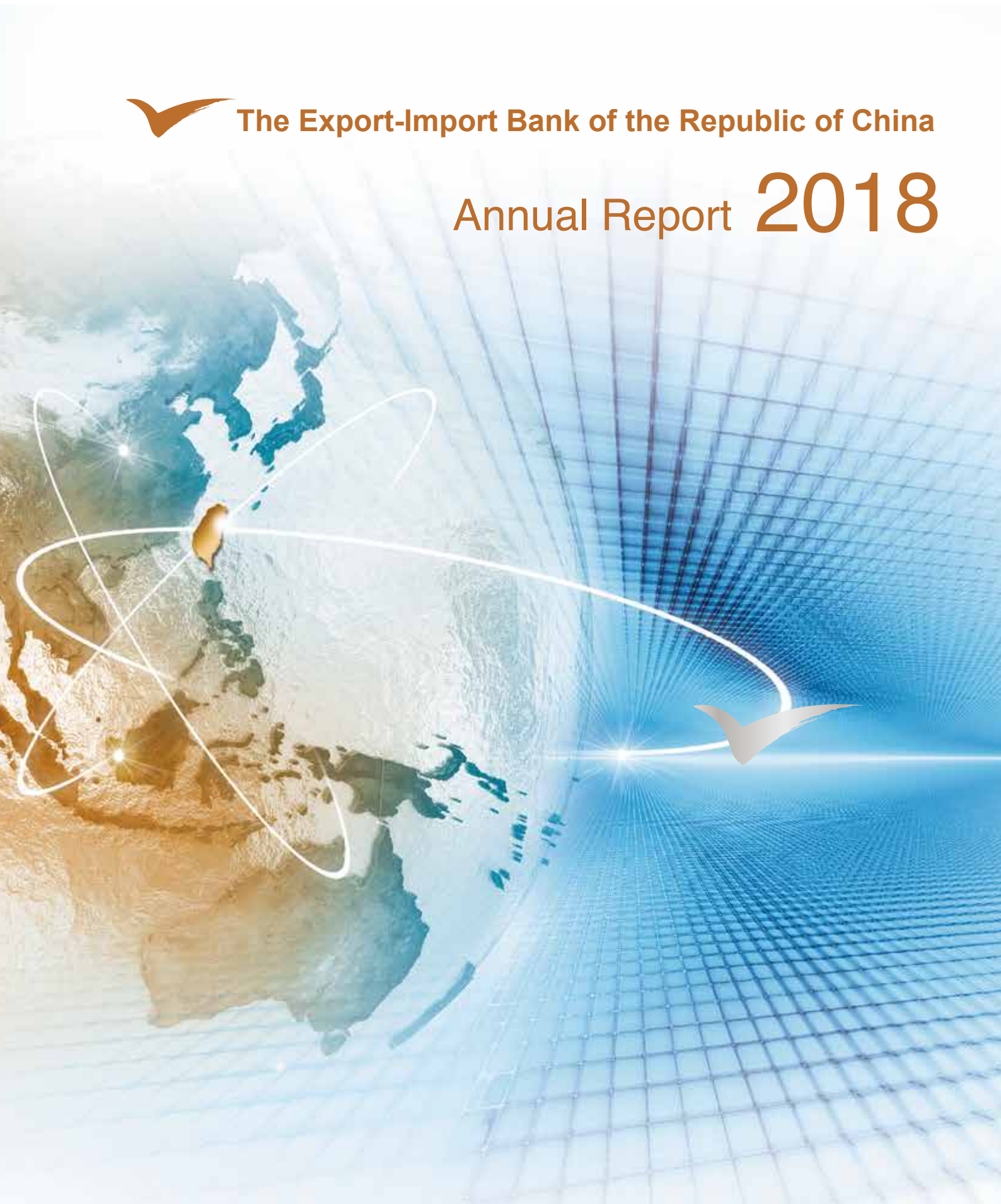




The Export-Import Bank of the Republic of China

Annual Report **2018**



Annual Report 2018

EXIMBANK



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>



The Export-Import Bank of the Republic of China

Annual Report 2018

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I. Summary of Operating Performance

TWD Million

year	FY 2018	FY 2017
Total Operating Revenues	2,883	2,429
Total Operating Expenses	2,213	1,737
Net Income Before Tax	670	692
Profits per Employee Before Tax	2.93	3.14
Loans Outstanding (Average)	109,753	105,610
Guarantees Undertaken	22,998	22,076
Insured Amount of Export Credit Insurance	131,379	115,822
	(December 31, 2018)	(December 31, 2017)
Total Assets	122,368	114,358
Net Equity	32,060	29,023
Capital Adequacy Ratio (%)	33.83	36.25

* The final accounts of FY 2018 are subject to audit.

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

II. Business Report

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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, and Eximbank's vision is to "strengthen trade finance and assist foreign trade". In line with the government policies on economy, 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. Eximbank also provides various export credit insurance facilities to protect enterprises against foreign credit or political risk encountered 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 the export of products, export markets, and marketing strategies. Furthermore, in line with the implementation of Forward-Looking Infrastructure Plan, Eximbank will make effort to assist enterprises to obtain and

complete 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 2018 was TWD109,753 million, an increase of 3.92% from 2017, and guarantees totaled TWD22,998 million, an increase of 4.18% from 2017. The insured amount of export credit insurance by Eximbank was TWD131,379 million, a year-on-year growth rate of 13.43% from 2017. A summary of key operating strategies and achievements for 2018 is as follows:

(1) Eximbank Implement New Southbound Policy by Using Various Mechanisms to Assist Local Enterprises Layout Global Market

As the New Southbound Policy plays an important role in the foreign economic and trade strategy of Taiwan, Eximbank is committed to building sound financing, guarantee and export credit insurance mechanisms to implement

government policy. Moreover, by integrating various resources provided by government, 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 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 2018, Eximbank's business operations under New Southbound Policy were: Loans TWD17.613 billion, Guarantees TWD2.843 billion, and Export Credit Insurance TWD22.069 billion, for a total of TWD42.525 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 121.80%, guarantee 101.10%, and export credit insurance 103.51%. The performance was excellent.

(2) Eximbank Cooperated with the "Forward-Looking Infrastructure Plan" of the Government to Provide Local Enterprises with Financial Services Related to Domestic Major Public Construction and Infrastructure Projects

The "Forward-Looking Infrastructure Plan" promoted by the government includes the construction of a safe and convenient track, the construction of a water environment in response to climate change, the construction of a green energy environment that promotes environmental sustainability, the construction of a digital environment for creation of the Smart Nation, and the strengthening of a balanced urban and rural construction, etc., all of which are within the scope of Eximbank's loan and guarantee

services on domestic major public construction and infrastructure project. In line with the promotion of Forward-Looking Infrastructure Plan, Eximbank has actively provided loans and guarantees to the relevant public construction companies in Taiwan. In 2018, new domestic major public construction loans or guarantees undertaken by Eximbank included the MRT ATP Signaling systems, track construction, and MRT civil engineering, etc.. In addition, Eximbank increased the line of credit of loans and guarantees for existing domestic major public construction enterprises, which will increase the capacity of these enterprises to undertake domestic major public constructions.

(3) In Line With "Five-plus-Two Innovative Key Industries Plan" of the Government, Eximbank Provided Various Financial Supports to Assist the Development of Industries

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. Eximbank has stepped up the Five-plus-Two Innovative key Industries Plan by providing enterprises with needed financing, guarantees, or other financial support to enhance their international competitiveness and expand overseas markets. Consequently, Eximbank has been committed to the "Strengthening of Domestic Banks' Promotions on the Innovative Key Industries Program" promulgated by Financial Supervisory Commission, and the credit balance of industries was TWD73.71 billion as of December 31, 2018, with an increase of TWD2.997 billion from 2017.

(4) Eximbank Utilized the "National Development Fund" of the Executive Yuan and the "Strengthening Trade Finance Loan Program" of Ministry of Economic Affairs and Other Funds to Promote Policy Loans, and Strengthen the Competitiveness of Domestic Enterprises in Exporting and Expanding Overseas Bases

- i. To assist enterprises further, Eximbank has applied fund under the "Strengthening Trade Finance Loan Program" from the Ministry of Economic Affairs. Contract was signed in August 2015 with the implementation period from January 1, 2016 to December 31, 2020. The Trade Promotion Fund of the Ministry of Economic Affairs provides TWD 6 billion for Eximbank to manage various types of export loans. In 2018, 71 loans were approved, 68 enterprises serviced and total amount of loan approved was TWD6.144 billion, the export value estimated to grow by TWD18.432 billion.
- ii. To implement government's policy on assisting domestic machinery equipment exporters, Eximbank renewed and signed the Agreement of "Machinery Equipment Export Loan (Phase II)" with the National Development Fund on June 6, 2018 with

the total amount of TWD20 billion. In 2018, a total of 84 machines and equipment export loans (including the first phase and the second phase) were approved, and the approved amount was TWD13.025 billion.

In order to assist local enterprises to invest overseas, expand international market, master important resources, and enhance international economic cooperation, Eximbank signed the "Overseas Investment Loan (Phase IX) Manager Bank Contract" with the National Development Fund on September 6, 2017, with a total amount of TWD 12 billion. A total of 27 overseas investment loans were approved in 2018, with an approved amount of TWD5.104 billion.

(5) Eximbank Has Been Actively Focus on Export Credit Loans, Assist Enterprises to Develop and Diversify Export market, and In Line With the Policy of Key Export Expansion Market Areas by Ministry of Economic Affairs to Assist Enterprises to Expand Business in Emerging Markets

- i. In line with the government policy, Eximbank continues to focus on key export expansion markets of 2018 chosen by Ministry of Economic Affairs, including 9

countries of the United States, Thailand, Germany, Malaysia, Indonesia, Vietnam, Philippines, China, and India, as well as 18 targeted countries for New Southbound Policy, including India, Indonesia, Vietnam, Thailand, Malaysia, Philippines, Pakistan, Myanmar, Cambodia, Laos, Sri Lanka, Bangladesh, Nepal, Bhutan, Singapore, Brunei, Australia and New Zealand, providing comprehensive export financing and insurance mechanism to support the requisite financial services for the exporters in order to strengthen export competitiveness. In 2018, the total credit amount approved for export to key export expansion markets is equivalent to NT\$37.22 billion, an increase of NT\$8.081 billion from 2017, with a growth rate of 27.73%. In 2018, the export credit insurance amount of Eximbank were NT\$50.703 billion, with a growth rate of 17.26% from 2017, which evidenced the effectiveness of assisting enterprises of Taiwan to expand export market.

- ii. Eximbank has been vigorously executing guidelines set by the Ministry of Economic Affairs and exerting its niche policies of export financing, relending, and export credit insurance, etc. to assist enterprises to move forward to the emerging markets. In 2018, the approved amount of such policy export loan to emerging markets accounted for 58.96% of Eximbank's total approved amount of export loans; and export credit insured amount in line with government economic and trade policies and for emerging markets accounted for 50.69% of its total export credit insurance. The business expansion of Eximbank to emerging markets in Southeast Asia, Central and South America, East Europe, East Asia, and South Asia, including Indonesia,

Cambodia, Malaysia, Singapore, Thailand, the Philippines, Vietnam, Turkey, Iran, the United Arab Emirates, Saudi Arabia, India, Bangladesh, Sri Lanka, Pakistan, Russia, Brazil, Mexico, Kenya, China, etc. has successfully assisted exporters to win orders to extend sales to the emerging markets, and to diversify risks.

(6) Eximbank Cooperated 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 Financing Programs, and Implement Government policy to Strengthen Financial Services to SME

Currently, about 85% of existing customers of Eximbank's export credit insurance are small and medium enterprises, the insured amount in 2018 increased by 23.03% over the same period in 2017. In order to strengthen 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 check of the buyers for exporters, and the credit investigation report has been analyzed by the professional underwriters in order to avoid the possibility of credit risk in international trade.

Furthermore, by utilizing funds provided by "SME Development Fund" and credit guarantees offered by "SME Credit Guarantee Fund", Eximbank actively financed the small and medium enterprises to assist them to win orders and to expand export markets. At the end of 2018, the average balance of loans to small and medium enterprises reached TWD7.4 billion.

(7) Eximbank Assisted Enterprises to Strengthen the Advantages and Market Share of Service Trade, and Promote the Development of Taiwan's Service Trade and the Exportation of Service Industry

To assist the development of 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 2018, Eximbank has approved a total of NT\$9.851 billion in service trade loans, and a total of NT\$ 3.918 billion in service trade guarantees.

(8) Eximbank Cooperated with Government Policies to Promote Overseas Construction Loans and Guarantees to Assist Domestic Construction Companies to Seek Opportunities on Overseas Government Projects and Improve Competitiveness

In order to assist enterprises in contracting overseas projects, Eximbank has established overseas financing and guarantee business for overseas construction projects since its establishment. When enterprises need financing or guarantee services for undertaking overseas projects, Eximbank may provide immediate financial support to enhance the competitiveness of enterprises in overseas market. Recently, since government reveal the New Southbound Policy and encourage enterprises to actively participate in public construction projects in new southbound countries, Eximbank has not only devoted itself to promote its overseas construction finance and guarantee services, but also endeavored to obtain the National Development Fund's consent



Chairman of the Board of Directors |

Shui-Yung Lin

that financing for overseas construction projects in the relevant areas will be eligible for applying to the "Machine Equipment Export Loan" under the fund. Through Eximbank's efforts to promote this business, it has assisted local enterprises in undertaking new southbound country projects, including: electrical and mechanical engineering project of Vietnam Steel, Philippine power plant engineering, Cambodia office building project, Vietnam commercial office building project, Mumbai MRT project in India, the Indonesian power plant project, and the steel structure project of the Myanmar factory building, which have achieved fruitful results.

(9) Eximbank Participated 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 assisting enterprises to import important fuels, etc. to meet the needs of Taiwan's enterprises for steady operation. The government is striving for promoting green energy. 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 important fuel natural gas to support the stable operation of its power plant and enhance its operational competitiveness, through which assisted implementing the Executive Yuan's "Stable Power Supply, improving Air Pollution" policy blueprint and the power supply safety of Taiwan.



President | Pei-Jean Liu

(10) Continued to Promote the "Syndicated Loan Platform for System Integration, Turnkey Project and Engineering Industry Exports", Eximbank Organized Syndication Loans with Commercial Banks to Expand 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, 2018, there were 171 projects developed by Eximbank and 2 projects referred by the economic trade unit with a total loan amount of TWD10.596 billion, which helped the exportation by domestic exporters.

(11) Eximbank Established Relending Facilities Globally 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 the purpose of purchasing products from Taiwan to assist domestic exporters expanding 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 2018, Eximbank has established relending facilities in 26 emerging market countries, such as Brazil, Chile, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Armenia, Belarus, Bulgaria, Czech Republic, Russia, Turkey, Marshall Islands, Cambodia, China, India, Indonesia, Mongolia, Philippines, Thailand, Uzbekistan, Vietnam, etc., and the United States. Banks cooperate with Eximbank covering the America, Europe, Oceania, Asia, and other regions for a total of 71 financial institutions. Total relending amount granted was USD734 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.

(12) Eximbank Has Actively Participated in International Syndicated Loans to Expand Business Tentacles and Enhance International Financial Cooperation

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

As of the end of 2018, the balance in international syndicated loans Eximbank participated was approximately USD351 million, equivalent to TWD10.78 billion. Borrowers consist of 29 financial institutions and international organizations in 12 countries across regions of Asia, Central and South America, Africa, Europe, and the Middle East. In 2018, Eximbank assisted a total of 15 financial institutions in 9 countries, including Vietnam, Panama, India, the United Kingdom, Qatar, Indonesia, the United Arab Emirates, South Korea, and South Africa, which gained USD145 million working capital and contributed to the annual revenue for Eximbank.

Eximbank has been taking part in international syndicated loans cautiously by selecting reputable borrowers to balance risk and revenue of the loan, which have helped Eximbank quickly entering the international financial market to enhance its international visibility, and further developed mutual cooperation opportunities on other businesses with financial peers. Over the years, through participation in international

syndicated loans, Eximbank has successfully 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 expanding to the emerging markets.

(13) Eximbank Has Been Using Reinsurance Arrangements to Enhance Export Insurance Underwriting Capability

In need of the scale-up of underwriting performance and the improvement of the operational foundation of export credit insurance, Eximbank has renewed a reinsurance contract with the Central Reinsurance Corporation in 2018 to properly transfer the underwriting risks to the reinsurance company in order to strengthen underwriting capability of Eximbank and enable the continuous growth of export credit insurance business. In addition, Eximbank actively conducted reinsurance cooperation with others by signing reinsurance contracts with the Nippon Export and Investment Insurance (NEXI), and the Swedish Export Credit Guarantee Commission (EKN).

(14) Eximbank Has Cooperated with Domestic Commercial Banks to Promote Export Insurance

By the end of 2018, Eximbank has signed Co-promotion Agreements of Export Credit Insurance with a total of 30 banks, including 8 government-owned banks, 1 foreign bank and 21 private commercial banks, by which to expand Eximbank's services across Taiwan for the purpose of leveraging the comprehensive marketing channel of domestic commercial banks and foreign bank in Taiwan to promote export credit insurance, assist their customers to avoid the risk of uncollectible account receivables, and indirectly protect the financing credit of the financial banks or the negotiating banks.

(15) Eximbank 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 2018 with a total of TWD16.8 billion to broaden its operational basis. After completion of capital increase, each single customer's unsecured credit limit will be increased to 1.541 billion, which will amplify Eximbank's ability to inject funds to customers, undertake financing projects of larger scale, provide export loan 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.

(16) Eximbank Enhance the Cooperation with Domestic Economic and Trade Organizations to Promote Export Trade

In order to assist domestic enterprises to expand export and enhance the cooperation with economic and trade organizations, Eximbank continuously cooperate with Taiwan External Trade Development Council (TAITRA) to jointly manage the business expansion activities such as joint forums or dispatch personnel to the important exhibition held by the TAITRA for introducing 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 relevant information to expand overseas markets, enhance their export competitiveness, gain greater business opportunities, and speed up the economic development of Taiwan.

(17) Eximbank Actively Participated in International Organizations to Assist Domestic Manufacturers Expand Global Market

Eximbank is a member of the Berne Union which is the leading international association of export credit insurance. Eximbank participated the Berne Union Spring and Annual General Meetings in 2018 from March 18 to March 23 and October 15 to October 19 respectively, to exchange relevant information and practical experience with other members and effectively enhance the international visibility of Taiwan.

During the period of September 27 to September 28, 2018, Eximbank participated in the 5th

"Cross-Strait-and Hong Kong Export Credit Insurance Meeting" held in Hong Kong. Eximbank shared experiences and exchanged professional knowledge of industry information and country risk together with export credit agencies from Hong Kong and Mainland China. From December 2 to December 4, 2018, Eximbank participated in the 10th "Regional Cooperation Group CEO Meeting" (RCG CEO Meeting) of Berne Union held in Mumbai. During the meeting, Eximbank held in-depth discussion with other official export credit agencies in Asia to strengthen cooperation. By means of participating in international conferences, Eximbank has successfully enhanced international image and friendship among members, and greatly raised its international reputation.

Up until the end of 2018, Eximbank has signed Cooperation Agreements with official export credit agencies of 18 countries globally including Poland, Czech Republic, Hungary, Japan, Slovakia, Turkey, Thailand, Indonesia, Malaysia, Belarus, South Korea, Israel, China, Sweden, Sri Lanka, Hong Kong, India and Finland; and also signed



Minister of Finance Jian-Rong Su awarded financial institutions for Excellence in Export Credit Insurance Referral Services in 2018. (Photo taken in February, 2018)

reinsurance contracts with the official credit agencies of Japan and Sweden, expecting to assist domestic exporters expanding global markets.

(18) Eximbank Revised Regulations, Streamlined Work Processes, and Improved Service Performance

- i. To meet business requirements, Eximbank revised "Standard Operating Procedure for Shipbuilding Finance".
- ii. In compliance with the examination report of Financial Examination Bureau of Financial Supervisory Commission, and for business requirements, Eximbank revised "Operational Directions for Tracking and Analyzing after Extending Credit", and stipulated "Guidelines on Operational Directions for Tracking and Analyzing after Extending Credit".
- iii. To conform to the structure adjustment and to broaden the application of letter of intent to all sorts of financing and syndicated loans, Eximbank revised "Directions on Issuing Letter of Intent for Financing by Account Officers in Each Rank".
- iv. In order to complete the stipulation on credit, export insurance, and other transactions to related parties to avoid non-arm's length transactions, Eximbank drew up "Management directions for Credit, Export Credit Insurance and Other Transactions to Related Parties", and amended the "Directions on Standard Operating Procedure for Establishment of Data File for Related Parties".
- v. In compliance with the law and to implement the policy on Anti-Money Laundering and Countering the Financing of Terrorism, Eximbank amended "Department of Loan and Guarantee Directions on Standard Operating Procedure for Anti-money Laundering and Countering the Financing of Terrorism".
- vi. In line with the changes of current operation, and in compliance with the rules for anti-money laundering and countering the financing of terrorism, Eximbank revised "Directions for Checking and Accepting Bank Guarantee Documents When Handling Credit Business".
- vii. In compliance with the general examination report of Financial Examination Bureau, FSC, and for business requirements, Eximbank revised "Directions on Pricing of Enterprise Loans".
- viii. In order to improve the efficiency of Eximbank's establishment of an overseas representative office, the "Standard Operating Procedure for Establishing an Overseas Representative Office" was amended.
- ix. In order to assist domestic enterprises to expand their export trade and export capacity, the loan target was expanded from exporters to supply chain manufacturer, therefore, Eximbank revised "Directions on General Export Loan" and "Guidelines for Directions on General Export Loan".
- x. In order to comply with the implementation of GDPR, the "Department of Loan and Guarantee Directions on Standard Operating Procedure for EU Personal Data Processing" was set by Eximbank.
- xi. In line with business needs, Eximbank stipulated "Directions for the Limit of Short-Term Credit".
- xii. In line with the revised and enlarged articles of the Credit Criteria of the Members of the Bankers Association of R.O.C., Eximbank has updated the "Directions for Project Financing" and "Directions for Syndicated Loans".
- xiii. Eximbank set a "Directions on Standard Operating Procedure for Responding to Significant Events or Other Circumstances

Occurred to Credit Customer that Affect Eximbank Claims.

- xiv. For operational needs in practice, and to improve service quality, Eximbank revised the Standard Operating Procedures (SOP) for "Comprehensive Export Credit Insurance for D/P and D/A Transactions" and other five insurance transactions.
- xv. In order to simplify the underwriting procedures and shorten the verification time for buyer's credit limit, Eximbank revised the "Directions on Authorization Scope for the Verification of Export Credit Insurance".
- xvi. Eximbank set "SWIFT Workstation Switch Machine Operating Flow Chart and Operating Instructions".
- xvii. Eximbank revised "Usage Notes on SWIFT Alliance System".
- xviii. Eximbank amended "Rules of Procedure for the Council".
- xix. Eximbank amended the standard operating procedures of "Directions on the Preparation of Meeting Proposals" and "The Agenda Preparation of the Board of Directors / Supervisory Board / Executive Council".
- xx. Eximbank set "Energy Saving Implementation Plan for 2018-2019".
- xxi. Eximbank revised 2018 "Fire Protection Plan", "Emergency Response Plan" and "Detailed Execution Plan for Protection Team's Reorganization".
- xxii. Eximbank revised "Financial Expenses Cashier Operating Flow Chart, SOP, and Operating Instructions".
- xxiii. To promote sound management and encourage employees to report illegal cases, and according to Article 34-2 of the "Internal Control and Auditing System of the Financial Holding Company and Banking Industry", the Board of Directors passed the "Directions on Internal Reporting System of Eximbank" on August 17, 2018 .

(19) Reinforce Risk Management on Countries, Finance, Industries, and Enterprises

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 changes of risks in the higher risk areas and countries. In aspect of industrial and enterprise risks, Eximbank has been continuously monitoring the changes in risks of enterprises and related industries, and set credit limits to control risks on various industries and enterprises in order to grasp the industrial development trend and diversify credit risks.

In order to enhance the effectiveness of risk control, Eximbank has been continuously reinforcing functions of risk management information system to simplify operation process, and has also established database as well as 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.

(20) Vigorously Training Finance Professionals to Enhance Expertise

Eximbank established and carried out an annual training program for employees in order to actively train financial professionals and strengthen their financial expertise. Employees were sent to attend meetings hosted by professional financial research training organizations. Eximbank also frequently gave theme-based training courses with recruited scholars and experts as professors. In 2018, Eximbank hosted 24 specialized and regulatory topic speeches along with 16 professional training sessions by various departments, and 16 foreign business trip report-based seminars, totaling 2,273 trainees. It positively enhanced bank employees' professional knowledge to meet business development needs.



To celebrate the 40th anniversary of its establishment, Eximbank held "Embrace New Era" forum at International Convention Center of Chang Yung-Fa Foundation on January 11, 2019, and competent authorities were invited.

(21) Actively Implement Anti-money Laundering and Countering the Financing of Terrorism Related Mechanisms

With the rising of crimes using banking industry to conceal or transform the illegal assets, money laundering has become a more and more serious problem in recent years. It poses great challenges to financial institutions, especially in the area of compliance. A financial system with weak or ineffective countermeasures could be easily exploited by launderers and reward corruption and crime, damaging not only the reputation of financial institutions, but also the foreign investment, trust and integrity of the society as a whole.

Being aware of the important role played by every financial institution, Eximbank is committed to comply with the laws, regulations, rules, high operational standard on financial institution relating to the Anti-Money Laundering

and Countering the Financing of Terrorism (AML/CFT). The policy and guideline of strict compliance is constructed and a culture of good Governance is developed in all aspects of our banking services and operations. Our internal control system on AML/CFT, including Know Your Customer and Customer Due Diligence, is also adapted and adjusted up-to-date. On November 13, 2018, Eximbank participated in the APG's Mutual Evaluation and manifested its efforts in this regard.

Going forward, Eximbank will keep its commitment to AML/CFT efforts by arranging ongoing employees training programs, updating internal AML/CFT guidelines and procedures on a regular basis and adhering to the latest international best practices, especially those endorsed by the Financial Action Task Force on Money Laundering (FATF), Basel Committee on Banking Supervision, and Wolfsberg Group.



To implement New Southbound Policy, Eximbank held signing ceremony with General Resources Co., Ltd., Chan Chun Construction Co., Ltd., and Ho Sheng Electrical Co., Ltd. to assist the development of new southbound construction market. (Photo taken in July, 2018)

3. Credit Rating

In order to expand the funding source and save the 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 Issuer Credit Rating among all banks in Taiwan. Eximbank, as the only state-owned specialized bank of export and import credit, plays a key role on public policy and has an indispensable association with the government. Therefore, it was given the ratings aligned with the issuer credit rating on Taiwan.

Rating Agency	Latest Rating	Credit Rating
Standard & Poor's	February 27, 2019	AA-/ Stable/ A-1 +
Taiwan Ratings	February 27, 2019	twAAA/ Stable/ twA-1+



To implement New Southbound Policy, Eximbank held "Achievement Sharing and Signing Ceremony for New Southbound Business Opportunities of Textile Industry" and provide financial support to assist domestic industries moving forward to New Southbound market. (Photo taken in March, 2019)

III. Bank Profile

3

1. Brief Introduction

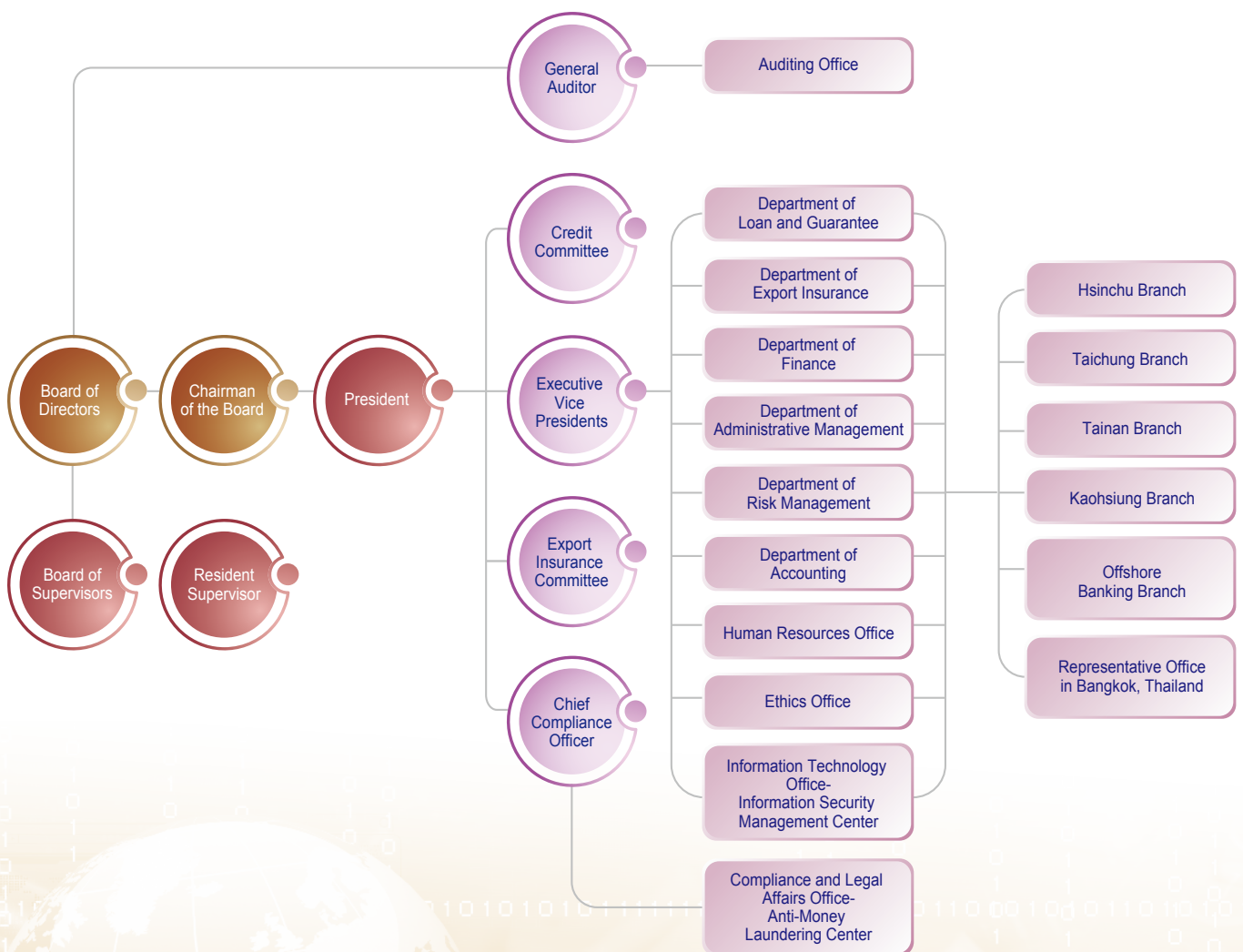
Eximbank was established on January 11, 1979 under the Statute of "The Export-Import Bank of the Republic of China Act". Eximbank is a state-owned specialized export and import financial institution supervised by the Ministry of Finance and administered by the Financial Supervisory Commission. The mission of Eximbank is "to promote export and import trade and develop the economy", and the 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 financing, guarantees, and export credit insurance to help enterprises expand external trade and overseas investments and increase international cooperation to maintain the steady and continuous development of Taiwan's economy.

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

**Guann-Jyh Lee**

Director

**Yu-Chyng Wang**

Director

**Shang-Hsi Liao**

Director

**Pi-Lan Hsu**

Resident Supervisor

**Hui-Mei Chen**

Supervisor

**Jen-Hsiu Lu**

Supervisor

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

(3) Principal Managers and General Auditor

Name	Title
Pei-Jean Liu	President
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	(Vice President and) Chief Human Resources Officer
De-Ruen Yang	(Vice President and) Chief Ethics Officer
Chih-Hsien Huang	(Vice President and) Chief Information Officer
Ming- Ti Chang	(Vice President and) General Manager, Compliance and Legal Affairs Office

III. Bank Profile



Chief Compliance
Officer
Ming-Hsing Yeh

Executive Vice
President
Chien-Cheng Day

President
Pei-Jean Liu

Chairman of the
Board of Directors
Shui-Yung Lin

Executive Vice
President
Hsiu-Chuan Ko

General Auditor
Yu-Huai Wang

IV. Overview of Bank Operations

4

1. Business Overview

Below is an overview of Eximbank's loans, guarantees, and export credit insurance business in 2018:

(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 2018, the average balance of these loans totaled TWD87,483 million, accounting for 79.71% 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 2018 were "Domestic Major Public Construction Guarantees" accounted for 46.43%, "Import Guarantees" accounted for 41.42%, "Overseas Construction Guarantees" accounted for 8.29%, "Export Guarantees" accounted for 3.81%, 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 TWD131,379 million in 2018, an increase of 13.43% from 2017.

2. Market Overview

(1) Domestic and Global Financial Conditions

Looking back to the first two quarters of 2018, global trade continued to be active and international oil price remained high, the economic and trade performance of major countries were impressive. Nevertheless, following the step-by-step adjustment of the United States trade policy and continuous tightening of its monetary policy, its impact was not only on enterprise confidence but on the real economy. As a result, global economy fluctuated in the fourth quarter of 2018. Oil price fell, and manufacturers' demand turned conservative. As a whole, the economic performances of major countries were quite different, the United States continued to expand, and the European recovery was sluggish. According to the International Monetary Fund (IMF), the global economic growth rate in 2018 was estimated to be 3.6%, which is slightly lower than 3.8% in 2017.

Benefited from the strong growth of private consumption and enterprise investment in 2018, despite the partial shutdown of federal government at the end of the year, the United States overall economic performance in 2018 was outstanding with a Real GDP growth rate of 2.9%. The United States announced four rate hikes in 2018, and the appreciation of the US dollar had caused capital outflows in emerging economies, which aggravated the volatility of financial market. In November 2018, the US Federal Reserve System (the Fed) expressed that the policy rate was close to the neutral interest rate. In March 2019, the Fed decided to maintain the target range for federal funds rate at 2.25%~ 2.50%.

In 2018, Mainland China's economy was affected by the tightening of the internal financing environment, and its economic growth rate fallen quarter by quarter. Owing to the decrease in investment and trade conflict between US and China, the economic growth slowed down beyond expectation, and the real GDP growth rate fell to 6.6% which was the lowest in past 28 years. The US-China trade conflict has gradually affected global economic growth as well as commodity markets, which has a negative impact on global consumption, investment confidence, and economic prospects.

In 2018, the economic growth of major European countries showed a quarter-to-quarter decline. In consideration of the slowing down of economic growth in Germany, the issue on Brexit in UK, and the yellow vest protest in France, etc., IMF estimated the Eurozone economic growth rate in 2018 to be 1.8%, lower than 2017 of 2.4%. In the future, the United States will start trade negotiations with the European Union and Japan respectively. It is expected that automobile tariffs will become an important issue. If the United States imposes tariffs on imported cars, it will probably cause trade disputes.

In 2018, the ASEAN countries were affected by the US-China trade conflict and emerging market's currency fluctuation. As the industrial chain of Southeast Asian countries was closely linked with the United States and China, the IMF estimated that the ASEAN economic growth rate in 2018 was 5.2%, slowed down slightly compared with 2017 of 5.4%.

Looking into the international situation in 2019, the global economic growth rate will not be as good as 2018 but the decline will be slightly. The IMF predicts a growth rate of 3.3%. However, factors such as the subsequent development of the US-China trade conflict, the losing of expansion power, the uncertainty of policy, the geopolitical risk, and fluctuation of international crude oil and commodity prices etc. have

increased the uncertainty of the global economic outlook.

In 2018, domestic enterprises in Taiwan achieved profitability on account of the stable international economic environment. The salary growth rate reached a new high in recent years, which helped to support private consumption. The government continued to promote Forward-Looking Infrastructure Plan and actively attracted Taiwanese businessmen to return to Taiwan for investment. Private sector devoted to the development of 5G and offshore wind power investment; and semiconductor manufacturers continued to expand productivity. In 2018, export reached a record high of USD336.05 billion, an increase of 5.9% over the previous year; import was 286.66 billion, an increase of 10.6% over the previous year, with trade surplus of USD49.40 billion, a decrease of USD8.59 billion from the previous year. In 2018, the annual economic growth rate was 2.63%, and the average GDP per capita was USD25,004.

In 2019, expecting that the domestic economy will be affected by elements including sluggish global economic and trade activities, inactivated buying of the mobile communication products, and the need to cautiously adapt to the possible order transfer effect and supply chain restructuring caused by the US-China trade, etc., it is predicted that the economic growth rate will be slow down to 2.27% in 2019.

(2) Overview of Credit Market

In 2018, the global economy continued to grow. The annual economic growth rate reached 3.7%, mainly due to the strong growth of the US economy and the rise in global raw material prices. In the developed countries, the US economic growth rate was revised up to 2.9% in 2018, an increase of 0.6% from 2.3% in 2017; the Eurozone's economic growth rate in 2018 fell to 1.8%; as for emerging market countries,

China's growth in 2018 was 6.6%, worse than 6.8% in 2017. In Southeast Asia, due to the US-China trade conflict and weak local currency, the economic growth rate in 2018 was 4.8%, the first decline in three years. In terms of the domestic economic situation, although the economy of Taiwan still performed well in the first half of 2018, from the third quarter, financial volatility has intensified due to unfavorable factors such as the US-China trade war, and the continued US interest rate hikes to drive a strong dollar. The annual economic growth rate in 2018 was about 2.63%, slightly up 0.10% from 2.53% of previous year.

To help boost the domestic economic climate, Eximbank committed itself to promoting the "Strengthening Trade Finance Loan Scheme" in 2018, and in line with the government's policy on domestic major public construction and infrastructure projects, Eximbank focused on export financing, overseas project financing, major public construction financing, medium and long-term import financing, overseas investment financing and international corporate loans, and contributed to the annual performance in 2018 for loan and guarantee business, which increased by 3.92% and 4.18% respectively over 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 USD3,359 billion for the entire year of 2018 with an USD495.8 billion trade surplus. In terms of export, Asia remained the main export market of Taiwan. It was also the largest area of Eximbank's Export Credit Insurance business, accounted for 48.41% 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 34% 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 assist manufacturers in expanding the emerging markets to achieve its strategic objectives of cultivating Taiwan, reaching out to the world and diversifying export market risks.

3. Social Responsibilities

(1) Eximbank Strongly Implements 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 by Eximbank, to improve related equipment, and to urge colleagues to cooperate. In 2018, after implementing various cost-saving measures, according to the "Government Institutions and Schools Energy Saving Action Plan", the amount of electricity, oil and paper used were lower than the base period in 2015 by 8.36%, 2.33%, and 4% respectively, except for the increase in water consumption due to the MRT construction, and increasing business volume and personnel, which caused the increase by 2.03% compared with the base period in 2015. In addition, Eximbank actively works in coordination with the government's green procurement promotion plan to achieve the annual objectives of 90% green procurement on the designated items; conduct office trash classification and resources recycle; and use office equipment only with Environmental

Protection Mark to build a society of resources sustainability.

(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". Since 2018, Eximbank has been actively conducting various public welfare activities to implement social care and to support social welfare through practical actions. Activities conducted in 2018 by Eximbank were as follows:

- i. According to "People with Disabilities Rights Protection Act" and "Regulation for Obligated Purchasing Units/Institutions to Purchase the Products and Services Provided by Disabled Welfare Institutions, Organizations or Sheltered workshops", Eximbank used public announcement to procure cleaning and general matter services from The First Social welfare Foundation to provide job opportunities and help socially vulnerable groups.
- ii. Eximbank donated one hundred second-hand chairs to the Beautiful Life Association to make the best use of goods and materials, and to respond to the circular economy.
- iii. To support excellent products made in Taiwan, Eximbank purchased masks from the Sheltered workshop of Ho-To Environmental Technology limited Company in Xiluo Town, Yunlin County to help the disadvantaged groups to live independently and economically.
- iv. Caring for the elderly living alone, and helping vulnerable single parents, Eximbank provided lacked materials to Taipei Kuanyin-Line Psychology and Social

✓ The Export-Import Bank of the Republic of China Annual Report 2018

Service Association, hoping to bring more love links to the modern alienated society.

- v. Continue to cooperate with the Development Center of Spinal Cord Injury in Taoyuan and the Syin-Lu Social Welfare Foundation to promote the charity activities by donation of the empty toner cartridges for recycling, and to purchase environmental-friendly recycled toner cartridges to enhance the effective reuse of resources, to reduce waste and environmental load, and to fulfill green consumption.
- vi. In response to the "The New Product and Service of Social Innovation Purchase Reward Program" activity, we purchased corporate gifts from Aurora Social Enterprise Co., Ltd. to help create employment opportunities for Aboriginal people.
- vii. To support assisting the vulnerable groups, and in response to the Youth Development Administration, Ministry of Education's "Economically Self-reliance

Youth Part-time Work Program", Eximbank provided opportunities for economically disadvantaged young students to work.

- viii. In order to make effective use of resources and support circular economy, Eximbank participated in "Old PC, New Hope" activity organized by Triple-E Institute, and donated used computers to realize the Refurbished Computers Project. In addition, Eximbank donated second hand office furniture to the Down Syndrome Foundation R.O.C. for use by vulnerable groups, primary and secondary school children in remote and isolated areas to help improve the gap between urban and rural areas.
- ix. Eximbank participated in the "Support for the Heartbroken" charity concert organized by Taipei Kuanyin-Line Psychology and Social Service Association, in order to raise funds to provide various public welfare services for disadvantaged families to settle down, for the elderly to be well accompanied, and for the society to become more cozy and peaceful.



Eximbank cooperated with Ministry of Economic Affairs, TAITRA, and China Credit Information Service Ltd., and held together the forum of "Top 500 of Taiwanese Business in ASEAN-New Vision in New Southbound, Snatching New Business Opportunities in ASEAN", the participants responded enthusiastically. (Photo taken in May, 2018)

- x. Eximbank purchased logs, desk calendars and other products from the "Equal Cultural and Creative Print - Sheltered Workshop", expecting the vulnerable groups to cultivate a skill, and rely on their own work ability to connect with the society.
- xi. Eximbank purchased products from Taiwan Foundation for the Blind, the Yellow Ribbon Network Association, and the sheltered workshop of Joyce Agape for its business promotion to care for the visually or physically impaired and the vulnerable children.
- xii. Cooperate with enterprises in public welfare activities to improve the care environment for The Garden of Mercy Foundation for AIDS Baby Care Center.
- xiii. In line with the policy of "10,000 Steps per Day and Healthy Guaranteed" by the Health Promotion Administration, Ministry of Health and Welfare, Eximbank carried out the "Ten Thousand Steps per Day" campaign for the health of staffs.

4. Prospects

In accordance with the 2019 policy direction of the Executive Yuan, the government will continue to promote several major policies in the future, including the promotion of Forward-Looking Infrastructure Plan and the "Five-plus-Two" Innovative Key Industries Plan, and

the acceleration on the promotion of "New Southbound Policy". The government will also continue to expand International trade and economic cooperation, and strive for joining the "Comprehensive and Progressive Agreement for Trans-Pacific Partnership" (CPTPP) to expand international cooperation. Additionally, in response to the US-China trade conflict to grasp the opportunities for the transfer of trade and the production line supply chain as well as other economic and trade changes, Eximbank will keep on implementing government's various economic and trade policies, continuing to increase capital to improve business commitment, and proposing to strengthen the function of Eximbank, so that its functions and business scope can be combined with the needs of enterprises in expansion of overseas business and obtaining business opportunities, and further assists domestic enterprises to achieve major challenges in overall adjustment and transformation of economic and industrial structure.

Currently, when Eximbank enters its 40th year, the vision of "strengthening trade finance and assisting foreign trade" remains unchanged. In the future, when needed by each and every Taiwanese enterprises, Eximbank will continue to grasp the business opportunities and master the trend, undertake the trade risks, assist to expand to the new southward areas of ASEAN, South Asia, New Zealand, Australia and Greater India, and expect to open up new business momentum for the enterprises once again.

V. Financial Overview

5



1. Balance Sheets

TWD Thousand

Item	Notes	December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
Assets					
Cash and Cash Equivalents	Note 7(1)	448,119	0.37	165,296	0.14
Due from the Central Bank and Call Loans to Other Banks	Note 7(2)	504,044	0.41	564,212	0.49
Financial Assets at Fair Value through Profit or Loss	Note 7(3)	1,095	0.00	1,639	0.00
Financial Assets at Fair Value through Other Comprehensive Income	Note 7(4)	381,674	0.31		
Debt Instrument Investments Measured at Amortized Cost	Note 7(5)	7,600,000	6.21		
Receivables-Net	Note 7(6)	497,456	0.41	332,958	0.29
Loans and Discounts-Net	Note 7(7)	112,007,559	91.53	104,745,478	91.59
Held-to-Maturity Financial Assets-Net				7,600,000	6.65
Other Financial Assets-Net	Note 7(8)	232,961	0.19	260,897	0.24
Property and Equipment-Net	Note 7(9)	522,120	0.43	523,000	0.46
Intangible Assets-Net	Note 7(10)	47,318	0.04	44,608	0.04
Deferred Income Tax Assets-Net		80,364	0.06	86,331	0.07
Other Assets-Net	Note 7(11)	44,961	0.04	33,496	0.03
Total Assets		122,367,671	100.00	114,357,915	100.00

V. Financial Overview

Item	Notes	December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
Liabilities					
Due to the Central Bank and Other Banks	Note 7(12)	28,211,658	23.05	25,025,452	21.88
Borrowed Funds from the Central Bank and Other Banks	Note 7(13)	20,060,343	16.39	17,576,883	15.37
Financial Liabilities at Fair Value through Profit or Loss	Note 7(14)	7,677	0.01		
Payables	Note 7(15)	248,142	0.20	298,559	0.26
Current Period Income Tax Liabilities		51,029	0.04	53,599	0.05
Financial Debentures Payable	Note 7(16)	16,595,856	13.56	17,894,195	15.65
Other Financial Liabilities	Note 7(17)	22,658,999	18.52	22,149,372	19.37
Provisions	Note 7(18)	1,096,376	0.90	944,663	0.83
Deferred income Tax Liabilities		38,797	0.03	39,765	0.03
Other Liabilities	Note 7(19)	1,338,550	1.09	1,352,563	1.18
Total Liabilities		90,307,427	73.79	85,335,051	74.62
Equity					
Capital		28,800,000	23.54	27,000,000	23.61
Retained Earnings					
Legal Reserve		1,041,170	0.85	817,021	0.71
Special Reserve		1,588,413	1.30	1,471,325	1.29
Retained Earnings Unappropriated		219,137	0.18		
Other Equity		411,524	0.34	-265,482	-0.23
Total Equity		32,060,244	26.21	29,022,864	25.38
Total Liabilities and Equity		122,367,671	100.00	114,357,915	100.00

Note: Figures for 2018 are subject to audit; Figures for 2017 have been recognized by the Ministry of Audit, R.O.C.

S REPORT

Gross Sales by Sales Analysis
 1. Sales 2. Sales 3. Sales 4. Sales 5. Sales 6. Sales 7. Sales 8. Sales 9. Sales 10. Sales



FINANCIAL OVERVIEW

FINANCIAL OVERVIEW
 1. Sales 2. Sales 3. Sales 4. Sales 5. Sales 6. Sales 7. Sales 8. Sales 9. Sales 10. Sales



DATE	TIME	PERFORMANCE	PRICE	NOTES
4/1/14	10:00:00	1.00	1.00	
4/1/14	10:01:00	1.01	1.01	
4/1/14	10:02:00	1.02	1.02	
4/1/14	10:03:00	1.03	1.03	
4/1/14	10:04:00	1.04	1.04	
4/1/14	10:05:00	1.05	1.05	
4/1/14	10:06:00	1.06	1.06	
4/1/14	10:07:00	1.07	1.07	
4/1/14	10:08:00	1.08	1.08	
4/1/14	10:09:00	1.09	1.09	
4/1/14	10:10:00	1.10	1.10	

2. Statements of Comprehensive Income

TWD Thousand

Item	Notes	January 1, 2018- December 31, 2018		January 1, 2017- December 31, 2017		(%) Percentage change (%)
		Amount	%	Amount	%	
Interest Revenue		2,282,937	144.53	1,852,847	125.34	23.21
Minus: Interest Expenses		949,952	60.14	637,401	43.12	49.04
Net Interest Income		1,332,985	84.39	1,215,446	82.22	9.67
Non-Interest Income						
Net Fees and Commissions	Note 7 (20)	57,602	3.65	49,858	3.37	15.53
Gains (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss	Note 7 (21)	37,737	2.39	-3,435	-0.23	--
Gains From Sale of Financial Assets at Fair Value through Other Comprehensive Income		21,312	1.35			--
Foreign Exchange Gains (Losses)		-190	-0.01	-1,722	-0.12	88.97
Net Export Credit Insurance Income	Note 7 (22)	164,340	10.40	184,638	12.49	-10.99
Other Non-Interest Income	Note 7 (23)	-34,297	-2.17	33,494	2.27	-202.40
Net Operating Income		1,579,489	100.00	1,478,279	100.00	6.85
Bad Debts Expense, Commitment and Guarantee Liability Provision	Note 7 (24)	359,331	22.75	265,942	17.99	35.12
Operating Expenses						
Employee Benefits Expenses		355,733	22.52	337,528	22.83	5.39
Depreciation and Amortization		32,346	2.05	28,882	1.95	11.99
Other Business and Administrative Expenses		161,982	10.26	154,264	10.44	5.00
Net Income (Loss) Before Tax		670,097	42.42	691,663	46.79	-3.12
Income Tax (expense)		-76,298	-4.83	-44,273	-2.99	72.34
Net Income (Loss)		593,799	37.59	647,390	43.79	-8.28
Other Comprehensive Income						
Items not to be Reclassified into Profit or Loss:						
Re-measurements of the Defined Benefit Plans		-37,984	-2.40	-7,857	-0.53	-383.44
Income Tax Related to Items not to be Reclassified		4,558	0.29	1,336	0.09	241.17
Gains (losses) Valuation of Equity Instrument at Fair Value through Other Comprehensive Income		7,430	0.47			--
Items that May be Subsequently Reclassified into Profit or Loss:						
Exchange Differences Caused by Translation of Financial Statements of Offshore Branches		382,373	24.21	-636,416	-43.05	160.08
Other Comprehensive Income (After Tax)		356,377	22.57	-642,937	-43.49	155.43
Total Comprehensive Income		950,176	60.16	4,453	0.30	--
Earnings per Share		0.21		0.26		
Basic and Diluted		0.21		0.26		

Note: 1. In this 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. Figures for 2018 are subject to audit; Figures for 2017 have been recognized by the Ministry of Audit, R.O.C.

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

3. Statements of Cash Flows

TWD Thousand

Item	January 1, 2018- December 31, 2018		January 1, 2017- December 31, 2017	
	Subtotal	Total	Subtotal	Total
Cash Flows from Operating Activities:				
Continuing Operations Income (Loans) Before Income Tax Earnings (Net Loss) Before Taxation of Continued Operations		670,097		691,663
Net Income (Net Loss) Before Income Tax		670,097		691,663
Adjustments:		-4,982,472		-9,554,083
Incomes and Losses with No Impact on Cash Flow		-914,297		-939,458
Bad Debts Expense, Commitment and Guarantee Liability Provision	386,029		304,107	
Depreciation	15,303		13,960	
Amortization	16,247		14,929	
Interest Income	-2,282,937		-1,852,847	
Interest Expense	949,952		647,288	
Loss (Gain) on Disposal of Assets	744		-83,040	
Other Adjustments	365		16,145	
Assets/Liability Changes Related to Operating Activities		-4,068,175		-8,614,625
(Increase) Decrease in Loans and Discounts	-7,335,992		-3,535,023	
(Increase) Decrease in Receivables	62,584		45,422	
(Increase) Decrease in Financial Assets at Fair Value through Profit or Loss	545		39,367	
(Increase) Decrease in Other Assets	-11,329		1,470	
Increase (Decrease) in Due to the Central Bank and Other Banks	3,186,206		-5,073,817	
Increase (Decrease) in Payables	14,553		-85,665	
Increase (Decrease) in Financial Liabilities at Fair Value through Profit or Loss	7,677		-1,553	
Increase (Decrease) in Other Liabilities	7,581		-4,826	
Interest Paid		-936,012		-673,042
Interest Received		2,150,304		1,852,012
Income Tax Paid		-69,310		-37,907

Item	January 1, 2018- December 31, 2018		January 1, 2017- December 31, 2017	
	Subtotal	Total	Subtotal	Total
Net Cash Provided by Inflow (Outflow) from Operating Activities		-3,167,393		-7,721,357
Cash Flows from Investing Activities				
(Increase) Decrease in Investments Accounted for Using Equity Method	2,959			
Sale of Property and Equipment			97,572	
Purchase of Property and Equipment	-15,955		-15,646	
Decrease (Increase) in Other Assets	-19,093		-20,429	
Dividend Received	21,312		21,248	
Net Cash Provided by Inflow (Outflow) from Investment		-10,777		82,745
Cash Flows from Financing Activities				
Capital Increase (Decrease)	1,800,000		5,000,000	
Increase (Decrease) in Borrowed Funds from the Central bank and Other Banks	2,483,460		-1,211,057	
Increase (Decrease) in Financial Debentures Payable	-1,300,000		3,900,000	
Increase (Decrease) in Other Financial Liabilities	509,497		457,156	
Increase (Decrease) in Other Liabilities	-21,594		-45,118	
Cash Dividends	-77,119		-204,413	
Net Cash Provided by (Used in) Inflow (Outflow) from Financing Activities		3,394,244		7,896,568
Effect of Changes in Foreign Exchange Rates on Cash and Cash Equivalents		6,581		-5,782
Increase (Decrease) in Cash and Cash Equivalents		222,655		252,174
Cash and Cash Equivalents, Beginning of Year		8,329,508		8,077,334
Cash and Cash Equivalents, End of year		8,552,163		8,329,508
Composition of Cash and Cash Equivalents				
Cash and Cash Equivalents Listed on the Balance Sheet		448,119		165,296
Due from the Central Bank and Call Loans to Banks Satisfying the Definition of Cash and Cash Equivalents in IAS 7		504,044		564,212
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		8,552,163		8,329,508

4. Statements of Changes in Equity

January 1, 2017-December 31, 2018

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, 2017	22,000,000	560,673	1,364,840		370,934		24,296,447
Capital Increase by cash, June 1,2017	4,500,000						4,500,000
Capital Increase by cash, August 1,2017	500,000						500,000
Provision for Legal Reserve		256,348		-256,348			
Provision for Special Reserve			106,485	-106,485			
Cash Dividends Appropriated				-278,036			-278,036
Net Income for FY 2017				647,390			647,390
Other Comprehensive Income for FY 2017				-6,521	-636,416		-642,937
Balance, December 31, 2017	27,000,000	817,021	1,471,325		-265,482		29,022,864
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

5. Financial Analysis

TWD Thousand

Item (Note 2)		Year	FY 2018	FY 2017
Operating Ability	Non-performing Loan Ratio		0.01%	0.12%
	Ratio of Interest Income to Annual Average Loans		1.99%	1.67%
	Total Asset Turnover (Times)		1.33	1.31
	Average Operating Income per Employee		6,897	6,719
	Average Profit per Employee		2,593	2,943
Profitability	Return on Tier 1 Capital		2.33%	2.75%
	Return on Assets		0.50%	0.57%
	Return on Equity		1.94%	2.43%
	Net Income to Net Operating Income		37.59%	43.79%
	Earnings per Share (TWD)		0.21	0.26
Financial Structure	Ratio of Liabilities to Assets		73.80%	74.62%
	Ratio of Property and Equipment to Equity		1.63%	1.80%
Growth Rate	Asset Growth Rate		7.00%	2.53%
	Profit Growth Rate		-3.12%	32.45%
Cash Flow	Cash Flow Ratio		-10.07%	-27.26%
	Cash Flow Adequacy Ratio		-2,744.50%	-1,587.83%
	Cash Flow Sufficiency Ratio		29,390.30%	-9,331.51%
Liquid Reserve Ratio			102.12%	60.58%
Total Secured Loans to Interested parties			-	-
Total Secured Loans to Interested Parties as a Percentage of Total Loans			-	-
Operating Scale	Market Share of Assets		0.25%	0.24%
	Market Share of Net Worth		0.86%	0.84%
	Market Share of Loans		0.40%	0.39%

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

1. The decrease in non-performing loan ratio in 2017 was mainly because Eximbank actively dealt with non-performing loans.
2. The increase in ratio of interest income to annual average loans balance in 2017 was mainly attributed to the growth of loan business and rise of interest rates.
3. The increase in assets growth rate in 2018 was mainly because the increase of loan balances in 2018 resulting in the asset increase in 2018.
4. The decrease in profit growth rate in 2018 was mainly due to the recognition of the land acquisition interest of the head office in the previous year, the reduction of employee welfare liability provisions which caused the reduction of net non-operating interests, and the increase in allowances for bad debts and the increase in the provision of claims.
5. The increase in the cash flow ratio in 2018 was mainly due to the increase in discounts and lending, but the increase in interbank lending, resulting in an increase in net cash inflows from operating activities; on the other hand, the increase in cash flow satisfaction rate, was mainly caused by previous year's head office land sale, which has resulted in an increase in net cash inflows from investment.
6. The increase in liquid reserve ratio in 2018 was mainly caused by the decrease in TWD interbank borrowing.

Note 1: Figures for 2018 are subject to audit; Figures for 2017 have been recognized by the Ministry of Audit, R.O.C.

Note 2: Financial Formulae

1. Operating Ability

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

2. Profitability

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

3. Financial Structure

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

4. Growth Rates

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

5. Cash Flows (Note 6)

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

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

7. Operating Scale

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

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

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

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

Note 6: Comments on Measuring Cash Flow Analysis:

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

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

6. Capital Adequacy

TWD Thousand

Analyzed Item			year	FY 2018	FY 2017
Self-Owned Capital	Common Equity			30,106,896	27,458,207
	Additional Tier 1 Capital of Non Common Equity			-	-
	Tier 2 Capital			1,265,574	1,096,581
	Self-Owned Capital			31,372,470	28,554,788
Total Risk Weighted Assets	Credit Risk	Standardized Approach		89,986,393	76,123,164
		Internal Ratings-Based Approach		-	-
		Assets Securitization		-	-
	Operational Risk	The Basic Indicator Approach		2,721,207	2,626,234
		The Standardized Approach/The Alternative Standardized Approach		-	-
		Advanced Measurement Approach		-	-
	Market Risk	Standardized Approach		21,803	25,515
		Internal Models Approach		-	-
	Total Risk-Weighted Assets				92,729,403
Capital Adequacy Ratio				33.83%	36.25%
Tier 1 Risk-Based Capital Ratio				32.47%	34.86%
Common Equity to Risk-Based Capital Ratio				32.47%	34.86%
Leverage Ratio				22.27%	21.85%

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

2. Functional Currency and Presentation Currency

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

III. Foreign Currency Transactions

1. Foreign Currency Transactions

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

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

2. Translation of Foreign Currency Financial Statements

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

IV. Financial Instruments

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

1. Financial Assets

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

- (1) Financial Assets at Fair Value through Profit or Loss:
 - 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.

- (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



Eximbank cooperated with Wealth Magazine, China Credit Information Service Ltd. and held together the forum of "Top 1000 of Taiwan Business in ASEAN-Layout of New Business Opportunities in ASEAN". Chairman Shui-Yung Lin introduced Eximbank business and shared experience in business development strategies with participants. (Photo taken in March, 2019)

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



The delegation of Eximbank led by President Jean Liu to attend the APG's Mutual Evaluation. (Photo taken in November, 2018)

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.

(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. 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.



To promote trade development and implement New Southbound Policy, Eximbank signed MOU with the Saigon Commercial Bank to enhance business cooperation. (Photo taken in May, 2018)

VII. 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.

VIII. 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.

IX. 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.

X. Employee Benefits

1. Short-Term Employee Benefits

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

2. Retirement Benefits

- (1) Pensions: For employees covered by the old labor pension scheme, Eximbank calculates the actuarial net pension costs annually in accordance with the provisions specified in the "Regulations for the Allocation and Management of Workers' Retirement Reserve Funds" and relevant specification specified in the IAS 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



Eximbank signed Relending Facility Agreement with the Vietnam Public Joint Stock Commercial Bank to jointly provide financial support and promote bilateral trade opportunities. (Photo taken in October, 2018)

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 2018 is TWD 667,967 thousand. The amount of the allocated plan asset is TWD 353,177 thousand. The amount of employee benefit reserve liability is TWD 316,113 thousand (including the amount payable to the Chairman and President amounting to TWD 1,323 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.

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.

In accordance with the "Preferential Deposit Reform Plan for the State-owned Banks of the Ministry of Finance" approved by the Letter No. 10700283051 of the Executive Yuan on June 29, 2018, the implementation



Ambassador THAMIE DLAMINI of Kingdom of Eswatini visited Eximbank to negotiate business cooperation and promote bilateral communication. (Photo taken in October, 2018)

of the reform plan will be implemented from July 1, 2018. Therefore, Eximbank no longer has a payment obligation on amount differences for the new and old systems, the employee's welfare liabilities are fully reversed and included in the current profit and loss.

XI. Recognizing Income and Expenses

1. Interest Revenue and Expenses

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

2. Fee Income

Fee income is recognized once upon completion of services. Eximbank's guarantee fee is on an accrual basis and

is recognized during the period that the services are provided.

3. Dividend Income

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

XII. Income Tax

1. Current Income Tax

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



Delegation of Haiti led by Minister of Foreign Affairs visited Eximbank to promote economic and trade cooperation between Haiti and Taiwan.(Photo taken in April, 2018)

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



Eximbank held "Investment Promotion Conference on Eswatini Royal Science and Technology Park" in February 2019, and invited persons from enterprises and delegates from the Kingdom of Eswatini, the atmosphere was enthusiastic. (Photo taken in February, 2019)

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



Delegation led by General Director of Taiwan-Myanmar Economic Trading and Culture Exchange Association and Myanmar Trade Office (Taipei) visited Eximbank.(Photo taken in December, 2018)

affect the carrying value of retirement benefit obligations.

2. Assumptions used for determining the net pension cost (income) include discount rates. Eximbank determines the appropriate discount rates at the end of each year, and the rates are used to estimate the present value of future cash flows of retirement benefit obligation payments. To determine the appropriate discount rates, Eximbank shall consider the yields of high-quality corporate bonds or government bonds and that is in the same currency used to pay the retirement benefits and with maturity in the same period of relevant pension liabilities
3. In estimating the excess interest gained by retired employees via preferential deposits (of retirement benefit obligations), the actuarial assumptions are in accordance with Order Letter Jin Guan Yin Fa No. 10110000850, 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 TWD21,066,293 thousand, including guarantee receivables of TWD 20,574,537 thousand, custodial collections receivables of TWD 426,453 thousand, joint loans receivables of TWD 65,244 thousand, and collateral of TWD 60 thousand.
- (2) No bills receivable (or payable)
- (3) Undisbursed loan commitments of TWD28,824,941 thousand.



Delegation led by President of the Central Bank of Honduras visited Eximbank to discuss business cooperation.(Photo taken in October, 2018)

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.



Chairman Shui-Yung Lin accompanied by colleagues visited Myanmar and Cambodia to communicate with local manufacturers, financial institutions, and Taiwanese Chambers of Commerce, etc. (Photo taken in August, 2018)

- (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 2018, Eximbank has adopted the International Financial Reporting Standards approved by the FSC and issued in 2018 to prepare financial reports. The impact of the application of the newly recognized International Financial Reporting Standards on the financial report of Eximbank is as follows:**
- (1) Eximbank adopts the transitional regulations for the International Financial Reporting Standard 9 (hereinafter referred to as "IFRS 9") and does not rewrite the previous financial statements. The difference in the carrying amount of financial assets arising from IFRS 9 is recognized in other equity interest on January 1, 2018, and the information expressed in 2017 does not reflect the requirements of IFRS 9. Therefore, the information disclosed in 2018 of application of IFRS 9 is not comparable.
- (2) Eximbank applies the International Accounting Standards 39 (hereinafter referred to as "IAS 39") for types of measurement of financial assets and liability reserves converting to the measurement category of financial assets and liabilities reserves by the IFRS 9, the new measurement type, carrying amount of the financial assets and liability reserves are as follows:



Eximbank founded 'Economic and Trade Union' together with Taiwan Turnkey Project Association, Central, Eastern Europe and CIS Association, and Taiwan-Africa Business Association. (Photo taken in August, 2018)

NTD

	IAS 39		IFRS 9	
	Type of Measurement	Book Value	Type of Measurement	Book Value
Financial Assets				
Cash and Cash Equivalents	Amortized Cost	165,296,001.74	Amortized Cost (Note 1)	165,296,001.74
Due From the Central Bank or Call Loans to Other Banks	Amortized Cost	564,211,713.79	Amortized Cost (Note 1)	564,211,713.79
Receivables-Net	Amortized Cost	332,957,693.63	Amortized Cost (Note 2)	332,957,693.63
Loans and Discounts-Net	Amortized Cost	104,745,478,078.86	Amortized Cost (Note 2)	104,745,478,078.86
Held-to-Maturity Financial Assets-Net	Amortized Cost	7,600,000,000.00	Amortized Cost (Note 3)	7,600,000,000.00
Financial Assets (Equity Instrument) Carried at Cost	Cost	90,000,000.00	Fair Value through Other Comprehensive Income (Note 4)	377,203,138.00
Other Assets-Refundable Deposit	Amortized Cost	1,097,375.43	Amortized Cost	1,097,375.43
Provisions for Liabilities				
Guarantee Liability Reserve	Financial Guarantee Agreement	177,224,794.73	Financial Guarantee Agreement (Note 5)	177,224,794.73
Loan Commitment Reserve	Loan Commitment	-	Loan Commitment (Note 5)	-

Note 1: When due from the Central Bank and other banks (cash and cash equivalents) or call loans from banks applies to IAS 39, Eximbank measured the financial assets and liabilities based on the amortized cost. Eximbank has evaluated the business model of these financial assets, and its purpose is mainly to collect contractual cash flows which will continue to be held for this purpose in the future. Therefore, Eximbank maintains the same types of classification and measurement when initially applying IFRS 9, and conducts impairment assessment operations according to the transitional regulation. After evaluation, the credit risk of the instrument is extremely low, and the expected amount of impairment after trial balance is also low. It is proposed not to be accounted for temporarily because it is not significant, however, the qualitative assessment will be adopted every six months, and once there is a major change, the expected impairment amount will be estimated.

Note 2: When IAS 39 is adopted, receivables, discounts and loans are measured at amortized cost. Eximbank assesses the business model of these financial assets. Eximbank has evaluated the business model of these financial assets, and its purpose is mainly to collect contractual cash flows which will continue to be held for this purpose in the future. Therefore, Eximbank maintains the same types of classification and measurement when initially applying IFRS 9, and conducts impairment assessment operations according to the transitional regulation. Considering the short period of the receivables, the credit risk is extremely low, and the estimated amount of impairment is also low, which is not significant, it is not expected to be accounted for. However, it will be subject to yearly qualitative assessment and once there is a major change, the estimated impairment amount will be estimated.

Note 3: When IAS 39 is applied, debt instrument investments are classified as held-to-maturity debt instrument investments. Eximbank intends to hold the assets to maturity date to collect contractual cash flows, and the cash flows of the financial assets are fully paid for the principal and the interest on the amount of the outstanding principal amount. Therefore, when the IFRS 9 is initially applied, it is reclassified to the financial assets measured at the amortized cost, and the impairment assessment is carried out according to the transitional regulation of the standard. However, such debt instruments are evaluated and the credit risk is extremely low, and the expected amount of impairment after trial balance is low, which is not significant, it is proposed not to be accounted for temporarily, and qualitative assessment will be adopted semi-annually. If there is a major change, the expected impairment amount will be estimated.

Note 4: The equity instruments are classified as fair value through other comprehensive income (FVTOCI) as they are not held for trading and at the time of the initial recognition, the option to exercise the irrevocable fair value through other comprehensive income was carried out, and the evaluation operated. Therefore, the carrying amount of these assets and other equity items increased by TWD 287,203,138 on January 1, 2018.

Note 5: The reserve for guarantee and loan commitments are originally set out in accordance with the provisions of IAS 39. Eximbank will evaluate according to the provisions of IFRS 9 on the first application date. However, Eximbank's current off-balance sheet loan commitment amount is the cancelable amount, and the impairment assessment impact number is 0.

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.

Eximbank Financial Information of Operating Segments Fiscal Years 2018 and 2017

TWD Thousand

	FY 2018			FY 2017			
	Credit Business	Export Credit Insurance	Total	Credit Business	Export Credit Insurance	adjustment	Total
Net Interest Income	1,315,694	17,291	1,332,985	1,199,067	16,379		1,215,446
Non-Interest Income	90,343	156,161	246,504	17,300	159,471	86,062	262,833
Net Fees and Commissions	52,116	5,486	57,602	45,675	4,183		49,858
Gains (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss	37,737		37,737	-3,435			-3,435
Gain From Sale of Financial Assets at Fair Value through Other Comprehensive Income	21,312		21,312				
Foreign Exchange Gains (Losses)	-190		-190	-1,722			-1,722
Net Export Credit Insurance Income		164,340	164,340		184,638		184,638
Other Non-Interest Income	-20,632	-13,665	-34,297	-23,218	-29,350	86,062	33,494
Net Operating Income	1,406,037	173,452	1,579,489	1,216,367	175,850	86,062	1,478,279
Bad Debts Expense, Commitment and Guarantee Liability Provision	359,331		359,331	265,942			265,942
Operating Expenses	354,210	195,851	550,061	340,997	179,677		520,674
Net Income (Losses) Before Tax	692,496	-22,399	670,097	609,428	-3,827	86,062	691,663

Note: 1. As Eximbank provides only the amount of loans and the export insurance business volume for the evaluation of assets and liabilities, evaluation of the assets is zero as per the 2010 Ji-Mi-Zi No.151 Directive from the Accounting Research and Development Foundation interpretation.

2. In 2017, due to the MRT acquisition of land and superficies of head office, Eximbank was compensated in the amount of approximately TWD 86,062 thousand, which is not included in the scope of credit or export insurance business, and is therefore included in the adjustment column.



To enhance professional knowledge about offshore wind power, Eximbank invited experts on offshore wind power project finance to lecture in the forum on offshore wind power. (Photo taken in September, 2018)

Note 7. Details of Significant Accounts

1. Cash and Cash Equivalents

Item	Date	December 31, 2018	December 31, 2017
Cash on Hand		15	3
Petty Cash & Revolving Funds		271	271
Checks for Clearance		78	0
Due from Banks		447,755	165,022
Total		448,119	165,296

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

Item	Date	December 31, 2018	December 31, 2017
Due from the Central Bank		369	29,972
Call Loans to Other Banks		503,675	534,240
Total		504,044	564,212

3. Financial Assets at Fair Value through Profit or Loss

Item	Date	December 31, 2018	December 31, 2017
Valuation Adjustments of Financial Assets Held for Trading		0	1,639
Valuation Adjustments of Financial assets at Fair Value through Profit or Loss		1,095	
Total		1,095	1,639

4. Financial Assets at Fair Value through Other Comprehensive Income

Item	Date	December 31, 2018	December 31, 2017
Financial Assets at Fair Value through Other Comprehensive Income		87,041	
Valuation Adjustment of Financial Assets at Fair Value through Other Comprehensive Income		294,633	
Total		381,674	



To implement social care and fulfill its social responsibility, Eximbank donated requisite materials to Taipei Kuanyin-Line Psychology and Social Service Association, and was awarded Certificate of Appreciation. (Photo taken in June, 2018)

5. Debt Instrument Investments Measured at Amortized Cost

Item	Date	December 31, 2018	December 31, 2017
Financial Assets Measured at Amortized Cost		7,600,000	
Total		7,600,000	

6. Receivables-Net

Item	Date	December 31, 2018	December 31, 2017
Earned Revenue Receivable		639	563
Interest Receivable		373,131	242,883
Accounts Receivable for Factoring without Recourse		72,550	42,163
Premium Receivable		34	0
Other Receivable		56,372	149,453
Total		502,726	435,062
Allowance for Doubtful Accounts		-5,270	-102,104
Net Amount		497,456	332,958

7. Loans and Discounts-Net

Item	Date	December 31, 2018	December 31, 2017
Short-Term Loans		22,032,173	20,836,160
Short-Term Secured Loans		9,900	5,000
Medium-Term Loans		62,012,742	57,243,890
Medium-Term Secured Loans		1,637,401	2,582,344
Long-Term Loans		2,843,437	2,368,231
Long-Term Secured Loans		24,814,519	22,769,175
Overdue Loans		0	67,334
Total		113,350,172	105,872,134
Allowance for Doubtful Accounts		-1,339,097	-1,120,756
Discount of Premium		-3,516	-5,900
Net Amount		112,007,559	104,745,478

8. Other financial Assets-Net

Item	Date	December 31, 2018	December 31, 2017
Reinsurance Reserve Assets		232,961	170,897
Financial Assets Carried at Cost		0	90,000
Net Amount		232,961	260,897

9. Property and Equipment-Net

Item	Date	December 31, 2018	December 31, 2017
Land		103,279	103,279
Revaluation Increments-Land		174,791	174,791
Buildings		407,606	405,361
Accumulated Depreciation- Building		-198,153	-190,824
Machinery and Computer Equipment		58,294	53,403
Accumulated Depreciation - Machinery and Computer Equipment		-39,056	-38,167
Transportation Equipment		10,559	10,767
Accumulated Depreciation - Transportation Equipment		-7,186	-8,622
Miscellaneous Equipment		33,984	32,810
Accumulated Depreciation - Miscellaneous Equipment		-21,998	-20,011
Leasehold Improvements		997	956
Accumulated Depreciation- Leasehold Improvements		-997	-743
Net Amount		522,120	523,000

10. Intangible Assets- Net

Item	Date	December 31, 2018	December 31, 2017
Software		47,318	44,608
Total		47,318	44,608



Chairman Shui-Yung Lin accompanied by colleagues participated Berne Union Annual General Meeting in 2018, and exchange export credit insurance information and practical experience with other members. (Photo taken in October, 2018)

11. Other Assets -Net

Item	Date	December 31, 2018	December 31, 2017
Inventory of Supplies		304	293
Prepaid Expenses		43,311	32,000
Other Prepayments		36	30
Temporary Payments and Suspense Accounts		176	76
Refundable Deposits		1,134	1,097
Total		44,961	33,496

12. Due to the Central Bank and Other Bank

Item	Date	December 31, 2018	December 31, 2017
Call Loans From Banks		28,211,658	25,025,452
Total		28,211,658	25,025,452

13. Borrowed Funds from the Central Bank and Other Banks

Item	Date	December 31, 2018	December 31, 2017
Borrowed Funds From the Central Bank		20,060,343	17,576,883
Total		20,060,343	17,576,883

14. Financial Liabilities at Fair Value through Profit or Loss

Item	Date	December 31, 2018	December 31, 2017
Valuation Adjustment of Financial Liabilities Held for Trading		7,677	0
Total		7,677	0



To increase knowledge on money laundering, Eximbank invited professor C. C. Lin, School of Law, National Chiao Tung University to lecture on "Law and Cases on Anti-Money-Laundering and Anti-corruption". (Photo taken in March, 2019)

15. Payables

Item	Date	December 31, 2018	December 31, 2017
Accrued Expenses		105,102	95,010
Accrued Interest		75,511	63,362
other Tax payable		8,094	7,801
Dividends (Official) and Bonuses Payable		0	77,119
Custodial Collections Payable		2,256	541
Commissions Payable		62	8
Reinsurance Benefits Payable		1,960	2,881
Other Payable		55,157	51,837
Total		248,142	298,559

16. Financial Debentures Payable

Item	Date	December 31, 2018	December 31, 2017
Financial Debentures Payable		16,600,000	17,900,000
Discount on Financial Debentures Payable		-4,144	-5,805
Total		16,595,856	17,894,195

17. Other Financial Liabilities

Item	Date	December 31, 2018	December 31, 2017
Commercial Papers Payable		3,000,000	3,000,000
Discount on Commercial Papers payable		-2,999	-3,129
Funds Appropriated for loans		19,661,998	19,152,501
Total		22,658,999	22,149,372



Delegation led by D&B President Asia visited Eximbank to hold in-depth discussion on credit information business.(Photo taken in January, 2019)

18. Provisions

Item	Date	December 31, 2018	December 31, 2017
Guarantee Liability Reserve		207,405	177,225
Unearned Premium Reserve		109,225	110,434
Claim Reserve		463,633	343,333
Employee Benefits Liability Reserve		316,113	313,671
Total		1,096,376	944,663

19. Other Liabilities

Item	Date	December 31, 2018	December 31, 2017
Unearned Premiums		4,670	33
Unearned revenues		61,722	58,779
Refundable Deposits		330	355
Custodial Deposits		1,996	2,051
Temporary Receipts and Suspense Accounts		44,373	89,256
Funds Appropriated for Export Credit Insurance		1,225,459	1,202,089
Total		1,338,550	1,352,563

20. Net Fees and Commissions

Item	Date	January 1, 2018 - December 31, 2018	January 1, 2017 - December 31, 2017
Revenue from Fees and Commissions		78,705	71,247
Expenses from Fees and Commissions		21,103	21,389
Net Amount		57,602	49,858

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

Item	Date	January 1, 2018 - December 31, 2018	January 1, 2017 - December 31, 2017
Gain on Disposal of Financial Assets (+)		23,490	11,698
Gain (+)/Loss (-) on Valuation of Financial Assets		14,463	-6,672
Interest Expenses of Financial Liabilities (-)		0	-9,886
Loss on Disposal of Financial Liabilities (-)		-216	-128
Gain (+)/ Loss (-) on Valuation of Financial Liabilities		0	1,553
Net Amount		37,737	-3,435



22. Net Export Credit Insurance Income

Item	Date	January 1, 2018 - December 31, 2018	January 1, 2017 - December 31, 2017
Export Credit Insurance Income		411,510	388,979
Premium Income		323,748	303,654
Reinsurance Commissions Income		64,502	58,659
Claims Recovered from Reinsurers		23,260	26,666
Unearned Premium Reserve Collected		0	0
Export Credit Insurance Costs		247,170	204,341
Reinsurance Premium		138,802	137,476
Commission Expenses		3,252	2,874
Insurance Claims Payments		48,088	36,818
Provision for Unearned Premium Reserve		1,824	2,974
Provision for Claim Reserve		55,204	24,199
Net Amount		164,340	184,638

23. Other Non-Interest Income

Item	Date	January 1, 2018 - December 31, 2018	January 1, 2017 - December 31, 2017
Other Non-Interest Income		50,440	110,845
Gains from Financial Assets Carried at Cost			21,248
Gains from Disposal of Land, Plant and Equipment		0	83,317
Miscellaneous Income		50,440	6,280
Other Non-Interest Losses		84,737	77,351
Loss on Disposal of Fixed Assets		744	277
Preferential Deposit Interest in Excess		83,993	77,074
Net Amount		-34,297	33,494

24. Bad Debts Expense, Commitment and Guarantee Liability Provision

Item	Date	January 1, 2018 - December 31, 2018	January 1, 2017 - December 31, 2017
Bad Debt Expenses for Loans		320,942	140,509
Bad debt Expenses for Account Receivables Factoring		304	-792
Guarantee Liability Provisions		29,977	25,456
Bad debt Expenses for Other Account Receivables		8,108	100,769
Total		359,331	265,942

VI. Risk Management

6

1. Credit Risk Management System and Capital Requirement

(1) Credit Risk Management System

2018

Item	Contents
1. Credit Risk Strategy, Objective, Policy and Procedure	<p>Eximbank is a specialized, state-owned bank established to support export and import trade. Its main assets are used to provide loans. As a result, its major risks are credit risks of loans. Primary risk management goals are to strengthen credit risk management and to avoid risk from becoming too concentrated. Strategies include conducting risk analyses and assessments on countries, banks, groups, and enterprises while determining their internal credit ratings. To ensure that risk is properly diversified, Eximbank sets limits on country risk, bank risk, industry risk, group/enterprise risk and the risk associated with each client.</p> <p>The credit risk management process includes identifying, evaluating, monitoring and reporting risk. Its range extends to credit risk both inside and outside the balance sheet items (including the existing and the potential ones).</p> <p>Whenever Eximbank undertakes daily business or starts new Financial products, it must first determine the related credit risks. Also, when conducting business with associated credit risks, it needs to assess the potential losses for each loan, investment or trade thoroughly. Appropriate countermeasures, including risk avoidance, transfer, offset, control and acceptance, are required.</p>

Item	Contents
2. Organization Structure of Credit Risk Management	<p>The Board of Directors is the supreme decision-making level of Eximbank's credit risk management. The Credit Committee is responsible for reviewing the credit risk of cases at and above the level of executive vice presidents' authorization. The Non-Performing/ Non-Accrual Loans Committee is responsible for supervising and evaluating disposal of non-performing/non-accrual loans. The Department of Risk Management is in charge of Eximbank's overall credit risk management. Each business unit supervises and monitors the credit risk implementation of its subordinate units, which shall all follow the relevant regulations and provisions of credit risk management.</p>
3. Scope and Characteristics of the Credit Risk Reporting and Evaluation System	<p>Eximbank has established a customer data integration system, a risk assessment system, a credit registry system and a risk management system in order to manage risks associated with its credit extension business and to monitor loans to all borrowers' credit portfolios. The customer data integration system wherein is used to compile basic data for individual clients, the credit system is used for approving and granting loans, and an objective analysis must be executed using the risk assessment system before credit is granted. The risk management system runs up daily exposure for analysis and for executives to use for decision-making purposes. 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. Based on the regulations prescribed by the competent authority, Eximbank discloses qualitative and quantitative data associated with its credit risks on the website.</p>
4. Credit Risk Hedging and Risk Mitigation Policies / Strategies and Procedures of Monitoring Instruments for Hedging and Risk Mitigation	<p>Eximbank has also established "Country Risk", "Financial Risk" and "Corporate Credit Risk" early warning indicators. For each debtor, it established a rating system and sought assistance from international credit agencies. For countries with a relatively high risk level (Level C – and below), financial institutions or credit customers at Level C- or below, or when there were recent negative reports about a particular country or a bank, Eximbank analyzed warning indicators to interpret risks and to strengthen risk management as a reference when considering to extend its business.</p> <p>To lower credit risk, export financing cases such as medium or long-term export loans for turn-key factory equipment or full line equipment exceeding USD 1 million shall be taken under technical evaluations and should produce reports along with credit evaluation reports for reference. In addition, for relatively high-risk financial cases, clients are requested to arrange export insurance through Eximbank to mitigate risk. 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. In addition to strengthening the prior review and approval process, Eximbank conducts follow-up measures after crediting to well grasp the information about clients' financial status and to ensure the creditor's rights when handling the lending operations.</p>
5. Method Applied for Legal Capital Requirement	<p>Eximbank has applied the capital requirement for credit risk based on the "Standardized Approach" of the Basel III Capital Accord.</p>

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

December 31, 2018

TWD Thousand

Type of Exposure	Credit Risk Exposures after Mitigation	Capital Requirement
Sovereign	21,207,405	339,318
Public Sector Entities/ Non-Central Government	-	-
Banks (including Multilateral Development Banks)	17,110,870	1,048,677
Corporate (including Securities and Insurance Corp.)	85,914,946	5,682,188
Regulatory Retail Portfolios	840,588	44,067
Residential Property	-	-
Rights of Securities Investment	-	-
Other Assets	937,815	84,661
Total	126,011,624	7,198,911



Chairman Shui-Yung Lin visited well-known grain dryer research and development manufacturer to introduce various high quality financial services of Eximbank. (Photo taken in June, 2018)

2. Operational Risk Management System and Capital Requirement

(1) Operational Risk Management System

2018

Item	Contents
1. Operational Risk Strategy and Procedure	<p>Eximbank's operational risk strategy includes strengthening internal controls, ensuring that employees abide by regulations, conducting training and displaying standard operating procedures on an internal website for staff to refer to and comply with. In addition, Eximbank has also established "Guidelines for Decentralization of Responsibility and Detailed List" expressing division of authority and responsibility as well as facilitating daily operations.</p> <p>Operational risk management includes determining and evaluating risk along with monitoring and reporting. It establishes operational risk management mechanisms of major products, business activities, operating procedures and other relevant systems. Before launching new products, business activities, procedural changes or system promotions, it is necessary to ensure that operational risk evaluations have been completed.</p> <p>Operational risk management is objective, consistent, transparent, complete and comprehensive.</p>
2. Organizational Structure of 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>



SME Owners led by Mr. Y. L.Yeh of Head of SME Elites Society visited Eximbank .(Photo taken in October, 2018)

Item	Contents
3. Scope and Characteristics of Operational Risk Reporting and Evaluation System	<p>Eximbank complies with the systems in charge, operates a risk self-assessment approach and internal auditing systems to manage and mitigate operational risk pursuant to the decrees.</p> <p>Data shall be gathered and reported to related units and supervisors who then should formulate response measures when major losses occur to any unit.</p> <p>Eximbank discloses qualitative and quantitative data associated with its operational risks on the website based on the regulations provided by the competent authority.</p>
4. Operational Risk Hedging and Risk Mitigation Policies / Strategies and Procedures of Monitoring Instruments for Hedging and Risk Mitigation	<p>Eximbank's "operational risk management standards" expressed the processing method of risk identification, assessment, monitoring and control / offset. By means of measures of insurance, outsourcing and other risk transfer, it achieved the effect of risk mitigation and fully implemented operational risk management.</p> <p>Eximbank expressly prescribed the authorization scope of the business, division of responsibilities and reporting lines in order to clarify the responsibilities incumbent upon all sectors in accordance with "Guidelines for Decentralization of Responsibility".</p> <p>To avoid litigation, all units of Eximbank shall handle the legal compliance pursuant to the "Directions for Implementation of Legal Compliance Control System for The Export-Import Bank of the Republic of China". Eximbank has established Information Security Protection Mechanism and provided an emergency response plan to ensure that the business is enabled and the losses are controlled to the minimum in event of an emergency.</p> <p>It is required to strengthen the risk management education and training in order to enhance operational risk awareness and to improve operational risk management environment.</p>
5. Method Applied for Legal Capital Requirement	Eximbank has applied the capital requirement for operational risk based on the "Basic Indicator Approach" of the Basel III Capital Accord.

(2) Operational Risk-Based Capital Requirement

December 31, 2018

TWD Thousand

FY	Gross Profit	Capital Requirement
2016	1,464,305	
2017	1,466,033	
2018	1,613,786	
Total	4,544,124	227,206



3. Market Risk Management System and Capital Requirement

(1) Market Risk Management System

2018

Item	Contents
1. Market Risk Strategy and Procedure	<p>Eximbank is an official export credit institution and policy bank. Since most of its financial operations focus on hedging risk, it must keep its exposure to market risks small while adopting prudent market risk management policies. It carefully evaluates trade content while managing risks.</p> <p>Procedure of market risk management includes risk identification, assessment, measuring, monitoring, control and reporting.</p> <p>For all types of financial products, Eximbank must identify the portfolio of potential market risks on which to be based for measuring. Eximbank also builds effective evaluation mechanisms for risk monitoring as part of its day- to-day operations. Its monitoring contents include transaction units as well as overall and individual transaction process of commodities undertaken to ensure that the transaction's objectives, model, position, and flexible loss and profit are underway subject to authorized limitations.</p> <p>Market risk management should be independent, objective, consistent, transparent, comprehensive and timely in principle.</p>
2. Organizational Structure of Market Risk Management	<p>The Board of Directors is the supreme decision-making level of Eximbank's market risk management and it takes the ultimate liability for market risk. The Department of Risk Management plays the role of mediator for managing market risk and passing its findings on to the Board of Directors. Meanwhile, the Department of Finance, which also oversees the Offshore Banking Unit, controls operational risks, emphasizes further monitoring on limits and conducts position management.</p>
3. Scope and Characteristics of the Market Risk Reporting and Evaluation System	<p>Eximbank's market risk system is part of its funding system. It provides real-time control over transaction position amounts. Eximbank also established a daily control mechanism to observe changes in exchange market transaction positions and foreign exchange gains or losses.</p> <p>When a unit undertakes a transaction, it shall report to the supervising authority and ensure that the information is accurate and valid. If limits are surpassed, major market changes occur, or irregular situations arise, relevant units must provide prompt reports.</p> <p>To effectively manage market risks, Eximbank regularly reports on how it controls market exposures, positions and amounts to the Board of Directors. The information serves as a reference for policy-making.</p> <p>Eximbank discloses on its website qualitative and quantitative data associated with its market risks based on the regulations prescribed by the financial supervisors.</p>

VI. Risk Management

Item	Contents
4. Market Risk Hedging or Risk Mitigation / Strategies and Procedures of Monitoring Instruments for Hedging and Risk Mitigation	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. Related units should be consulted and evaluations should be conducted as a due diligence before establishing a transaction position.
5. Method Applied for Legal Capital Requirement	Eximbank has applied the capital requirement for market risks based on the "Standardized Approach" of the Basel III Capital Accord.

(2) Market Risk-Based Capital Requirement

December 31, 2018

TWD Thousand

Risk	Capital Requirement
Interest Risk	-
Equity Position Risk	-
Foreign Exchange Risk	1,744
Commodity Risk	-
Total	1,744



To support social welfare with actions, Eximbank conducted "Donate Blood with Love, It is Irreplaceable" activity with Taiwan Blood Foundation. (Photo taken in March, 2019)

4. Liquidity Risk

(1) Duration Analysis of Prime Assets and Liabilities

Term Structure Analysis of TWD-Denominated Assets and Liabilities December 31, 2018

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	73,485,319	5,364,829	5,856,918	4,932,168	6,247,766	14,824,969	36,258,669
Major Outflows of Matured Funds	92,359,945	8,870,735	7,937,954	8,868,492	4,268,035	20,001,723	42,413,006
Gap	-18,874,626	-3,505,906	-2,081,036	-3,936,324	1,979,731	-5,176,754	-6,154,337

Note: The table refers to New Taiwan Dollar amounts held in head office and domestic branches excluding foreign currencies.



Vice President Cynthia Wu and Independent Director Sheng-Yann Li of Shin Kong Financial Holding Co., Ltd. visited Eximbank. (Photo taken in January, 2019)

Term Structure Analysis of USD-Denominated Assets and Liabilities December 31, 2018

USD Thousand

	Total	Amount by Time Remaining Before Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Major Inflows of Matured Funds	1,733,683	90,066	107,458	60,047	115,704	1,360,408
Major Outflows of Matured Funds	2,005,225	710,216	33,409	46,365	56,886	1,158,349
Gap	-271,542	-620,150	74,049	13,682	58,818	202,059

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.



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