheng Social Welfare Foundation. Eximbank expects to assist the disadvantaged groups in improving their ability on living and continuous employment by purchasing a large amount of charity products, so that they can become self-reliant in the society.
8. In order to assist farmers in promoting and marketing of production, Eximbank purchased high-quality sweet potatoes from Yunlin County and presented to Bethany Children’s Home, Muxiang Nursery School, Fangzhou Educational and Nursing Home, Pingtung County Aboriginal Social Welfare Service Association, etc. to help farmers promotion as well as to send warmth to the vulnerable groups at the end of the year.



On May 24, 2019, Eximbank held a syndicated loan platform communicating meeting, invited the main co-organizers to discuss how to promote the syndicated loan platform to help manufacturers expand overseas markets. (Photographed in May 2019)

4. Prospects

In accordance with the 2020 policy objective of Executive Yuan, the government will promote major policies continuously including the implementation of national development plans, the promotion of new economic model with core concepts of innovation, employment, and distribution, the execution of Forward-Looking Infrastructure Plan to activate economic growth, the urging of industrial upgrading and transformation, the devotion to “Five Plus Two” Innovative Key Industries Plan by which to fully assist Taiwanese industries to invest in Taiwan, and the effort to join the regional economic and trade integration mechanisms such as the Trans-Pacific Partnership Comprehensive Progress Agreement (CPTPP), to develop international cooperation, expand trade all-round, drive private investment through government investment, and assist companies in removing various investment barriers in order to accelerate domestic industrial upgrades and enhance competitiveness of Taiwan.

Eximbank is the only state-owned professional trade financial institution in Taiwan that shouldering policy mission of assisting manufacturers to expand overseas markets. Apart from continuing to promote various major policies of government, Eximbank, as a staunch support for enterprises to expand overseas markets, also provides complete trade and financial services to predominate opportunities from orders and production chain

transfer effect brought by the US-China trade conflict, and further assists domestic enterprises to achieve comprehensive adjustment and transformation of the economic and industrial structure.

In the future, the variables such as the progress of recovery from the COVID-19 disease, the US presidential election, the global trade war, Brexit, and emerging market kinetic energy will affect the recovery of global economy. As an island economy, Taiwan's economic growth depends deeply on the global economic movement. Since the outbreak of COVID-19 has great impacts on the economy of the whole world, the future situation of the global economic development is still in limbo. In response to the rapidly changing environment, Eximbank will stick to its belief to “strengthen trade finance and assist foreign trade”, and continue to be in line with government policies on relief package, various economic and trade policies, and new southbound policies. Eximbank will also actively strive for the support of various government economic and trade institutions to provide various financing measures for strengthening the export competitiveness of Taiwanese manufacturers, and assist them in expanding the global emerging market and the new southbound market. Moreover, Eximbank will make effort to support the exportation for creating domestic employment, increasing the income, creating the consumption demand, and achieving the goal of promoting economic growth.

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V.

Financial Overview

1. Balance Sheets

TWD Thousand

Item	Notes	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
Assets					
Cash and Cash Equivalents	Note 7(1)	208,046	0.15	448,119	0.37
Due from the Central Bank and Call Loans to Other Banks	Note 7(2)	227,083	0.16	504,044	0.41
Financial Assets at Fair Value through Profit or Loss	Note 7(3)	3,046	0.00	1,095	0.00
Financial Assets at Fair Value through Other Comprehensive Income	Note 7(4)	359,454	0.25	381,674	0.31
Debt Instrument Investments Measured at Amortized Cost	Note 7(5)	7,600,000	5.34	7,600,000	6.21
Receivables-Net	Note 7(6)	592,173	0.42	497,456	0.41
Loans and Discounts- Net	Note 7(7)	132,338,038	93.00	112,007,559	91.53
Other Financial Assets-Net	Note 7(8)	248,828	0.18	232,961	0.19
Property and Equipment-Net	Note 7(9)	512,455	0.36	522,120	0.43
Right-of-use Asset	Note 7(10)	2,101	0.00		
Intangible Assets-Net	Note 7(11)	60,675	0.04	47,318	0.04
Deferred Income Tax Assets-Net		100,328	0.07	80,364	0.06
Other Assets-Net	Note 7(12)	42,994	0.03	44,961	0.04
Total Assets		142,295,221	100.00	122,367,671	100.00

Item	Notes	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
Liabilities					
Due to the Central Bank and other Banks	Note 7(13)	28,143,550	19.78	28,211,658	23.05
Borrowed Funds from the Central Bank and Other Banks	Note 7(14)	29,309,986	20.60	20,060,343	16.39
Financial Liabilities at Fair Value through Profit or Loss	Note 7(15)	10,209,212	7.17	7,677	0.01
Payables	Note 7(16)	335,374	0.23	248,142	0.20
Current Period Income Tax Liabilities		60,626	0.04	51,029	0.04
Financial Debentures Payable	Note 7(17)	11,296,304	7.94	16,595,856	13.56
Other Financial Liabilities	Note 7(18)	26,190,869	18.41	22,658,999	18.52
Provisions	Note 7(19)	1,148,648	0.81	1,096,376	0.90
Lease Liability		2,127	0.00		
Deferred Income Tax Liabilities		38,797	0.03	38,797	0.03
Other Liabilities	Note 7(20)	1,365,696	0.96	1,338,550	1.09
Total Liabilities		108,101,189	75.97	90,307,427	73.79
Equity					
Capital		30,600,000	21.50	28,800,000	23.54
Retained Earnings					
Legal Reserve		1,295,068	0.91	1,041,170	0.85
Special Reserve		2,154,465	1.52	1,588,413	1.30
Retained Earnings Unappropriated		33,930	0.02	219,137	0.18
Other Equity		110,569	0.08	411,524	0.34
Total Equity		34,194,032	24.03	32,060,244	26.21
Total Liabilities and Equity		142,295,221	100.00	122,367,671	100.00

Note: Figures for 2019 are subject to audit; Figures for 2018 have been recognized by the Ministry of Audit, R.O.C.

2. Statements of Comprehensive Income

TWD Thousand

Item	Notes	January 1, 2019- December 31, 2019		January 1, 2018- December 31, 2018		Percentage change (%)
		Amount	%	Amount	%	
Interest Revenue		2,588,306	157.28	2,282,937	144.54	13.38
Minus: Interest Expenses		1,121,410	68.14	949,952	60.15	18.05
Net Interest Income		1,466,896	89.14	1,332,985	84.39	10.05
Non-Interest Income						
Net Fees and Commissions	Note 7 (21)	57,081	3.47	57,602	3.65	-0.90
Gains (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss	Note 7 (22)	-16,873	-1.03	37,737	2.39	-144.71
Gains From Sale of Financial Assets at Fair Value through Other Comprehensive Income		22,666	1.38	21,312	1.35	6.35
Foreign Exchange Gains (Losses)		-3,178	-0.19	-190	-0.01	--
Net Export Credit Insurance Income	Note 7 (23)	166,265	10.10	164,340	10.40	1.17
Other Non-Interest Income	Note 7 (24)	-47,201	-2.87	-34,297	-2.17	-37.62
Net Operating Income		1,645,656	100.00	1,579,489	100.00	4.19
Bad Debts Expense, Commitment and Guarantee Liability Provision	Note 7 (25)	369,717	22.47	359,331	22.75	2.89
Operating Expenses						
Employee Benefits Expenses		368,953	22.42	355,733	22.52	3.72
Depreciation and Amortization		36,282	2.20	32,346	2.05	12.17
Other Business and Administrative Expenses		164,706	10.01	161,982	10.26	1.68
Net Income (Loss) Before Tax		705,998	42.90	670,097	42.42	5.36
Income Tax (expense)		-61,672	-3.75	-76,298	-4.83	19.17
Net Income (Loss)		644,326	39.15	593,799	37.59	8.51
Other Comprehensive Income						
Items not to be Reclassified into Profit or Loss:						
Re-measurements of the Defined Benefit Plans		-10,890	-0.66	-37,984	-2.40	71.33
Gains (losses) Valuation of Equity Instrument at Fair Value through Other Comprehensive Income		-22,220	-1.35	7,430	0.47	-399.06
Income Tax Related to Items not to be Reclassified		1,307	0.08	4,558	0.29	-71.33
Items that May be Subsequently Reclassified into Profit or Loss:						
Exchange Differences Caused by Translation of Financial Statements of Offshore Branches		-278,735	-16.94	382,373	24.21	-172.90
Other Comprehensive Income (After Tax)		-310,538	-18.87	356,377	22.57	-187.14
Total Comprehensive Income		333,788	20.28	950,176	60.16	-64.87
Earnings per Share						
Basic and Diluted		0.22		0.21		

Note: 1. In the year of 2018, capital increased by cash of TWD1.44 billion and TWD360 million were added on June 1 and August 1, and the amount of paid-in capital after the capital increase was changed to TWD28.8 billion.

2. In this year of 2019, capital increased by cash of TWD1.8 billion on June 3, and the amount of paid-in capital after the capital increase was changed to TWD30.6 billion.

3. Figures for 2019 are subject to audit; Figures for 2018 have been recognized by the Ministry of Audit, R.O.C.

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. Earnings per share are denominated in New Taiwan Dollars.

3. Statements of Cash Flows

TWD Thousand

Item	January 1, 2019- December 31, 2019		January 1, 2018- December 31, 2018	
	Subtotal	Total	Subtotal	Total
Cash Flows from Operating Activities:				
Continuing Operations Income (Loans) Before Income Tax Earnings (Net Loss) Before Taxation of Continued Operations		705,998		670,097
Net Income (Net Loss) Before Income Tax		705,998		670,097
Adjustments:		-22,105,412		-4,982,472
Incomes and Losses with No Impact on Cash Flow		-938,273		-914,297
Bad Debts Expense, Commitment and Guarantee Liability Provision	421,734		386,029	
Depreciation	18,347		15,303	
Amortization	17,998		16,247	
Interest Income	-2,588,306		-2,282,937	
Interest Expense	1,172,143		949,952	
Loss (Gain) on Disposal of Assets	31		744	
Other Adjustments	19,780		365	
Assets/Liability Changes Related to Operating Activities		-21,167,139		-4,068,175
(Increase) Decrease in Loans and Discounts	-21,048,922		-7,335,992	
(Increase) Decrease in Receivables	-114,529		62,584	
(Increase) Decrease in Financial Assets at Fair Value through Profit or Loss	-1,951		545	
(Increase) Decrease in Other Assets	3,639		-11,329	
Increase (Decrease) in Due to the Central Bank and Other Banks	-68,108		3,186,206	
Increase (Decrease) in Payables	70,509		14,553	
Increase (Decrease) in Financial Liabilities at Fair Value through Profit or Loss	1,534		7,677	
Increase (Decrease) in Other Liabilities	-9,311		7,581	
Interest Paid		-1,157,371		-936,012
Interest Received		2,610,404		2,150,304
Income Tax Paid		-70,732		-69,310

Item	January 1, 2019- December 31, 2019		January 1, 2018- December 31, 2018	
	Subtotal	Total	Subtotal	Total
Net Cash Provided by Inflow (Outflow) from Operating Activities		-20,017,113		-3,167,393
Cash Flows from Investing Activities				
Purchase of Property and Equipment	-7,383		-15,955	
Decrease (Increase) in Other Financial Assets			2,959	
Decrease (Increase) in Other Assets	-33,027		-19,093	
Dividend Received	22,666		21,312	
Net Cash Provided by Inflow (Outflow) from Investment		-17,744		-10,777
Cash Flows from Financing Activities				
Capital Increase (Decrease)	1,800,000		1,800,000	
Increase (Decrease) in Borrowed Funds from the Central bank and Other Banks	9,249,643		2,483,460	
Increase (Decrease) in Financial Debentures Payable	-5,300,000		-1,300,000	
Increase (Decrease) in Other Financial Liabilities	13,734,336		509,497	
Increase (Decrease) in Other Liabilities	36,456		-21,594	
Principal Repayment of Lease Liability	-1,235			
Cash Dividends			-77,119	
Net Cash Provided by (Used in) Inflow (Outflow) from Financing Activities		19,519,200		3,394,244
Effect of Changes in Foreign Exchange Rates on Cash and Cash Equivalents		-1,377		6,581
Increase (Decrease) in Cash and Cash Equivalents		-517,034		222,655
Cash and Cash Equivalents, Beginning of Year		8,552,163		8,329,508
Cash and Cash Equivalents, End of year		8,035,129		8,552,163
Composition of Cash and Cash Equivalents				
Cash and Cash Equivalents Listed on the Balance Sheet		208,046		448,119
Due from the Central Bank and Call Loans to Banks Satisfying the Definition of Cash and Cash Equivalents in IAS 7		227,083		504,044
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		8,035,129		8,552,163

4. Statements of Changes in Equity

January 1, 2018-December 31, 2019

TWD Thousand

Item	Attributable to Owners of the Controlling Equity						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	Gains (Losses) on Financial Assets and Liabilities at Fair Value through Other Comprehensive Income	
Balance, January 1, 2018	27,000,000	817,021	1,471,325		-265,482	287,203	29,310,067
Capital Increase by cash, June 1,2018	1,440,000						1,440,000
Capital Increase by cash, August 1,2018	360,000						360,000
Provision for Legal Reserve		224,149		-224,149			
Provision for Special Reserve			117,088	-117,088			
Net Income for FY 2018				593,799			593,799
Other Comprehensive Income for FY 2018				-33,425	382,373	7,430	356,378
Balance, December 31, 2018	28,800,000	1,041,170	1,588,413	219,137	116,891	294,633	32,060,244
Capital Increase by cash, June 1,2019	1,800,000						1,800,000
Provision for Legal Reserve		253,898		-253,898			
Provision for Special Reserve			566,052	-566,052			
Net Income for FY 2019				644,326			644,326
Other Comprehensive Income for FY 2019				-9,583	-278,735	-22,220	-310,538
Balance, December 31, 2019	30,600,000	1,295,068	2,154,465	33,930	-161,844	272,413	34,194,032

5. Financial Analysis

TWD Thousand; %

Item (Note 2)	Year	FY 2019	FY 2018
Operating Ability	Non-performing Loan Ratio	0.002%	0.01%
	Ratio of Interest Income to Annual Average Loans	2.11%	1.99%
	Total Asset Turnover (Times)	1.24	1.33
	Average Operating Income per Employee	7,063	6,897
	Average Profit per Employee	2,765	2,593
Profitability	Return on Tier 1 Capital	2.27%	2.33%
	Return on Assets	0.49%	0.50%
	Return on Equity	1.95%	1.94%
	Net Income to Net Operating Income	39.15%	37.59%
	Earnings per Share (TWD)	0.22	0.21
Financial Structure	Ratio of Liabilities to Assets	75.83%	73.63%
	Ratio of Property and Equipment to Equity	1.50%	1.63%
Growth Rate	Asset Growth Rate	16.28%	7.00%
	Profit Growth Rate	5.36%	-3.12%
Cash Flow	Cash Flow Ratio	-45.82%	-10.07%
	Cash Flow Adequacy Ratio	-5,720.42%	-2,744.50%
	Cash Flow Sufficiency Ratio	112,804.24%	29,390.30%
Liquid Reserve Ratio		100.66%	102.12%
Total Secured Loans to Interested parties		-	-
Total Secured Loans to Interested Parties as a Percentage of Total Loans		-	-
Operating Scale	Market Share of Assets	0.28%	0.25%
	Market Share of Net Worth	0.86%	0.86%
	Market Share of Loans	0.45%	0.40%

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

1. The decrease in non-performing loan ratio in 2019 was mainly because Eximbank actively dealt with non-performing loans.
2. The increase in ratio of interest income to annual average loans balance in 2019 was mainly attributed to the growth of loan business and rise of interest rates.
3. The increase in assets growth rate in 2019 was mainly because of the increase of loan balances in 2019 resulting in the asset increase.
4. The increase of profit growth rate in 2019 was mainly attributed to the increase of loans and export insurance operation volume, which caused the increase of income.
5. The decrease in the cash flow ratio as well as cash flow adequacy ratio in 2019 was mainly due to the increase in discounts and lending, which resulting in an increase in net cash outflows from operating activities.
6. The decrease in liquid reserve ratio in 2019 was mainly caused by the increase in TWD interbank borrowing.

Note 1: Figures for 2019 are subject to audit; Figures for 2018 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 3) = 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 (Note 5) / 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: Net operating income refers to the sum of interest income and non-interest income.

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: Liabilities exclude guarantee reserve and reserve for accident losses.

Note 6: Comments on Measuring Cash Flow Analysis:

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

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

6. Capital Adequacy

TWD Thousand; %

Analyzed Item		Year	FY 2019	FY 2018	
Self-Owned Capital	Common Equity		32,149,787	30,106,896	
	Additional Tier 1 Capital of Non Common Equity		-	-	
	Tier 2 Capital		1,428,488	1,265,574	
	Self-Owned Capital		33,578,275	31,372,470	
Total Risk Weighted Assets	Credit Risk	Standardized Approach	103,019,512	89,986,393	
		Internal Ratings-Based Approach	-	-	
		Assets Securitization	-	-	
	Operational Risk	The Basic Indicator Approach	2,840,078	2,721,207	
		The Standardized Approach/The Alternative Standardized Approach	-	-	
		Advanced Measurement Approach	-	-	
	Market Risk	Standardized Approach	5,838	21,803	
		Internal Models Approach	-	-	
	Total Risk-Weighted Assets			105,865,428	92,729,403
	Capital Adequacy Ratio			31.72%	33.83%
Tier 1 Risk-Based Capital Ratio			30.37%	32.47%	
Common Equity to Risk-Based Capital Ratio			30.37%	32.47%	
Leverage Ratio			20.64%	22.27%	

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.

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.

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 1. 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 "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 Financial Instruments at Fair Value through Profit or Loss (including derivative financial instruments) and Financial Assets at Fair Value through Other Comprehensive Income, 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. According to International Financial Reporting Standard 9 and the Competent Authority's "Regulations Governing the Preparation of Financial Reports by Public Banks", all financial assets and liabilities of Eximbank, including derivatives, are recognized on the balance sheet and measured according to their classification.

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:

- a. Shall mean financial assets that are not measured at amortized cost or measured at fair value through other comprehensive income.
- b. Financial assets measured at fair value through amortized cost or through other comprehensive income can be designated as financial assets measured at fair value through profit or loss in accordance with International Financial Reporting Standard 9. That is, only those who can provide more information through the designation that can eliminate or significantly reduce accounting inconsistency can be designated as financial assets measured at fair value through profit or loss.

The initial recognition is measured at fair value, and the change in fair value shall be included in the current profit and loss.



In June 2019, Eximbank held a seminar in Bangkok, Thailand on "Eximbank 40-Assist Heading to Southbound and Returning to Taiwan", introducing various credit and export insurance businesses, and illustrating financial projects that assist Taiwanese enterprises to return to Taiwan for investment. (Photographed in June 2019)

(2) Financial Assets at Fair Value through Other Comprehensive Income:

a. Debt instrument investments that meets the following conditions:

(a) The financial asset is held under a business model for the purpose of collecting contractual cash flows and selling.

(b) The contractual terms of the financial assets generate cash flows on a specific date, which are solely for the payment of principal and interest on the outstanding principal amount.

b. An irrevocable option is made in initial recognition to present changes in fair value to other comprehensive income for equity instrument investment that are not held for trading. This option is made on an item by item basis.

Financial assets measured at fair value through other comprehensive income are measured at fair value and presented in other comprehensive income. When Eximbank derecognize the above equity instruments investment, the accumulated benefits or losses presented in other comprehensive income are transferred directly to retained earnings and are not reclassified to profit or loss.

(3) Debt Instrument Investments Measured at Amortized Cost

a. The financial assets are held in a business model for the purpose of collecting contractual cash flows.

b. The contractual terms of the financial assets generate cash flows on a specific date, which are solely for the payment of principal and interest on the outstanding principal amount.

The initial recognition is measured at the transaction price plus the transaction cost,

and the subsequent evaluation is measured at the amortized cost of the effective interest method, and the gain or loss is recognized when it is derecognized, impaired or amortized.

(4) 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 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 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.

(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 transaction. 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. The scope of application of Eximbank's impairment assessment

All of the financial instruments measured at the post-amortization cost, the debt instruments measured at fair value through other comprehensive income, or the loan commitments and financial guarantee contracts applicable to the impairment requirements in accordance with IFRS 9 are included.

b. Eximbank uses the expected credit loss model to assess the impairment of financial assets.

(a) If the credit risk of the financial asset has not increased significantly since the initial recognition, the allowance for the financial asset shall be measured by the 12-month expected credit loss amount on the reporting date.

(b) If the credit risk of the financial asset has increased significantly since the initial recognition, the allowance for the financial asset shall be measured against the expected credit loss during the duration of each reporting period.

(c) In determining whether the credit risk has increased significantly, the risk of default on the financial assets of the reporting date and the risk of default on the financial assets on the initial recognition date should be compared, and the reasonable and provable information showing the significant increase in credit risk since the initial recognition should be considered.

c. If the financial instrument measured at the amortized cost is recognized as impairment after the assessment method, the impairment loss is recognized. If the amount of the impairment loss decreases in the subsequent period, it will be reversed and recognized as the current profit and loss. The amount of the reversal shall not cause the book value to be greater than the amortized cost of the unrecognized impairment.

d. When debt instrument investments that are measured at fair value through other comprehensive income are recognized as impairments in the assessment, the impairment loss shall be recognized in profit or loss and adjusted and accumulated in other comprehensive income (not classified as allowance). If the amount of the impairment loss is reduced, it will be reversed and recognized as the current profit and loss, and reversed the adjustment in other comprehensive income. The amount of the reversal shall not make the book value greater than the amortized cost of the unrecognized impairment.

e. To measure the financial assets other than loans and the expected credit losses of interest receivable, if the risk of credit losses assessed is extremely low according to Eximbank's credit risk management procedures, the nature of the transaction, the short period of commitment and historical experience, etc., it may not be accounted for temporarily because it is not significant;

however, the qualitative assessment will be adopted periodically to check whether the assumptions have changed.

(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

Except for derivatives with negative fair value and certain financial bonds issued with matching derivatives for risk management, in order to reflect its economic hedging and reduce the improper accounting ratio, they are designated as "financial liabilities measured at fair value through profit or loss",

in accordance with the International Financial Reporting Standards 9, Eximbank's other financial liabilities are recognized as financial liabilities measured at amortized cost.

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

Including derivatives with a negative fair value and financial bond designated at fair value through profit or loss when initially recognized.

(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.



Delegation led by Prime Minister of Eswatini visited Eximbank to promote bilateral economic and trade cooperation and exchanges. (Photographed in October 2019)



(3) Derecognizing Financial Liabilities

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

V. Property and Equipment

1. Eximbank's property and equipment are stated at historic cost less accumulated depreciation. Historic cost includes all expenses directly attributable to acquisition of the assets.
2. Land is not affected by depreciation. Depreciation of other assets is calculated using the straight-line method over service life to derive the residual value. Estimated service life, residual value, and depreciation methods are reviewed at the end of the reporting period. Any changes in estimates shall be applied prospectively.
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. Lease

(applicable from January 1, 2019)

Eximbank is the Lessee. For lease of short-term or low value asset, Eximbank elect to account for lease payments as expenses on a straight-line basis over the lease term. Other than the above mentioned, the lease will be recognized as "Right-of-use Asset" and "Lease Liability" upon lease commencement date.

1. Right-of-use Asset: Upon lease commencement, the Right-of-use Asset is initially measured at cost, and subsequently recognize depreciation on a straight-line basis to the end of asset durability or lease term, whichever earlier.
2. Lease Liability: Upon lease commencement, the unpaid lease payments are discounted to the present value as the initial measurement. If the implied interest rate of the lease is easy to determine, the lease payment is discounted by the interest rate; if the interest rate is not easy to determine, the Eximbank incremental borrowing rate shall



Financial Supervisory Commission presented awards in the 49th bank president meeting in recognition of the evaluated institutions that actively participated in the annual evaluation of the APG.(Photographed in November 2019)

apply. Subsequently, interest on Lease Liabilities and variable lease payments that are not included in the measurement of the Lease Liability are recognized in profit or loss.

VII. Intangible Assets

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

VIII. Non-Financial Asset Impairment

The asset applicable to "Impairment of Assets" in the IAS 36, when there is any indication that an asset may be impaired; Eximbank will evaluate the asset or its cash generating unit. An impairment loss is recognized when the recoverable amount (the higher of the fair value or of the value in use) is found to be less than the book value. On the end of reporting date, if the evaluation produces evidence indicating the recognized impairment loss of an asset in the prior year has no longer existed or has reduced, the recoverable amount should be

re-measured. Reversal of impairment loss is recognized when the recoverable amount of the asset has increased. However, the book value after the reversal should not exceed the depreciated or amortized book value of the asset assuming no impairment loss was recognized.

IX. Allowance for Bad Debt, Provision of Reserve for Loan Commitment and Guarantee Liability

1. Loans

In accordance with the definition of impairment loss of loans and accounts receivables specified in IAS 9, 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 according to the higher one of the two at the time.

In addition, the bad debt that is determined to be unrecoverable shall be written off after being submitted to the board of directors for approval. If the written off bad debt has been restored to normal lending or recovery, the balance of the allowance for bad debt will be adjusted.

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 in accordance with IAS 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), whichever higher shall apply.

3. Loan Commitment Reserve

The reserve for loan commitment is allocated based on the provisions of International Financial Reporting Standard 9.

X. Related Reserve and Liability for Export-Credit Insurance

1. Unearned Premium Reserve and Loss 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 4, Eximbank carries out liability adequacy tests annually, and will allocate an additional reserve to make up for any insufficiencies found in the test.

3. Export Credit Insurance Reserve (or Funds appropriations for Export-Credit Insurance):

In order to promote Eximbank's export credit insurance business, the Ministry of Finance

and the National Trade Bureau of the Ministry of Economic Affairs allocated reserve to Eximbank.

XI. 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 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 2019 is TWD 674,908 thousand. The amount of the allocated plan asset is TWD 363,810 thousand. The amount of employee benefit reserve liability is TWD 312,763 thousand (including the amount payable to the Chairman and President amounting to TWD 1,665 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 the employee benefits.
- (2) The excess interest Eximbank pays to the preferential deposits for employees in-service is calculated on an accrual basis monthly and recognized as "Interest of Preferential Deposit" of "Non-operating Expenses". According to Article 30 of the "Regulations Governing the Preparation of Financial Reports by Public Banks", the excess interest paid to the preferential retirement deposits apply to the provisions on confirmed benefit programs specified in the IAS 19 . The actuarial estimation regarding the mentioned benefit program is 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.

XII. Recognizing Income and Expenses

1. Interest Revenue and Expenses

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

2. Fee Income

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

3. Dividend Income

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

XIII. Income Tax

1. Current Income Tax

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

2. Deferred Income Tax

The deferred income tax assets and liabilities shall be measured based on the estimated

tax rates at the expected future time when the assets are realized or the tax rates during the payment period of the liabilities. Calculation of tax rates shall be based on the tax rates which have been legalized or substantially legalized on the balance sheet date. Temporary differences between the carrying amounts and tax basis of assets and liabilities in the balance sheet are calculated using the balance sheet method and recognized as deferred income tax. The temporary differences of the Bank are mainly due to the unrealized value of certain financial instruments (including derivatives), reserve and deferring of pensions and other retirement benefits. For the originally recognized assets and liabilities, if not caused by the corporate mergers, and the transaction was not affecting the accounting profits or taxing for income (loss) at that time, then the deferred income tax caused by the assets or liabilities shall not be recognized. Deductible temporary differences that are likely to offset taxable income are recognized as deferred income tax assets. The items recognized by the Bank under other comprehensive profits and losses, the impact of their income tax are also recognized under other comprehensive income.

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

I. Impairment Losses on Loans

Eximbank estimates possible impairment on loans and receivables every month and determines whether the items shall be recognized as loss mainly based on observable evidence of possible impairment. The evidence may include observable data indicating adverse changes in the payment status of the borrower or the national/local

economic conditions related to the default of payments. The analysis by the management level of expected cash flows is based on past experience of losses on assets with similar credit risk characteristics. The Bank reviews the method and assumptions of expected cash flows and the timing every month in order to reduce the difference between the estimated and the actual amount of losses.

II. Fair Value of Financial Instrument

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

III. Income Tax

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

IV. Post-Employment Benefits

1. The present value of retirement benefit obligations is based on actuarial calculations with several assumptions. Any changes in these assumptions will affect the carrying value of retirement benefit obligations.



Delegation led by the chief executive of EKF visited Eximbank and exchanged opinions on various businesses. (Photographed in May 2019)

2. Assumptions used for determining the net pension cost (income) include discount rates. Eximbank determines the appropriate discount rates at the end of each year, and the rates are used to estimate the present value of future cash flows of retirement benefit obligation payments. To determine the appropriate discount rates, Eximbank shall consider the yields of high-quality corporate bonds or government bonds and that is in the same currency used to pay the retirement benefits and with maturity in the same period of relevant pension liabilities.
3. In estimating the excess interest gained by retired employees via preferential deposits (of retirement benefit obligations), the actuarial assumptions are in accordance with Order Letter Jin Guan Yin Fa No. 10110000850, 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 is 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 TWD19,911,973 thousand, including guarantee receivables of TWD 19,365,265 thousand, custodial collections receivables of TWD 482,986 thousand, joint loans receivables of TWD 63,662 thousand, and collateral of TWD 60 thousand.



Eximbank held a seminar in Dong Nai, Vietnam on “Eximbank 40-Assist Heading to Southbound and Returning to Taiwan”, introducing various financial support such as loans, export insurance, and relending facilities, actively assisting Taiwanese businessmen to take root in Vietnam, deploy ASEAN, and gaze at the global market. (Photographed in August 2019)

- (2) No bills receivable (or payable)
- (3) Undisbursed loan commitments of TWD35,816,285 thousand.

Note 4. Major Transaction with Related Individual or Related Entity

- (1) In accordance with the definition of "Related (Interested) Party Disclosures" in International Accounting Standards 24, the related (interested) party refers to an individual or entity who has a relationship with Eximbank:

- I. A person or a close member of that person's family is related to Eximbank if that person:

- (i) has Control or joint control over Eximbank;
- (ii) has significant influence over Eximbank;
- (iii) is a member of the key management personnel of Eximbank.

- II. An entity is related to Eximbank if any of the following conditions applies:

- (i) The entity and Eximbank are members of the same group (which means each

parent, subsidiary and fellow subsidiary is related to the others).

- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member.
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is controlled or jointly controlled by a person identified in (1) I.
- (vi) A person identified in (1) I. (i) has significant influence over the entity or is a member of the key management personnel of the entity.

- (2) Following entities are related to Eximbank:

1. Bank of Taiwan (related party in substance)
2. Mega International Commercial Bank Co., Ltd. (related party in substance)
3. First Commercial Bank (related party in substance)

- (3) Types of transaction include due from banks, call loans to banks, call loans from banks and foreign exchange.

Note 5: Since 2019, Eximbank has adopted the International Financial Reporting Standards approved by the FSC and issued in 2019 to prepare financial reports. The impact of the application of the newly recognized International Financial Reporting Standards on the financial report of Eximbank is not significant except as follows:

This standard replaces IAS 17 “Leases” and its related interpretations and announcements. It requires lessees to recognize Right-of-use Assets and Lease Liabilities (except for leases with lease terms shorter than 12 months or low-value underlying assets).

Eximbank apply IFRS 16 in transition with adjusted retrospective effect, i.e. not restate comparative

information but recognize the right-of-use asset of TWD3,295,362 and Lease Liability of TWD3,295,362 for lease contract of Representative Office overseas in the initial application day of January 1, 2019. Without affecting retained earnings, Eximbank adopted its incremental borrowing rate to calculate Lease Liability, also based on the fact that the operational working capital of representative office was appropriated by head office in US dollars, the amount was calculated based on US dollar borrowing cost of 2.48% in the initial application day.

Note 6: 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 8 “Operating Segments”. The reporting operating segments are the Credit Business Segment and the Export Credit Insurance Business Segment.



The Ambassador of Honduras in Taiwan led a delegation to visit and strengthen the bilateral economic and trade cooperation between Taiwan and Honduras. (Photographed in January 2020)

Eximbank Financial Information of Operating Segments Fiscal Years 2019 and 2018

TWD Thousand

	FY 2019			FY 2018		
	Credit Business	Export Credit Insurance	Total	Credit Business	Export Credit Insurance	Total
Net Interest Income	1,448,796	18,100	1,466,896	1,315,694	17,291	1,332,985
Non-Interest Income	30,863	147,897	178,760	90,343	156,161	246,504
Net Fees and Commissions	55,991	1,090	57,081	52,116	5,486	57,602
Gains (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss	-16,873		-16,873	37,737		37,737
Gain From Sale of Financial Assets at Fair Value through Other Comprehensive Income	22,666		22,666	21,312		21,312
Foreign Exchange Gains (Losses)	-3,178		-3,178	-190		-190
Net Export Credit Insurance Income		166,265	166,265		164,340	164,340
Other Non-Interest Income	-27,743	-19,458	-47,201	-20,632	-13,665	-34,297
Net Operating Income	1,479,659	165,997	1,645,656	1,406,037	173,452	1,579,489
Bad Debts Expense, Commitment and Guarantee Liability Provision	369,717		369,717	359,331		359,331
Operating Expenses	365,722	204,219	569,941	354,210	195,851	550,061
Net Income (Losses) Before Tax	744,220	-38,222	705,998	692,496	-22,399	670,097

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



On February 24, 2020, the delegation led by President of the Central Bank of the Republic of Haiti and the Ambassador visited Eximbank to enhance the cooperative relationship. (Photographed in February 2020)

Note 7. Details of Significant Accounts

1. Cash and Cash Equivalents

Item	Date	December 31, 2019	December 31, 2018
Cash on Hand		3	15
Petty Cash & Revolving Funds		271	271
Checks for Clearance		22	78
Due from Banks		207,750	447,755
Total		208,046	448,119

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

Item	Date	December 31, 2019	December 31, 2018
Due from the Central Bank		8,513	369
Call Loans to Other Banks		218,570	503,675
Total		227,083	504,044

3. Financial Assets at Fair Value through Profit or Loss

Item	Date	December 31, 2019	December 31, 2018
Valuation Adjustments of Financial assets at Fair Value through Profit or Loss		3,046	1,095
Total		3,046	1,095



Delegation led by the president of Vietjet Air visited Eximbank to enhance mutual cooperation. (Photographed in May 2019)

4. Financial Assets at Fair Value through Other Comprehensive Income

Item	Date	December 31, 2019	December 31, 2018
Financial Assets at Fair Value through Other Comprehensive Income		87,041	87,041
Valuation Adjustment of Financial Assets at Fair Value through Other Comprehensive Income		272,413	294,633
Total		359,454	381,674

5. Debt Instrument Investments Measured at Amortized Cost

Item	Date	December 31, 2019	December 31, 2018
Financial Assets Measured at Amortized Cost		7,600,000	7,600,000
Total		7,600,000	7,600,000

6. Receivables-Net

Item	Date	December 31, 2019	December 31, 2018
Earned Revenue Receivable		491	639
Interest Receivable		353,487	373,131
Accounts Receivable for Factoring without Recourse		121,834	72,550
Premium Receivable		119	34
Other Receivable		121,680	56,372
Total		597,611	502,726
Allowance for Doubtful Accounts		-5,438	-5,270
Net Amount		592,173	497,456

7. Loans and Discounts-Net

Item	Date	December 31, 2019	December 31, 2018
Short-Term Loans		26,233,954	22,032,173
Short-Term Secured Loans		5,000	9,900
Medium-Term Loans		70,146,443	62,012,742
Medium-Term Secured Loans		1,441,791	1,637,401
Long-Term Loans		1,967,023	2,843,437
Long-Term Secured Loans		34,268,328	24,814,519
Overdue Loans		2,120,768	0
Total		136,183,307	113,350,172
Allowance for Doubtful Accounts		-3,839,301	-1,339,097
Discount of Premium		-5,968	-3,516
Net Amount		132,338,038	112,007,559

8. Other Financial Assets-Net

Item	Date	December 31, 2019	December 31, 2018
Reinsurance Reserve Assets		248,828	232,961
Net Amount		248,828	232,961

9. Property and Equipment-Net

Item	Date	December 31, 2019	December 31, 2018
Land		103,279	103,279
Revaluation Increments-Land		174,791	174,791
Buildings		408,079	407,606
Accumulated Depreciation- Building		-205,536	-198,153
Machinery and Computer Equipment		61,504	58,294
Accumulated Depreciation - Machinery and Computer Equipment		-44,127	-39,056
Transportation Equipment		10,664	10,559
Accumulated Depreciation - Transportation Equipment		-7,615	-7,186
Miscellaneous Equipment		35,920	33,984
Accumulated Depreciation - Miscellaneous Equipment		-24,504	-21,998
Leasehold Improvements		1,056	997
Accumulated Depreciation- Leasehold Improvements		-1,056	-997
Net Amount		512,455	522,120



The Mongolian Trade Delegation visited Eximbank on December 13, 2019 and exchanged extensive views on cooperation for credit and relending business. (Photographed in December 2019)

10. Right-of-use Asset

Item	Date	December 31, 2019	December 31, 2018
Right-of-use Asset		3,362	0
Accumulated Depreciation-Right-of-use Asset		-1,261	0
Net Amount		2,101	0

11. Intangible Assets- Net

Item	Date	December 31, 2019	December 31, 2018
Software		60,675	47,318
Total		60,675	47,318

12. Other Assets -Net

Item	Date	December 31, 2019	December 31, 2018
Inventory of Supplies		335	304
Prepaid Expenses		39,544	43,311
Other Prepayments		134	36
Temporary Payments and Suspense Accounts		128	176
Refundable Deposits		2,853	1,134
Total		42,994	44,961



In December 2019, the third general members meeting of the 7th session of Eximbank Enterprise Union was held and the Minister of Finance Jain-Rong Su was invited to witness. (Photographed in December 2019)

13. Due to the Central Bank and Other Bank

Item	Date	December 31, 2019	December 31, 2018
Call Loans From Banks		28,143,550	28,211,658
Total		28,143,550	28,211,658

14. Borrowed Funds from the Central Bank and Other Banks

Item	Date	December 31, 2019	December 31, 2018
Borrowed Funds From the Central Bank		29,309,986	20,060,343
Total		29,309,986	20,060,343

15. Financial Liabilities at Fair Value through Profit or Loss

Item	Date	December 31, 2019	December 31, 2018
Valuation Adjustment of Financial Liabilities Held for Trading		4,495	7,677
Designated as Financial Liabilities at Fair Value through Profit or Loss		10,200,000	0
Designated as Valuation Adjustment of Financial Liabilities at Fair Value through Profit or Loss		4,717	0
Total		10,209,212	7,677

16. Payables

Item	Date	December 31, 2019	December 31, 2018
Accrued Expenses		107,088	105,102
Accrued Interest		92,234	75,511
Other Tax payable		8,351	8,094
Custodial Collections Payable		602	2,256
Commissions Payable		0	62
Reinsurance Benefits Payable		6,813	1,960
Other Payable		120,286	55,157
Total		335,374	248,142

17. Financial Debentures Payable

Item	Date	December 31, 2019	December 31, 2018
Financial Debentures Payable		11,300,000	16,600,000
Discount on Financial Debentures Payable		-3,696	-4,144
Total		11,296,304	16,595,856

18. Other Financial Liabilities

Item	Date	December 31, 2019	December 31, 2018
Commercial Papers Payable		5,000,000	3,000,000
Discount on Commercial Papers payable		-5,465	-2,999
Funds Appropriated for loans		21,196,334	19,661,998
Total		26,190,869	22,658,999

19. Provisions

Item	Date	December 31, 2019	December 31, 2018
Guarantee Liability Reserve		193,653	207,405
Unearned Premium Reserve		99,016	109,225
Claim Reserve		543,217	463,633
Employee Benefits Liability Reserve		312,762	316,113
Total		1,148,648	1,096,376

20. Other Liabilities

Item	Date	December 31, 2019	December 31, 2018
Unearned Premiums		2,603	4,670
Unearned Revenues		54,479	61,722
Refundable Deposits		1,207	330
Custodial Deposits		2,286	1,996
Temporary Receipts and Suspense Accounts		60,730	44,373
Funds Appropriated for Export Credit Insurance		1,244,391	1,225,459
Total		1,365,696	1,338,550



Lih-Yun Lee, Assistant Vice President & Deputy Branch Manager of Tainan Branch, was awarded the 2019 Model Civil Servants of the Ministry of Finance by Jain-Rong Su, the Minister of Finance, and photographed together with the Minister. (Photographed in July 2019)

21. Net Fees and Commissions

Item	Date	January 1, 2019-December 31, 2019	January 1, 2018-December 31, 2018
Revenue from Fees and Commissions		81,020	78,705
Expenses from Fees and Commissions		23,939	21,103
Net Amount		57,081	57,602

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

Item	Date	January 1, 2019-December 31, 2019	January 1, 2018-December 31, 2018
Gain on Disposal of Financial Assets (+)		56,860	23,490
Gain (+)/Loss (-) on Valuation of Financial Assets		2,091	14,463
Interest Expenses of Financial Liabilities (-)		-50,733	0
Loss on Disposal of Financial Liabilities (-)		-757	-216
Gain (+)/ Loss (-) on Valuation of Financial Liabilities		-24,334	0
Net Amount		-16,873	37,737

23. Net Export Credit Insurance Income

Item	Date	January 1, 2019-December 31, 2019	January 1, 2018-December 31, 2018
Export Credit Insurance Income		438,162	411,510
Premium Income		348,783	323,748
Reinsurance Commissions Income		47,028	64,502
Claims Recovered from Reinsurers		38,504	23,260
Unearned Premium Reserve Collected		3,847	0
Export Credit Insurance Costs		271,897	247,170
Reinsurance Premium		148,095	138,802
Commission Expenses		2,502	3,252
Insurance Claims Payments		63,945	48,088
Provision for Unearned Premium Reserve		0	1,824
Provision for Claim Reserve		57,355	55,204
Net Amount		166,265	164,340



24. Other Non-Interest Income

Item	Date	January 1, 2019-December 31, 2019	January 1, 2018-December 31, 2018
Other Non-Interest Income		2,623	50,440
Miscellaneous Income		2,623	50,440
Other Non-Interest Losses		49,824	84,737
Loss on Disposal of Fixed Assets		32	744
Preferential Deposit Interest in Excess		49,792	83,993
Net Amount		-47,201	-34,297

25. Bad Debts Expense, Commitment and Guarantee Liability Provision

Item	Date	January 1, 2019-December 31, 2019	January 1, 2018-December 31, 2018
Bad Debt Expenses for Loans		383,132	320,942
Bad Debt Expenses for Account Receivables Factoring		522	304
Guarantee Liability Provisions		-13,656	29,977
Bad Debt Expenses for Other Account Receivables		-281	8,108
Total		369,717	359,331



Eximbank invited Cheng-Mount Cheng, Deputy Minister of the National Development Council, to give a speech on the topic of "2019 Global Economic Review and Outlook". (Photographed in November 2019)

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VI.

Risk Management

1. Credit Risk Management System and Capital Requirement

(1) Credit Risk Management System

FY 2019

Item	Contents
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>
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
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>
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>
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>

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

December 31, 2019

TWD Thousand

Type of Exposure	Credit Risk Exposures after Mitigation	Capital Requirement
Sovereign	30,786,871	492,590
Public Sector Entities/ Non-Central Government	-	-
Banks (including Multilateral Development Banks)	15,858,745	915,489
Corporate (including Securities and Insurance Corp.)	97,313,184	6,642,576
Regulatory Retail Portfolios	1,484,097	96,525
Residential Property	-	-
Rights of Securities Investment	-	-
Other Assets	1,029,291	94,381
Total	146,472,188	8,241,561



Awards for SMEs ceremony to praise manufacturers for their outstanding contributions to export trade. (Photographed in September 2019)

2. Operational Risk Management System and Capital Requirement

(1) Operational Risk Management System

FY 2019

Item	Contents
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>
Organizational Structure of Operating 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>
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>
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>
Method Applied for Legal Capital Requirement	<p>Eximbank has applied the capital requirement for operational risk based on the "Basic Indicator Approach" of the Basel III Capital Accord.</p>

(2) Operational Risk-Based Capital Requirement

December 31, 2019

TWD Thousand

FY	Gross Profit	Capital Requirement
2017	1,466,033	
2018	1,613,786	
2019	1,692,857	
Total	4,772,676	238,634



Yung-yuan Luo, Specialist, was awarded the 2019 Integrity Model of the Ministry of Finance by Jain-Rong Su, Minister of Finance, and photographed together with the Minister. (Photographed in July 2019)

3. Market Risk Management System and Capital Requirement

(1) Market Risk Management System

FY 2019

Item	Contents
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>
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 Branch, controls operational risks, emphasizes further monitoring on limits and conducts position management.</p>
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>
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>
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, 2019

TWD Thousand

Risk	Capital Requirement
Interest Risk	-
Equity Position Risk	-
Foreign Exchange Risk	467
Commodity Risk	-
Total	467

4. Liquidity Risk

(1) Duration Analysis of Prime Assets and Liabilities

Term Structure Analysis of TWD-Denominated Assets and Liabilities

December 31, 2019

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	83,103,869	3,598,795	7,814,585	4,683,807	6,657,970	18,382,478	41,966,234
Major Outflows of Matured Funds	110,303,007	8,482,040	5,017,447	11,837,131	6,694,152	21,445,851	56,826,386
Gap	-27,199,138	-4,883,245	2,797,138	-7,153,324	-36,182	-3,063,373	-14,860,152

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, 2019

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	2,010,386	33,943	74,211	82,914	82,214	1,737,104
Major Outflows of Matured Funds	2,233,410	674,905	25,212	50,232	39,374	1,443,687
Gap	-223,024	-640,962	48,999	32,682	42,840	293,417

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 comprise at least 10 percent of total assets (held in head office, domestic branches, and Offshore Banking Branch), supplementary disclosure is required.

(2) Management of Asset Liquidity and the Funding Gap

Eximbank seeks to diversify funding sources and to maintain funding stability. It refrains from over-concentrated use of remaining funds and embraces earning assets with liquidity. As for management of liquidity risks, Eximbank not only complies with related requirements of the competent authority, but also stipulates liquidity risk management indicators in “Guidelines for Eximbank’s Management of Liquidity Risks and Interests Risks”. These include limits to liquidity gaps for various periods, strategies to obtain funds in an emergency, and early warning mechanisms so as to ensure adequate liquidity.



In January 2019, Eximbank invited the “Taipei Music Foundation for the Visually Impaired” to perform at its 40th anniversary Gala to show talents, confidence, and vitality of the visually impaired. (Photographed in January 2019)

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VII.

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ISSN 1817284-9



9 771817 284006

GPN : 2009401618
Price Per Copy : NT\$400

