

VII Operations Summary

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I. Scope of Business

Chunghwa Post may, in accordance with Article 5 of the Postal Act, engage in the following businesses:

1. Mail delivery
2. Postal savings
3. Remittance services
4. Postal simple life insurance
5. Philately and related merchandise
6. Management of postal assets
7. Chunghwa Post may, subject to the approval of the Ministry of Transportation and Communications (MOTC), operate as an agent for other businesses, make investments or engage in relevant businesses as described in subparagraphs 1 to 6 of this article hereof.

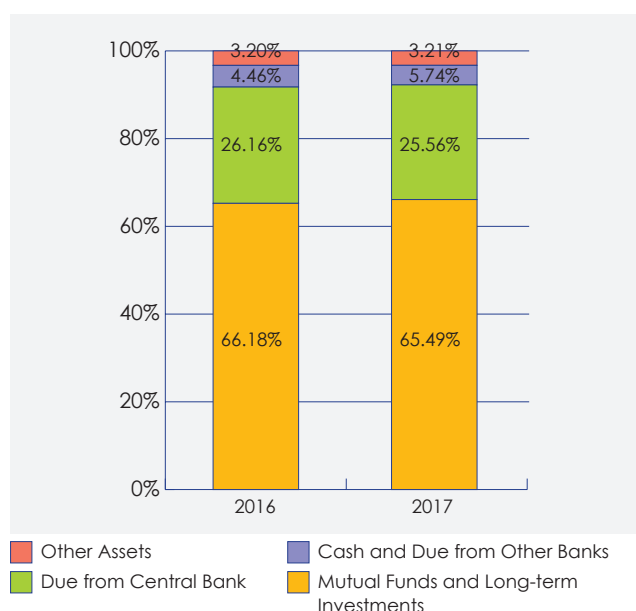
Percentage of Major Assets and Liabilities to Total Assets, 2016 and 2017

Unit: NT\$ 1,000; %

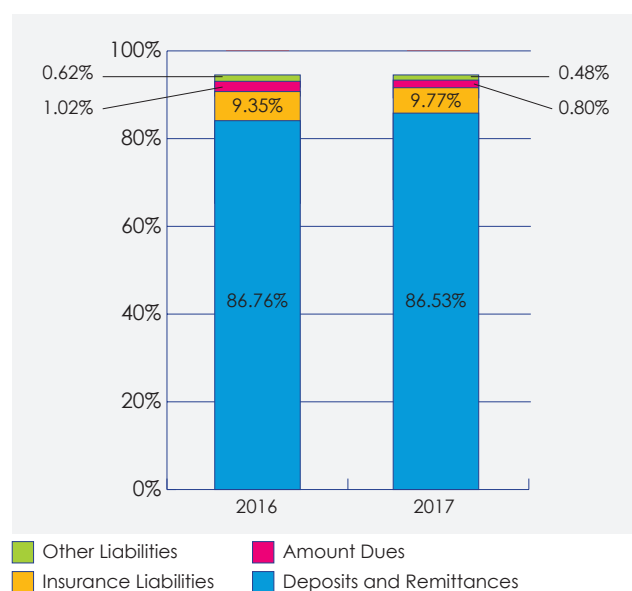
Major Items	2016		2017	
	Amount	%	Amount	%
Total Assets	6,909,761,618	100.00	7,009,360,630	100.00
Mutual Funds and Long-Term Investment	4,573,095,287	66.18	4,590,120,791	65.49
Due from Central Bank	1,807,288,531	26.16	1,791,887,579	25.56
Cash and Due from Other Banks	308,398,555	4.46	402,471,133	5.74
Other Assets	220,979,245	3.20	224,881,127	3.21
Total Liabilities	6,754,468,401	97.75	6,839,556,931	97.58
Deposits and Remittances	5,994,921,433	86.76	6,065,296,928	86.53
Insurance Liabilities	646,177,801	9.35	684,815,645	9.77
Amount Dues	70,247,578	1.02	56,223,028	0.80
Other Liabilities	43,121,589	0.62	33,221,330	0.48

Note: Figures for 2016 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2017 are CPA approved.

Comparison Chart of Asset Allocation, 2016 and 2017



Comparison Chart of Liabilities, 2016 and 2017



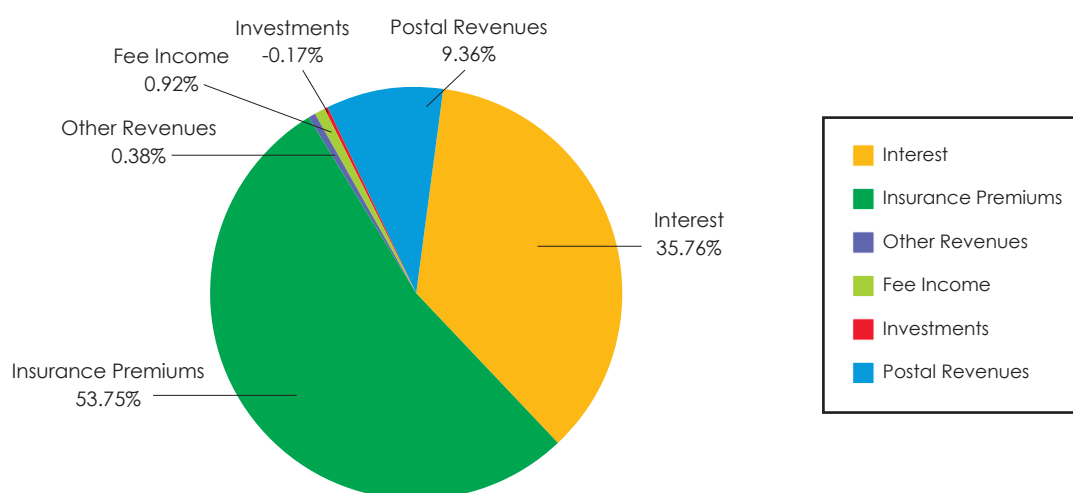
Percentage of All Business Revenues, 2016 and 2017

Unit: NT\$ 1,000; %

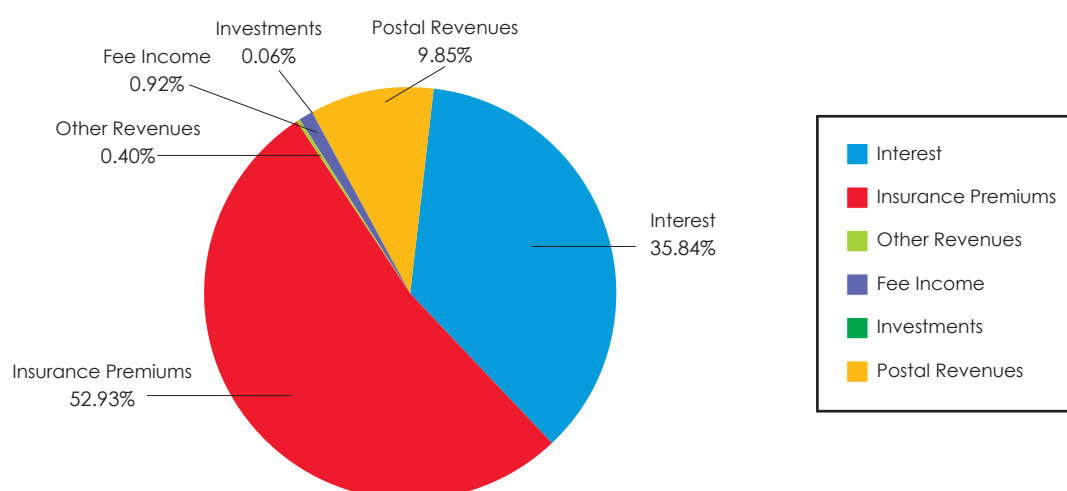
Item	2016		2017	
	Amount	%	Amount	%
Insurance Premiums	146,160,501	53.75	143,778,905	52.93
Interest	97,230,073	35.76	97,340,626	35.84
Postal Revenues	25,451,509	9.36	26,765,573	9.85
Investments	(468,914)	(0.17)	162,837	0.06
Fee Income	2,494,861	0.92	2,490,193	0.92
Other Revenues	1,037,421	0.38	1,086,393	0.40
Total Revenues	271,905,451	100.00	271,624,527	100.00

Note: Figures for 2016 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2017 are CPA approved.

Sources of Business Revenues, 2016



Sources of Business Revenues, 2017



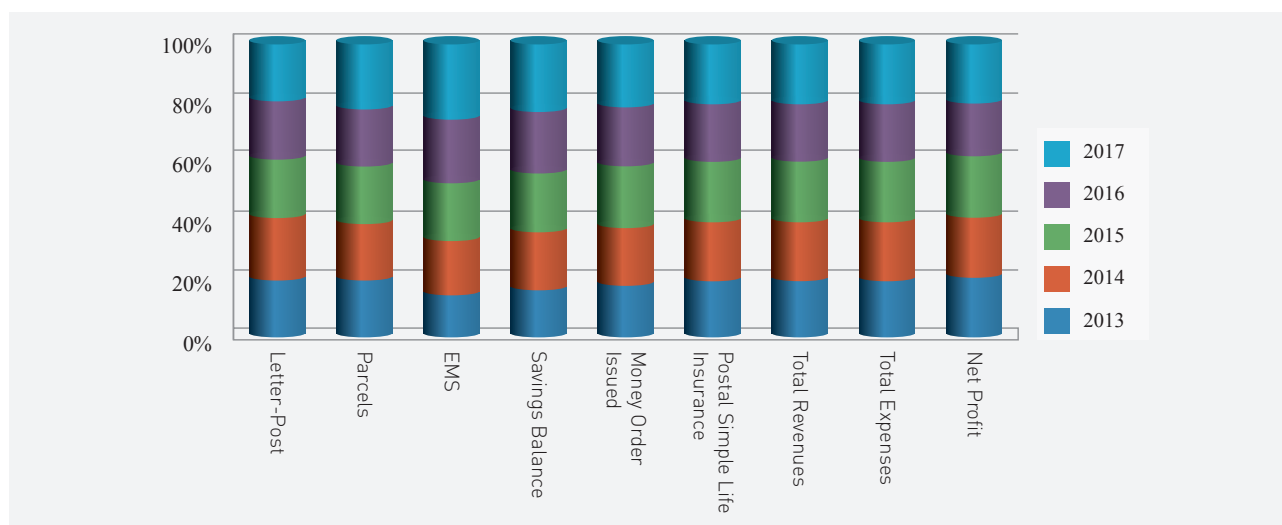
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Business Highlights over the Past 5 Years

Item	Unit	2013	2014	2015	2016	2017
1. Letter-Post	Million pcs.	2,700	2,755	2,612	2,504	2,352
2. Parcels	Thousand pcs.	25,600	23,562	24,172	23,833	24,605
3. EMS	Thousand pcs.	7,538	8,194	8,859	9,806	10,849
4. Savings Balance	Million NT\$ Dollars	5,210,943	5,547,399	5,822,490	6,003,341	6,074,316
5. Money Order Issued	Thousand pcs.	16,027	16,577	17,187	17,114	16,769
6. Postal Simple Life Insurance	Thousand pcs.	2,754	2,645	2,665	2,585	2,465
7. Total Revenues	Million NT\$ Dollars	286,871	286,005	286,692	272,120	271,936
8. Total Expenses	Million NT\$ Dollars	274,810	274,011	274,912	262,313	261,328
9. Net Profit	Million NT\$ Dollars	12,061	11,994	11,780	9,807	10,608

Note: Figures for 2013, 2014, 2015, 2016, and 2017 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2013 and 2014 were also recompiled, following adjustment, in line with the 2013 IFRS; figures for 2017 are CPA approved.

Business Highlights over the Past 5 Years



(I) Mail Services—No Boundaries

1. Letter-post items

The rapid development of information technology in recent years has promoted the widespread use of the Internet and e-mail. As it is becoming more and more convenient for clients to obtain information services, the use of mail delivery, a traditional way of communication, has gradually declined. Letter-post service nowadays is faced with a number of challenges. In addition to the price war initiated by private corporations, telecommunications operators and banks have also started to send more than one bills in a single letter, while some bills are even e-mailed only.

The offshoring of some industries also makes the volume and number of letter-post items sent and received hard to grow. Besides, the rate adjustment of delivering a domestic letter has been applied since August 1st, 2017, and this caused the items sent and received in 2017 thus dropped to 2,331.09



million pieces, which is 5.98% lower than the 2,479.38 million pieces in 2016. The correspondence posted per capita was 98.9. International letter-post items sent and received in 2017 totaled some 20570 thousand pieces, 17.12 % lower than that in 2016, which was some 24820 thousand pieces.

2. Parcels

A total of 23,920,000 pieces of domestic parcels were delivered in 2017, 3.59% higher than that in 2016. In order to enhance Chunghwa Post's competitiveness in the parcels sector, we have been striving to improve the quality of our delivery services by engaging in the exchange of mailing information with online shops as well as the integration of multiple services. We have also continued to encourage local farmers to sell quality produce on our online shopping site, Post Mall, thereby promoting the sales of produce and specialties through e-commerce and increasing our revenues.

The international parcels sent and received in 2017 totaled 684,470 pieces, 7.73% lower than the 741,779 pieces in 2016.

3. Express Mail Service (EMS)

With the online shopping markets both at home and abroad witnessing a boom driven by the fast-growing e-commerce industry, the demand for B2C delivery and cross-border logistics has also increased. Express mail delivered domestically in 2016 totaled 9,353,000 pieces, up 15.09% compared with the previous year. Chunghwa Post will continue to offer integrated logistics services such as doorstep pick-up, express delivery, cash on delivery, and reverse logistics operations in order to meet online shopping merchants' demand for multi-channel services. Services catering to senders will also be upgraded with a view to ensuring a stable growth in the number of items we are entrusted to deliver.

The volume of international express mail sent and received in 2017 amounted to 1,495,596 pieces, 10.93% lower than the 1,679,138 pieces in 2016.

4. E-mail service

We at Chunghwa Post seek to promote our e-mail service and ensure the security of our clients' data. Our management system has met the ISO27001 information security standard, and we are being reviewed every 6 months with an aim to further boost clients' confidence and strengthen our competitiveness. A total of 314,660,000 e-mails were handled in 2017, 1.17% higher than that in 2016.

5. Cross-strait

The direct mail service between both sides of the Taiwan Strait was launched on December 15th, 2008. Over the past 9 years, the direct air and sea transport across the strait have seen substantial development, and related services in both Taiwan and China have also been streamlined. We at Chunghwa Post are therefore able to maintain a stable quality in our delivery of letter-post items, parcels, and express mail. Our comprehensive services have, in addition to satisfying the public's demand for mail delivery, promoted cross-strait economic and trading activities as well. Below are our achievements in 2017.

(1) Cross-strait mail delivered in 2017

The volume of mail sent from Taiwan amounted to more than 3,690,000 items, 13.97% lower than that in the previous year; more than 3,160,000 items were received from China, 5.91% lower than the volume in the previous year.

(2) Execution of the Cross-Strait Postal Service Agreement and the cooperation and communication of cross-strait postal service

We visited mainland China in April and June in 2017 for business communications, and in June, 2017, we invited the China Cross-strait Postal Exchange Association to attend 2017 Cross-Strait Postal

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Development Seminar held in Taiwan. In September, we also attended the Cross-Strait Precious Stamp Exhibition held at Tianjin Postal Museum in Mainland China. Furthermore, we invited the China Cross-strait Postal Exchange Association to Taiwan in December. During their visit, we discussed and exchanged ideas about cross-strait postal service (including e-commerce cooperation), savings and remittances, life insurance, information and philately. During the year, the exchange of ideas about postal services, operation, and cooperation went on between cross-strait postal agencies.

(3) Start operating Amoy Exchange Office

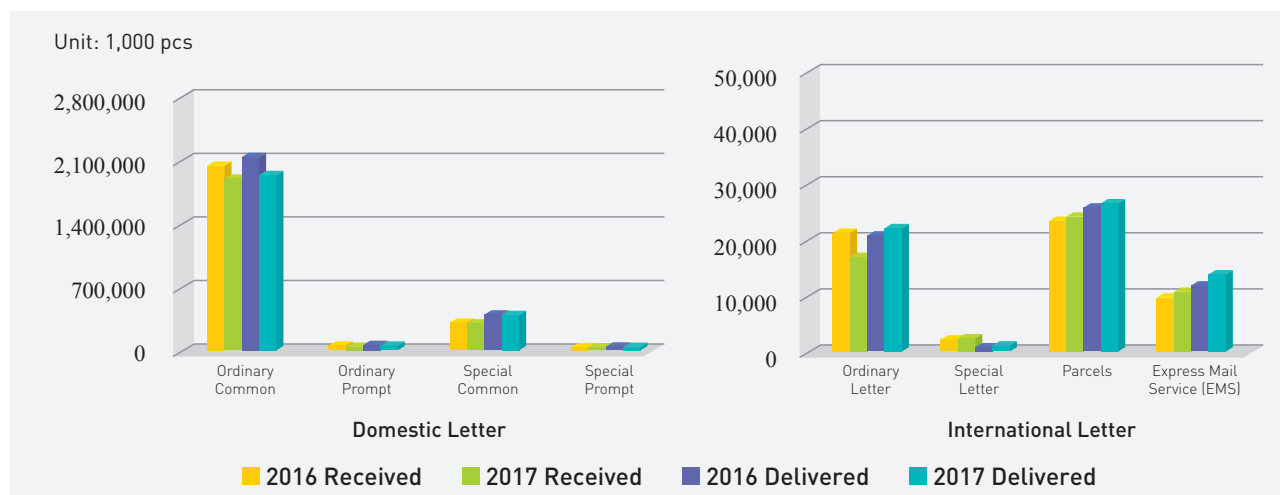
In order to improve the efficiency and quality of cross-strait speed post (EMS) services and provide people in the cross-strait regions with efficient and convenient service, the Amoy Exchange Office has officially started operating since December 2017. In the future, we will continue to offer a range of refined, excellent, efficient and convenient cross-strait postal services for both general and commercial purposes.

Number of Mail Items Received and Delivered, 2016 and 2017

Units: 1,000 pcs

Mail Item			Received		Delivered	
			2016	2017	2016	2017
Domestic Letter	Ordinary	Common	2,125,668	1,989,506	2,236,174	2,030,746
		Prompt	39,265	33,151	47,389	46,011
	Special	Common	292,201	288,165	385,695	380,665
		Prompt	22,246	20,275	26,548	23,459
	Sub-total		2,479,380	2,331,097	2,695,805	2,480,881
International Letter	Ordinary	22,448	18,257	22,258	22,954	
	Special	2,380	2,323	929	1,154	
	Sub-total	24,828	20,580	23,187	24,108	
Parcels	Domestic	23,091	23,920	25,617	26,314	
	International	742	685	641	683	
	Sub-total	23,833	24,605	26,258	26,997	
Express Mail Service (EMS)	Domestic	8,127	9,353	10,161	11,814	
	International	1,679	1,496	2,044	2,250	
	Sub-total	9,806	10,849	12,205	14,064	
Total			2,537,847	2,387,131	2,757,455	2,546,050

Number of Mail Items Received and Delivered, 2016 and 2017



6. Mail routes

(1) Domestic mail routes

Efficiency, safety, accessibility, precision, and affordability are valued in postal services. Therefore, domestic delivery is carried out with the support of a wide array of transportation resources offered by both the government and the private sector. In addition, we at Chunghwa Post also provide our own transportation vehicles and facilities, thereby constructing a delivery network which consists of highways, railroads, waterways, and air routes. By the end of 2017, the combined length of all the routes within the intricate network, which encompasses the Taiwan island, the Penghu County, the Kinmen County, and the Matsu Islands, had reached an impressive 116,400.5 kilometers.

(2) International mail routes

As Taiwan is an island, most international mail is delivered through air or over water. Taiwan's international mail routes start here on the island, extend overseas, and end at the exchange offices of foreign countries where cross-border mail is exchanged in bulk. By the end of 2017, the international air routes (EMS routes included) and waterways had reached 1,201,551 and 591,116 kilometers respectively.

Mileage of Mail Route, 2016 and 2017

Unit:KM

Type	2016	2017	%
I. Land	117,856	110,224	-6.48%
High-speed Railway	345	345	0%
Railroads	426	service stopped	-
Highways	27,228	20,039	-26.40%
Others	89,857	89,840	-0.02%
II. Waterways	594,913	592,629	-0.38%
Domestic	1,513	1,513	0%
International	593,400	591,116	-0.38%
III. Air Routes	1,205,582	1,205,788	0.02%
Domestic	4,031	4,237	5.11%
International	1,201,551	1,201,551	0%

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(II). Savings Services – The Public Treasurer

Developed based on the idea that postal agencies are easily accessible to the general public, the postal savings system is aimed at providing services to all Taiwanese nationals. Postal savings accounts come in three types: passbook accounts, time deposit accounts, and giro accounts. As the government continues to encourage thrift and saving, all three types of accounts have absorbed large amounts of hot money, which was subsequently used to fund major constructions of Taiwan and stabilize the domestic financial market. Despite negative factors such as the 2008 financial crisis, economic downturns, offshoring, and capital outflows, the postal savings system still outperforms all the other financial institutions in Taiwan in terms of the number of accounts and the total savings balance thanks to the robust operations of Chunghwa Post over the years. In the future, we will keep striving to expand our services in the fields of i-Post, Mobile Post APP, payroll direct deposit, online ATM, and VISA debit card services in order to increase our share in the passbook savings market. We will also strive to deliver services through a more diversified range of electronic channels and expand our scope of business, thereby enhancing our competitiveness.

Chunghwa Post's giro account, which allows account holders to make deposits and withdrawals as well as transfer payments and remittances, is one of the most unique services provided in the Taiwanese financial industry. Giro deposit slips are sent in the electronic form to increase the efficiency of giro payment; in the case of a giro deposit where the payer is to be specified, payer information is sent electronically to the recipient so that no manual write-off is needed. In addition, holders of giro accounts can also make transfers and request checks therefrom, which are two functions of demand deposit accounts. In the future, we at Chunghwa Post will continue to promote our online, ATM, and ACH payment channels in order to make it more convenient for our clients to send and receive payments. We will also be in line with the finance digitization policy of the government, providing our clients with convenient and safe channels of mobile payment and e-payment.

At the end of 2017, the number of accounts totaled over 35,910,000, 1.18% more than that of 2016, while the balance of all accounts combined had climbed 0.79% compared with the previous year to NT\$ 6074.3 billion, which translates into more than NT\$ 160,000 per account.

1. New services introduced in 2017

- (1) Open a nationwide payment website by current account for immediate payment
Since July 26th, 2017, the e-Bill online payment website has started to operate. On the website, users can make various kinds of payments for their own expenses with their passbook savings accounts and ID card numbers.
- (2) Cross-strait e-commerce payment service
Since August 1st, 2017, Chunghwa Post has partnered with Alipay to offer cross-strait cash outbound service, which allows depositors (not under the age of 20) to make purchases and payments on Taobao and Tmall of mainland China.
- (3) Inter-bank ATM cardless withdrawal
From October 12th, 2017, depositors of Chunghwa Post can apply for cardless withdrawal service over the counter or through online ATM and receive a serial number that allows the depositors to withdraw cash from ATM machines of other financial institutions without bank cards. Clients of other financial institutions that provide cardless withdrawal service can also withdraw cash from the ATM machines of Chunghwa Post without bank cards.
- (4) Issuance of the "Postal HCE (hot card emulation) Smartphone Visa Card"
With the service started from December 29th, 2017, Chunghwa Post is the first financial institution



to provide smartphone payment service that allows users to make debit card payments through smartphone.

With a smartphone updated to android 5.0 or later, the user can make mobile payments in stores worldwide that offer contactless payment services by installing the "t wallet" app, completing registration and adding "Chunghwa Post Visa Card," turning the card into an "HCE Smartphone VISA Card" to purchase merchandise at any VISA physical store with inductive credit card machine in domestic and global markets.

2. Improved working procedures

To shorten the time taken to reissue a debit card, since December 14th, 2017, the immediate card reissuance service has been offered at 24 branch offices in Taiwan. The service allows depositors to receive the replacement card immediately after applying for reissuance instead of waiting for 3-5 days. In the future, the number of branch offices that offer this service will increase and the immediate reissuance service of inductive debit cards will be offered.

3. New services intended for the convenience of the public

To be in line with the policy of administrative authorities to digitalize financial environment and provide related services:

(1) "New Generation iPost" service

With Responsive Web Design, the "New Generation iPost," available since March 29th, 2017, supports more operating systems and offers strengthened security, clear and concise interfaces and optimized operational processes.

(2) Online appointment service for account change application and inheritance application

From June 21st, 2017, the new clients can make appointments on iPost to apply for services like "seal/signature changes," "declaring loss of passbook and requesting a duplicate passbook," "savings account inheritance," and so on.

(3) iPost user-friendly services

To offer convenient services to the visually impaired, the user-friendly version of iPost has been available since August 1, 2017. With simplified dealing functions and an intuitive and simplified process guidance, visually impaired users can complete operations step by step.

(4) Online form fill-up service

Online form fill-up service on iPost and Mobile Post App has been offered since December 29th, 2017, allowing clients to fill out banking service forms online and print the forms out or save the bar codes of the forms and provide for clerks over the counter without filling up hard copy forms.

(5) To make it more convenient for remittance, we continued to add inter-bank remittance into the services of regional offices. By the end of 2017, there have been 1, 262 post offices providing the service.

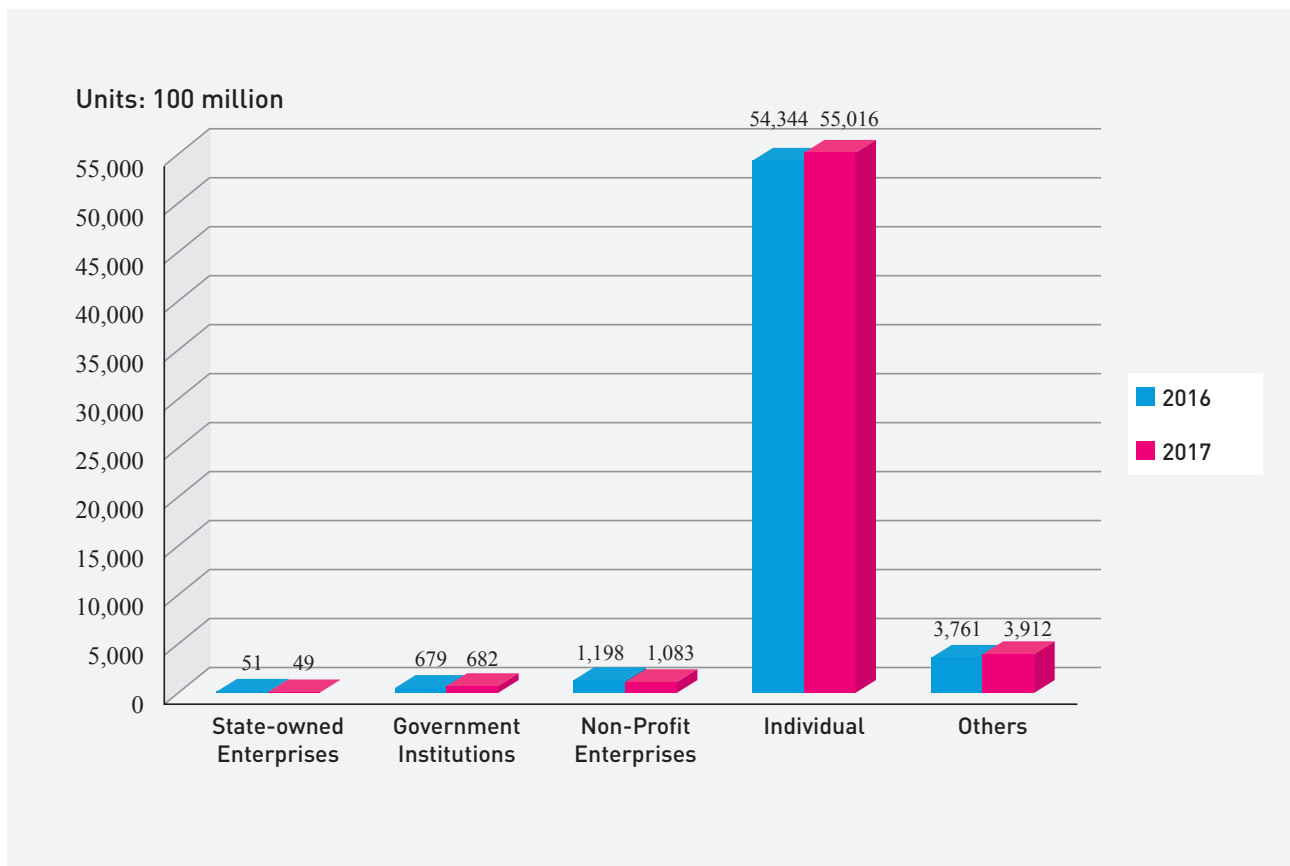
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Volume of Postal Savings Services

Unit: NT\$ Million

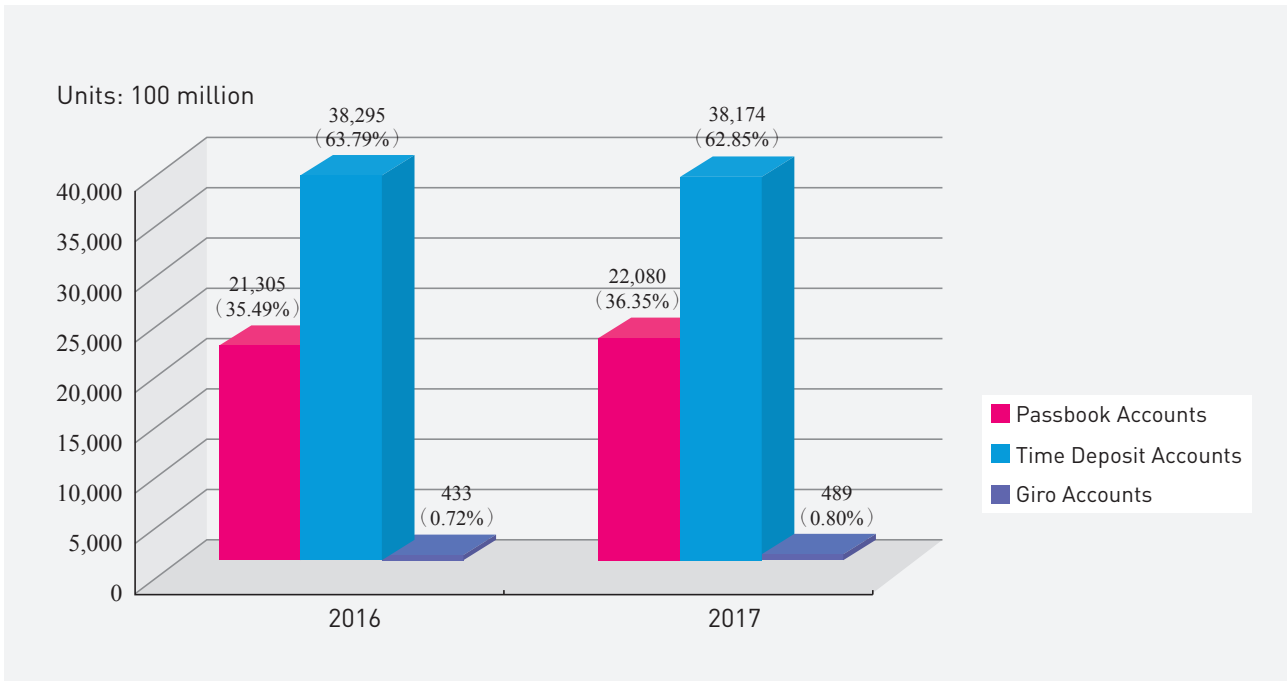
Type	Number of Deposits		Number of Withdrawals		Number of Accounts		Total Balance	
	2016	2017	2016	2017	2016	2017	2016	2017
Passbook Accounts	256,349,952	262,507,740	377,569,091	386,211,490	27,810,439	28,083,202	2,130,484	2,207,980
Time Deposit Accounts	7,269,134	7,269,074	46,134,414	45,312,492	6,227,135	6,239,246	3,829,520	3,817,388
Giro Accounts	55,327,068	52,180,941	12,738,732	12,304,851	1,596,542	1,591,713	43,337	48,948
Total	318,946,154	321,957,755	436,442,237	443,828,833	35,634,116	35,914,161	6,003,341	6,074,316

Savings Accounts Holders, 2016 and 2017

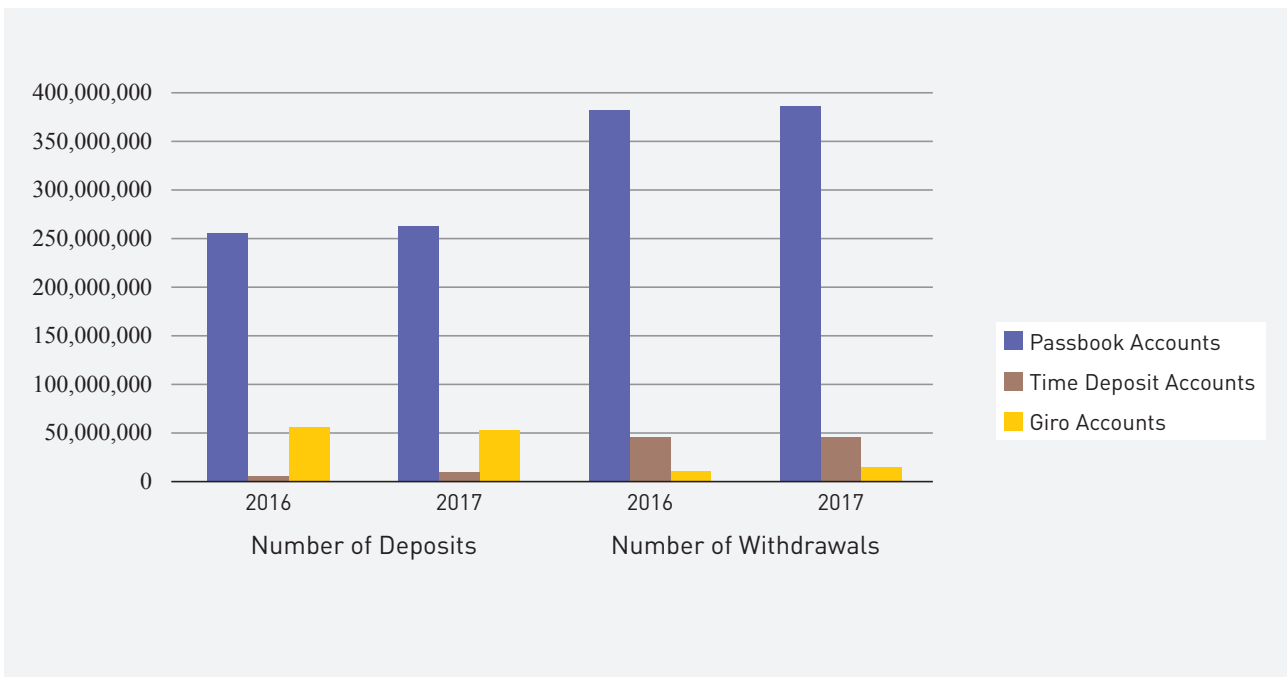




Comparison Chart of Postal Savings Services, 2016 and 2017

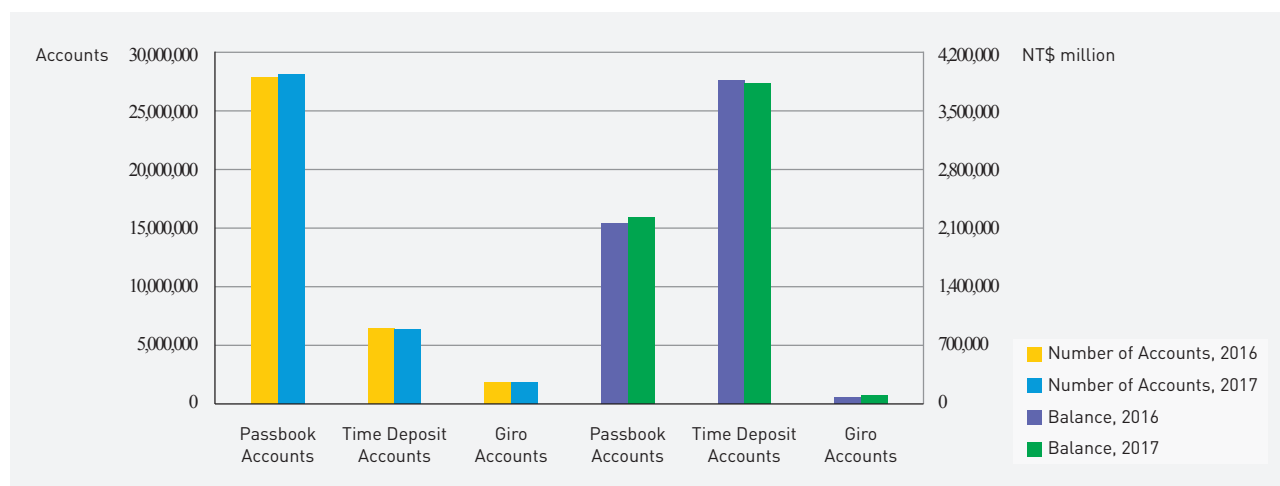


Numbers of Deposits and Withdrawals of Various Types of Accounts, 2016 and 2017



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Numbers of Accounts and Balances of Various Types of Accounts, 2016 and 2017



(III) Remittance Services – Worldwide Remittance Service

Chunghwa Post's convenient and efficient remittance services, which are provided through a nationwide remittance network, play a significant role in stimulating the flow of funds and the financial market in Taiwan. For domestic remittances, we currently accept postal money orders, remittances between postal passbook accounts, fax money orders, postal gift coupons, as well as remittances between Chunghwa Post and commercial banks. As for the international sector, we handle international postal money orders, outward/inward international remittances, as well as the exchange of foreign currencies and travelers' checks in US dollars. By the end of 2017, the number of branch offices which provide international remittance services, including the trading of foreign currency, had reached 271, and the Taoyuan International Airport as well as 29 scenic areas/regional branch offices had been appointed to undertake the exchange of foreign currencies and the trading of US dollar travelers' checks.

In 2017, funds remitted through Chunghwa Post amounted to NT\$ 1,697.4 billion, up 1.59% compared with 2016, while money orders totaled more than 16,760,000, down 2.02% compared with 2016.

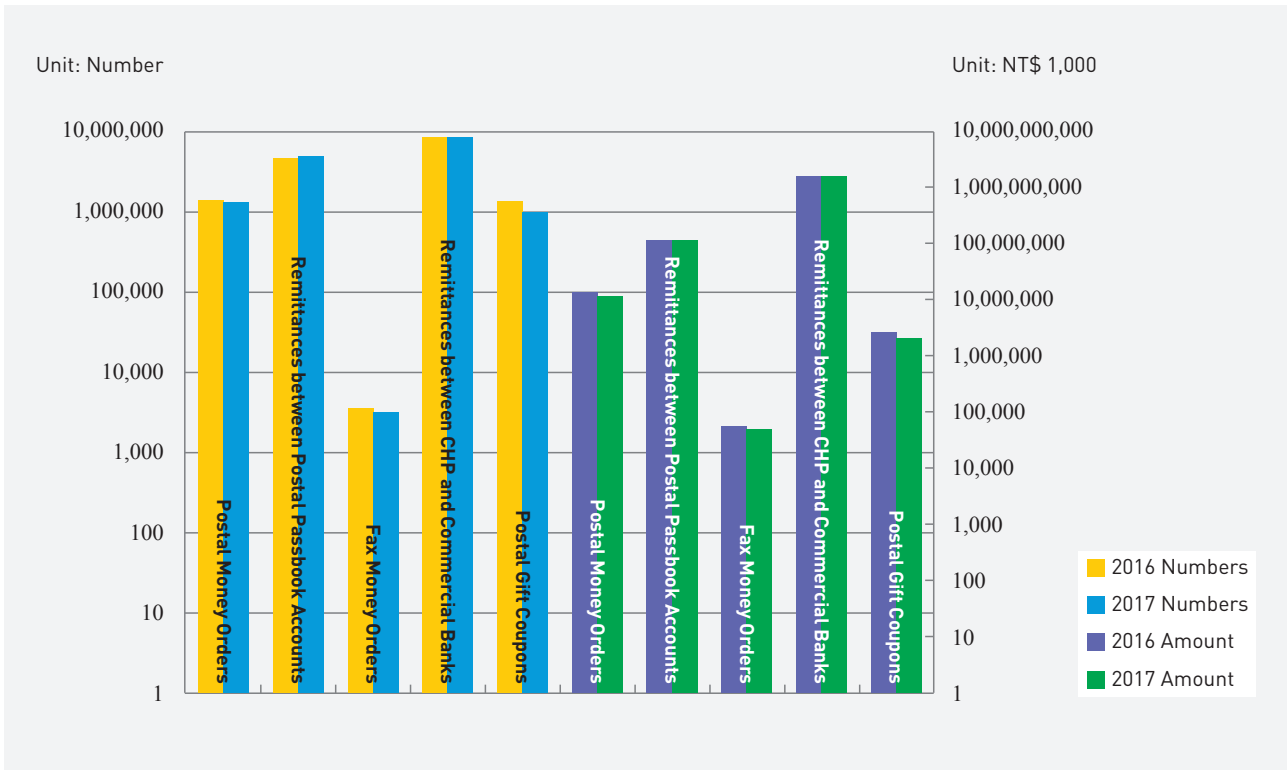
Volume of Remittance Services

Unit: NT\$ 1,000

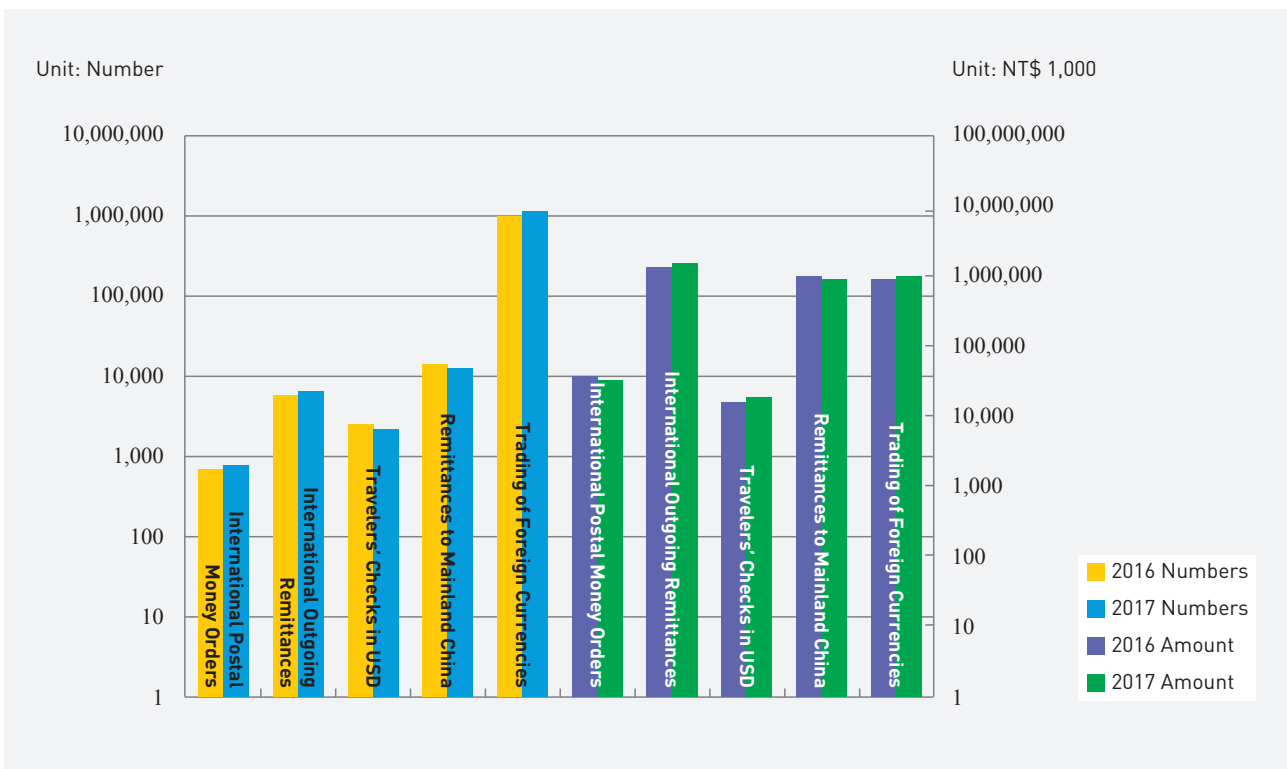
Type	Number		Amount	
	2016	2017	2016	2017
Postal Money Orders	1,416,811	1,295,080	13,769,149	11,833,152
Remittances between Postal Passbook Accounts	4,681,699	4,764,913	114,619,451	114,076,135
Fax Money Orders	3,242	3,110	37,916	34,178
Remittances between CHP and Commercial Banks	8,537,320	8,526,444	1,536,306,075	1,565,646,066
Postal Gift Coupons	1,354,953	964,568	2,675,399	2,030,422
International Postal Money Orders	722	776	37,399	35,190
International Outgoing Remittances	6,250	6,508	1,357,179	1,684,511
Travelers' Checks in USD	2,517	2,243	16,760	18,678
Remittances to Mainland China	14,761	13,405	1,087,851	990,262
Trading of Foreign Currencies	1,095,997	1,192,327	959,246	1,077,692
Total	17,114,272	16,769,374	1,670,866,425	1,697,426,286



Volume of Domestic Remittance Services, 2016 and 2017



Volume of International Remittance Services, 2016 and 2017



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(IV) Postal Simple Life Insurance – The Best Protection

The Postal Simple Life Insurance is aimed at guaranteeing Taiwanese nationals' basic economic security and improving the wellbeing of the society. The ubiquitous presence of postal agencies all over the country has made taking out the postal insurance policy an easy task. In addition, as no health checkup is required from the insured, and the application procedure is fairly simple, the Postal Simple Life Insurance has won the public's favor and trust.

When the Postal Simple Life Insurance was first introduced back in 1935, the then Nationalist Government expected it to be an extensively promoted service that is non-profit because it is specially administered by the government, simple and secure because it is exclusively managed by postal agencies, protective and carefree because it provides a safeguard against worrying about family financial conditions and life after retirement. This means the Postal Simple Life Insurance carries a specific significance in benefiting the general public and a policy-related mission to improve social welfare. Therefore, we at Chunghwa Post regard “溥益民生”, which means “enhance the wellbeing of the general public”, as the principle of providing the Postal Simple Life Insurance, hoping that this service will help protect our social security and contribute to a sound social security net in Taiwan.

Ever since the Directorate General of Posts was corporatized to become Chunghwa Post in 2013, we have been striving to create a favorable business environment, make full use of information technology, diversify our products, and provide a comprehensive array of services to satisfy customers' needs. In the future, we will continue to recruit and train professionals, hoping to win the confidence of all Taiwanese people by offering quality insurance programs that reflect our emphasis on honest, reliable, and customer-oriented services.

Volume of Postal Simple Life Insurance

Unit: NT\$ million

Fiscal Year	Number of Policies			Sum Insured			Premium Income	Life Insurance Reserve
	New Policies	Policies in Force	Benefit Payment	New Policies	Policies in Force	Benefit Payment		
2016	316,850	2,584,655	383,380	103,935	980,605	114,505	146,161	645,983
2017	228,854	2,465,069	338,188	52,630	903,916	120,699	143,779	684,689

1. New insurance products introduced in 2017:

“Worry-Free Small Amount Whole Life Insurance” was launched on November 28, 2017.

- As a protection-oriented product, this insurance plan requires a low premium, and thus allows most customers to acquire the most basic protection without any financial burden.
- The insured is allowed to choose only one life insurance provider and take out a single in-force small amount whole life insurance policy, with the total sum insured not more than NT\$300,000.
- 6-year, 10-year, 15-year and 20-year terms are offered. Consumers are allowed to make their own choices based on personal insurance needs.
- Should the insured outlive the policy anniversary date on which he/she has reached the insurance age of one hundred and ten (110), and should the policy still remain in force, Chunghwa Post will pay the insured an amount of “Happy Birthday Benefit” equivalent to the insured amount accumulated.

2. New policies:

In 2017, newly-issued postal life insurance policies totaled 228,854, down 27.77% compared with 2016, the sum insured registered a 49.36% year-on-year decrease, dropping to NT\$52.62983 billion, and the first-year premium income generated therefrom grew by 34.31% to NT\$17.42065 billion when compared with the previous year.

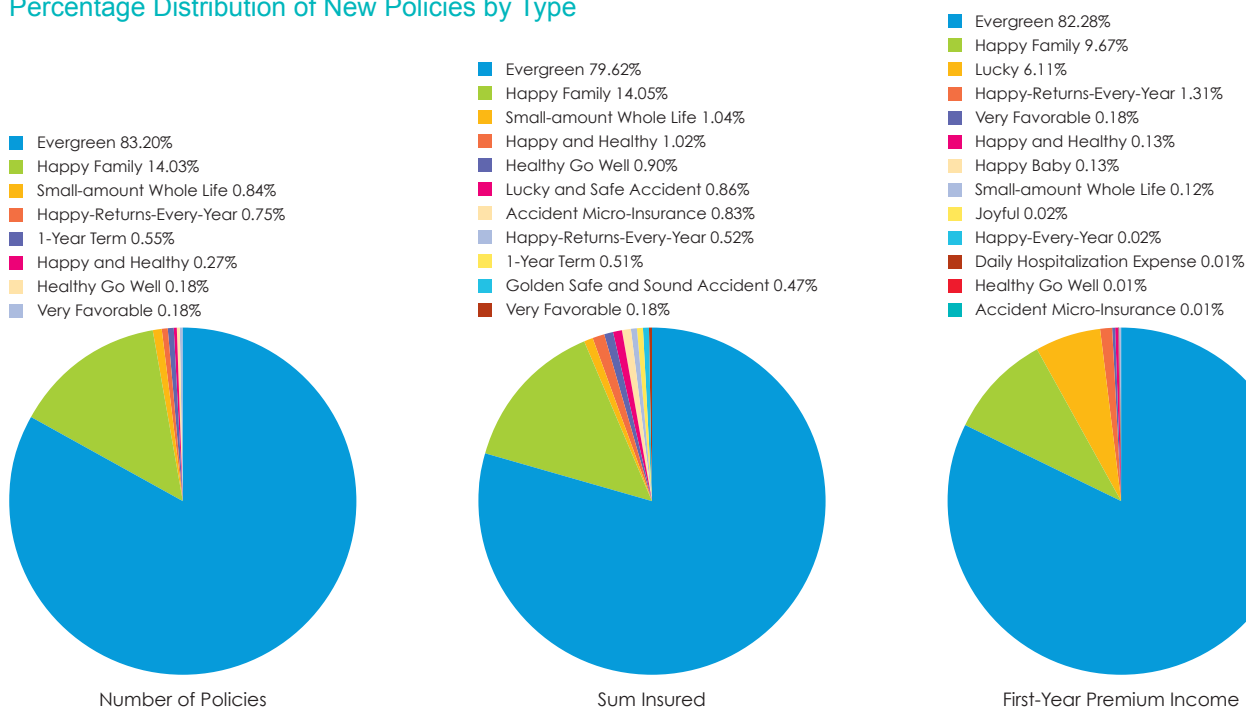
New Policies by Type

Unit of Sum Insured and Premium Income: NT\$1,000

Type		Number of Policies	%	Sum Insured	%	Premium Income in the First Year	%
Total		228,854	100.00	52,629,824	100.00	17,420,647	100.00
Endowment	Lucky 6-year-Term Endowment	0	0.00	0	0.00	1,064,742	6.11
	Evergreen Increasing Endowment	190,413	83.20	41,902,943	79.62	14,333,807	82.28
	Happy Family Increasing Endowment	32,116	14.03	7,394,584	14.05	1,683,648	9.67
	Happy Baby Endowment	0	0.00	0	0.00	22,352	0.13
	Joyful Endowment	0	0.00	0	0.00	3,344	0.02
	Happy>Returns-Every-Year Endowment	1,714	0.75	272,100	0.52	228,131	1.31
	Happy-Every-Year Endowment	0	0.00	0	0.00	2,614	0.02
	Get-on-Well-Endowment	0	0.00	0	0.00	304	0.00
	Golden Luck Endowment	0	0.00	0	0.00	662	0.00
Insurance against Death	1-Year Term Insurance	1,256	0.55	266,370	0.51	628	0.00
	Happy and Healthy Whole Life Insurance	618	0.27	539,339	1.02	23,180	0.13
	Healthy Go Well Term Insurance	407	0.18	474,178	0.90	1,816	0.01
	Very Favorable Whole Life Insurance	400	0.18	95,510	0.18	31,217	0.18
	Small-amount Whole Life Insurance	1,930	0.84	545,240	1.04	20,561	0.12
Accident Insurance	Accident Micro-Insurance Rider	1,179		439,480	0.83	963	0.01
	Lucky and Safe Accident Insurance Rider	1,058		450,610	0.86	446	0.00
	Golden Safe and Sound Accident Insurance Rider	544		248,640	0.47	307	0.00
Health Insurance	Daily Hospitalization Expense Insurance Rider	715		830	0.00	1,925	0.01

Note: Accident Insurance and Health Insurance were sold as a rider and therefore not included in the total.

Percentage Distribution of New Policies by Type



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In-Force Policies by Type

Unit of Sum Insured and Premium Income: NT\$1,000

Type		Number of Policies	%	Sum Insured	%	Premium Income	%
Total		2,465,069	100.00	903,915,597	100.00	143,778,905	100.00
Endowment	Lucky 6-year-Term Endowment	1,070,247	43.42	403,379,242	44.63	67,380,865	46.86
	Evergreen Increasing Endowment	535,957	21.74	120,282,296	13.31	53,171,087	36.98
	Stable Family Refundable Whole Life Endowment	168,676	6.84	61,641,522	6.82	324,803	0.23
	Beautiful Life Interest-Sensitive Insurance	77,585	3.15	43,541,631	4.82	4,444,895	3.09
	Safe and Rich Increasing Endowment	63,172	2.56	25,129,101	2.78	390,138	0.27
	Golden Babe Child Insurance	56,947	2.31	17,105,347	1.89	2,610,395	1.82
	Happy Baby Insurance	56,924	2.31	13,606,029	1.51	2,793,851	1.94
	Happy Family Increasing Endowment	49,604	2.01	11,313,526	1.25	2,648,486	1.84
	Joyful Endowment	31,294	1.27	16,525,534	1.83	2,098,076	1.46
	Good Fortune Year after Year Endowment	26,288	1.07	7,153,883	0.79	180,179	0.13
	Little Sun Child Insurance (91)	24,505	1.00	6,904,206	0.76	707,897	0.49
	Happy Child Increasing Whole Life Insurance with Survival Benefits	24,233	0.98	8,122,720	0.90	74,595	0.05
	Happy-Every-Year Endowment	17,538	0.71	3,252,783	0.36	2,055,501	1.43
	Auspicious Child Endowment	15,576	0.63	4,636,281	0.51	251,379	0.18
	Good Luck and Peaceful Endowment	13,331	0.54	7,788,158	0.86	91,591	0.06
	Get-on-Well-Every-Year Endowment	10,623	0.43	3,624,277	0.40	1,447,588	1.01
	Golden Luck Increasing Endowment	7,217	0.29	2,594,938	0.29	722,268	0.50
	Happy>Returns-Every-Year Endowment	3,171	0.13	534,193	0.06	459,301	0.32
	Healthy and Safe 103 Endowment	2,650	0.11	1,443,992	0.16	59,445	0.04
	Wealthy and Happy Child Endowment	2,488	0.10	795,336	0.09	68,771	0.05
	Great Luck Endowment	921	0.04	273,143	0.03	43,358	0.03
	Golden Colors Increasing Endowment 123	670	0.03	158,560	0.02	46,264	0.03
	Healthy and Blessed Endowment	275	0.01	100,740	0.01	17,348	0.01
	Great Fortune and Great Favor Increasing Endowment	123	0.00	19,444	0.00	6,152	0.01
	Auspicious and Wealthy Increasing Endowment	70	0.00	15,091	0.00	3,664	0
	Little Sun Child Insurance	52	0.00	11,790	0.00	0	0
Other Endowments	36	0.00	4,657	0.00	506	0	
Sub-total		2,260,173	91.68	759,958,420	84.08	142,098,403	98.83
Insurance against Death	Safe and Peace Whole Life Insurance	86,365	3.50	57,743,082	6.39	373,180	0.26
	Safe and Smooth Double-Indemnity Whole Life Insurance	17,424	0.71	9,040,543	1.00	113,607	0.08
	Happy and Healthy Whole Life Insurance	13,056	0.53	8,099,234	0.90	438,487	0.30
	Longevity Term Insurance	10,948	0.44	8,703,705	0.96	45,839	0.03
	1-Year Term Insurance	6,284	0.26	1,100,480	0.12	2,770	0.00
	Safe and Healthy Term Insurance	5,579	0.23	5,153,588	0.57	20,288	0.02
	Lucky Star Whole Life Insurance	3,564	0.15	2,433,957	0.27	87,632	0.06
	Small-amount Whole Life Insurance	1,888	0.08	534,140	0.06	20,561	0.02
	6-Year Term Insurance	1,835	0.07	1,698,476	0.19	4,445	0.00
	Healthy Go Well Term Insurance	1,703	0.07	1,902,094	0.21	6,556	0.01
	Safe and Smooth Double-Indemnity Whole Life Insurance (91)	1,670	0.07	489,914	0.05	18,118	0.01
	Very Favorable Increasing Whole Life Insurance	596	0.02	125,837	0.01	36,644	0.03
	Other Insurance against Death	53,984	2.19	32,625,282	3.61	478,625	0.33
	Sub-total		204,896	8.32	129,650,332	14.34	1,646,752



Type		Number of Policies	%	Sum Insured	%	Premium Income	%
Accident Insurance	Lucky and Safe Accident Insurance Rider	23,210		10,360,008	1.15	10,074	0.01
	Accident Micro-Insurance Rider	5,835		1,726,230	0.19	963	0.00
	Golden Safe and Sound Accident Insurance Rider	4,851		2,213,715	0.24	3,132	0.00
	Sub-Total	33,896		14,299,953	1.58	14,169	0.01
Health Insurance	Daily Hospitalization Expense Insurance Rider	5,410		6,892	0.00	19,581	0.01

Note: Accident Insurance and Health Insurance were sold as a rider and therefore not included in the total.

3. Policies in force

In 2017, the number of in-force postal life insurance policies lowered by 4.63% to 2,465,069, the sum insured posted a 7.82% year-on-year decline, dropping to NT\$903.9156 billion, and the premium income declined by 1.63% to NT\$143.77891 billion when compared with 2016.

4. Policy loans

Under the circumstances where a policyholder has paid for the premiums of a still-in-force policy for no less than one (1) year, he/she may apply for a loan no greater than the non-forfeiture value of the policy as a way to fulfill his/her financial needs. The application procedure is simple and easy. In addition to consulting post offices, policyholders can also make use of Chunghwa Post's ATMs and the postal WebATM to apply for loans in a more convenient and efficient manner.

The year of 2017 saw 129,149 cases of policy loans, down 2.13% compared with the same period in the previous year, and the amount of outstanding loans therefrom increased by 2.55% to NT\$15.91813 billion compared with 2016.

5. Secured mortgage loans

Starting to be offered in 1997, Chunghwa Post's secured mortgage loans are not only available to policyholders of the Postal Simple Life Insurance but all applicants who meet the loan requirements as well. The loan service can be accessed all over the territory of Taiwan, except for the Matsu Islands, at the 20 post offices undertaking mortgage loan-related services or the 202 branches collecting required documents.

In 2017, the number of secured mortgage loans issued by Chunghwa Post totaled 14,133, up 0.42% compared with 2016, and the outstanding loan balance therefrom amounted to NT\$33.63397 billion, 2.3% lower than that in the previous year.

6. Benefit payment

(1) Benefit payment

In 2017, a total of 291,855 payments were made on maturity, which translates into a 13.16% year-on-year decrease, while the amount paid to the insured increased by 7.13% to NT\$105.66949 billion when compared with the previous year.

(2) Surrender value

The year of 2017 saw 40,529 cases of surrender, down 2.58% compared with 2016, and the amount paid to the insured decreased by 6.40 % to NT\$12.70942 billion compared with the previous year.

(3) Payment to claims

The year of 2017 saw 5,804 payments to claims, up 1.77% compared with 2016, and the amount paid to the insured totaled NT\$2.32073 billion, which translates into a 1.49% year-on-year increase.

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7. Characteristics of postal simple life insurance

(1) Types of products

The Postal Simple Life Insurance comprises pure endowment insurance, insurance against death, and endowment, as well as health insurance and accident insurance which may be provided as a rider. All nationals of the Republic of China are eligible to be insured.

(2) No health checkup required

Health checkups are not required for persons who are insured with the Postal Simple Life Insurance. However, in order to facilitate the insurer's underwriting process, the insured and the proposer shall respond with complete honesty to the questions on the insurance application form.

(3) Insured amount

No insured individual, regardless of how many policies he/she holds, shall be insured for more than NT\$6 million in total.

(4) Premium payment

Unless otherwise specified, premium payments can be made on either a yearly, semi-yearly, quarterly, or monthly basis. Starting from August 1st, 2015, the first and subsequent installments shall all be transferred from postal passbook or giro accounts, a way of payment that trims 1% off the original transfer fees.

(V) Philately – Educational and Entertaining

Philately is among key business activities operated by Chunghwa Post. In order to better service philatelic customers, promote philatelic culture and fulfill corporate social responsibilities, Chunghwa Post encouraged all of its offices to vigorously expand philatelic business, launching the following activities in 2017, generating an annual revenue of NT\$760,800,000.

1. Issuing new postage stamps and philatelic accessories:

A total of 19 sets of postage stamps were issued in 2017, including 3 sets of commemorative issues, 12 sets of special issues and 4 sets of definitive issues. Among the foregoing issues, the souvenir sheet of Taiwan Scenery-Tainan City depicts the scenery of this ancient capital city in a hand-painted style; themed on railway bridges having trains running thereon, the postage stamps featuring Railway Bridges of Taiwan were designed to introduce the beauty of Taiwan's railway bridges; non-denominated postage stamps (continued) were issued to better adjust to changes in postal rates and to bring greater convenience to the stamp-using public, and in conformity with international practices, Chunghwa Post released a set of two non-denominated stamps in 2017, one to cover basic domestic postage for printed materials and the other to cover basic domestic postage for ordinary letters; and the commemorative issue of Taipei 2017 Summer Universiade was printed in a se-tenant format, with each of the eight stamps specially designed in the shape of a parallelogram for the first time ever, and the shaped perforation between the two sides of each stamp including the flame of the games. Additional issues of the year included 1 model of stamp yearbook (one in hardback and the other in loose leaf), 1 model of postage stamp catalogue, 7 models of stamp folio, 4 models of stamp pictorial, 4 models of maximum card, 2 styles of commemorative envelope, and 1 model of press sheet of New Year's Greeting Postage Stamps (Issue of 2017). Additionally, in line with business demands, Chunghwa Post also released 2 models (vertical and horizontal designs) of domestic postal cards and domestic ordinary/registered stamped envelopes, 2 sets of postage labels, and 1 set of 2 New Year's Greeting postal cards.

2. Issuing philatelic products:



In our quest for diversified product development and growth in philately business, Chunghwa Post launched 8 types of philatelic products in 2017, including Postman Mini Figure (Issue of 2017), Postman Figure Piggy Banks (male/female), Postman Figure Combo Kit (Issue of 2017), Frames for Personalized Stamps (large, white), Frames for Personalized Stamps (medium, brown), Frames for Personalized Stamps (small, white), and Postal Cards (6 themes). Chunghwa Post also authorized its branch offices nationwide to produce and sell a total of 82 models of philatelic products.

3. Organizing sales promotions to expand philately business:

(1) 2016 Stamp Yearbook premium sale:

The premium sale lasted from January 6th to May 31st 2017. During this period of time, any customer who bought a 2016 Stamp Yearbook (either hardback or loose leaf) would be rewarded with a scratch-and-win card, with 25,428 prizes given away, including iPhone7 plus 128G, SONY α 5000L Camera, ASUS Transformer Book Flip TP200SA, ACER One 10 tablet and philatelic products released by Chunghwa Post, and so forth.

(2) Hosting 2017 Stamp Beauty Pageant:

The public was able to vote for the most beautiful stamps by means of postal cards, the Internet, mobile phone and Line on Air from March 6th to April 7th 2017. A Total of 376,045 votes were cast, with the top three winners being 120th Anniversary of the Chinese Postal Service Commemorative Souvenir Sheet, Fruits Postage Stamps (Continued) in the denomination of NT\$5, and Painting and Calligraphy on the Fan Souvenir Sheets (on bamboo chips).

4. Philately promotion events:

(1) Hosting the ROCUPEX 2017 Taichung & R.O.C.-Thailand Stamp Exhibition:

The exhibition was held on the 9th floor of the Pacific Department Store-Feng Yuan from May 17 to 21, 2017, displaying 229 frames of collections (including 101 frames from Thailand) and 15 philatelic literatures. To continuously promote philatelic culture and boost exchanges among international philatelists, the president of the Fédération Internationale de Philatélie (FIP), Mr. Tay Peng Hian, the president of the Federation of Inter-Asian Philately (FIAP), Mr. Surajit Gonvatana, the president of the Philatelic Association of Thailand, Mr. Prakob Chirakiti, and the chairperson of the Chinese Taipei Philatelic Federation, Mr. Chen, Yu-An were invited to attend the opening ceremony of the exhibition.

(2) Organizing the Exhibition of Stamps and Artifacts of the Republic of Formosa:

The exhibition was jointly held by the Tainan city government and Chunghwa Post in the Tainan Creativity Center from June 16 to 20, 2017. The collections on exhibition included various issues of tiger design stamps (including proofs, varieties, large blocks, and so forth) released by General Liu Yung-Fu to finance the local government's spending when he stationed troops in Tainan in the late Qing dynasty, and postally used covers, official banknotes of Tainan at varying denominations which were printed with different account numbers and serial numbers, as well as identifying marks stamped by private financial institutions. Providing the public with an opportunity to learn about the valuable history of Taiwan happened 122 years ago, this exhibition indicated Chunghwa Post's caring for the native land.

(3) Organizing the 30th Anniversary of Cross-Strait Exchanges Stamp Exhibition:

The exhibition was held on the 6th floor of our Postal Museum from October 11 to 20, 2017, displaying 122 cross-strait postal letters and 7 sets of stamps issued by Chunghwa Post. These postal letters are indicative of cross-strait exchanges at different phases, including the periods under the ruling of the Qing dynasty, and the exchanges benefiting from the permission of cross-strait family reunions in 1987. The stamps on exhibition included the commemorative issue of Establishing the Three Small

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Links to Mainland China, and the special stamp featuring a swan goose carrying a message. These stamps are of special historical importance as they epitomize increasingly close exchanges across the Strait. We hope that around 30 years cross-strait exchanges will help build a peaceful, stable and double-win relationship across the Strait.

- (4) Participating in the BANDUNG 2017 World Stamp Exhibition:
 - i. Lasting from August 3 to 7, 2017, the exhibition was held at the Trans Studio Convention Center in Bandung in Indonesia. A total of 2,200 frames of collections (including both the Competition and Honor classes) were exhibited, accompanied by around 60 postal and philatelic stands. Chunghwa Post set up a stamp sales stand, facilitating our representatives to better understand the international development trend of stamps and philately.
 - ii. To strengthen friendship among international postal administrations, Chunghwa Post lent its counterpart in Indonesia and the organizing committee 1,000 exhibition frames. On behalf of Chunghwa Post, Director Ms. Chien Liang-Lin from the Department of Philately attended the awarding ceremony held on August 6, 2017, and was awarded with a Certificate of Appreciation.
- (5) Sponsoring philatelic societies to participate in philatelic events home and abroad:
 - i. Subsidized the 2017 annual membership fees for the Chinese Taipei Philatelic Federation to join the FIP and FIAP.
 - ii. Subsidized delegates of the Chinese Taipei Philatelic Federation to attend conferences held by the Executive Board of Committee and the Board of Directors of the FIP and the FIAP, and to participate in BANDUNG 2017 Specialized World Stamp Exhibition, MELBOURNE 2017 FIAP International Stamp Exhibition, Brasilia 2017 Specialized World Stamp Exhibition, and so forth.
 - iii. Supported philatelic societies and other groups nationwide to organize philatelic exhibitions and stamp-collection promotions, totaling 109 times.
 - iv. Honored on the 2017 Postal Day 43 outstanding philatelists, who either won the Large Vermeil Medal (or higher) of Traditional Philately Class/the Large Silver Medal (or higher) of Philatelic Literature Class of international philatelic exhibitions, or made great success in promoting philately in the year of 2016.
- (6) Organizing various youth-oriented stamp-collecting events:
 - i. Held 2017 Family Camp, attracting 1,633 philately fans.
 - ii. Established a total of 202 Philately Classrooms in schools nationwide in 2017, recruiting 4,860 members.
- (7) Co-organizing the promotional event "Beautiful Taiwan-Themed Stamps on Postal Letters":

Aimed at promoting the beauty of Taiwan stamps, the event was launched on April 1, 2017. At the initial stage, a total of 23 branch offices from 8 responsibility center offices participate in this promotional event. The headquarters is in charge of allocating featured stamps to participating branches, with different models and styles provided each month, encouraging customers to write letters by hand on a regular basis. The first stage covers mainly basic domestic and international postages for ordinary letters. Depending upon the promotional effect, the second stage may expand gradually to other types of letters.
- (8) Holding exhibitions and activities at the Postal Museum:

The Postal Museum was established for the purposes of collecting, conserving, displaying and conducting researches on postal artifacts, so as to carry on the missions of Chunghwa Post, promote postal culture, and provide the public with a recreational place to learn about postal business and



appreciate the beauty of stamps. A total of 9 stamp or special exhibitions and 12 philatelic seminars were held at the Postal Museum in 2017, attracting 74,800 visitors. Stamp selling and site renting generated an annual revenue of NT\$4.816279 million.

i. Holding stamp or special exhibitions to promote philately and artistic aesthetics

To provide the public with opportunities to appreciate the beauty of various stamps and to learn about local scenery and customs, the main museum and its Taipei Beimen Branch held a total of 9 stamp or special exhibitions, including "Beautiful Taiwan: Stamps of Local Scenery," "Gorgeous Flying Creatures: Stamps of Birds," and "Prosperous Traditions: Stamps of Chinese Zodiacs." In addition, literature and art societies of retired postal staff, philatelic societies and well-known painters were invited to jointly organize stamp exhibitions on such themes.

ii. Organizing stamp seminars to help philatelists enrich philatelic knowledge

To promote philatelic culture, the Postal Museum has worked together with the China Stamp Research Society and the Chinese Culture and Fine Arts Philatelic Association to hold stamp seminars on each Saturday of the 4th week of every month. Philatelists and philatelic experts are invited to introduce philatelic collections and share joys of stamp collecting, attracting almost 100 philatelists each time.

iii. Participating in community activities to enhance the corporate image of Chunghwa Post

Guided by the corporate philosophy of "caring about the community and giving back to the society," the Postal Museum worked together with the Zhongzheng District Office of Taipei City to organize the "17th Guling Street Books & Creative Bazaar-2017" from October 23 to 24, 2017. This event encouraged citizens to write letters and happy-new-year postal cards to future themselves or friends. There were also various family-oriented activities, including stamp-made Christmas tree DIY, stamp painting, stamp mark collecting, and so forth.

(VI) Agential Business – Inclusive of Everything

1. In accordance with Paragraph 7 Article 5 of the Postal Act, Chunghwa Post may operate as an agent for other business. At the present, the Company has been commissioned to sell 21 types of merchandise, including revenue stamps, anti-tuberculosis stamps, enrollment guidelines, web account ID and telephone cards, prepaid cards, tickets and accommodation vouchers, DVDs, clothes and ornaments, commemorative coins and gold/silver bars/bricks, beauty products, health products, health drinks (edible oil), wine, rice, 3C appliances, art gifts, coupons, festival gift items, daily supplies, organic foods and books.
2. Chunghwa Post keeps expanding its Postal Mall to integrate postal logistics and distribution business. In the year of 2017, the number of franchise stores reached 2,102 and a total of 180,000 items were provided for sale. To develop the Postal Mall into a distinctive E-commerce platform, three online sections have been set up to exclusively promote agricultural products, green products and charitable sales, aimed at assisting individual farmers and micro-enterprises to expand sales channels.
3. Winners of uniform invoices may choose to cash their prizes at Chunghwa Post. Except that winners of the grand prize and the NT\$1,000,000-valued prizes exclusive to electronic invoice lotteries have to cash their prizes at designated branch offices, winners of the 2nd to 6th prizes and the NT\$2,000-valued prizes exclusive to electronic invoice lotteries may cash their prizes at any branch offices of Chunghwa Post across the country.
4. To meet multifaceted investment needs of deposit account clients, Chunghwa Post has designated 1,130 branch offices to sell 149 domestic funds by the end of 2017.

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5. Branch offices of all levels provide agential business of collecting and verifying application forms of Consumer Credit Report and Financial Institution Debtor Listing to be filed with the Joint Credit Information Center.

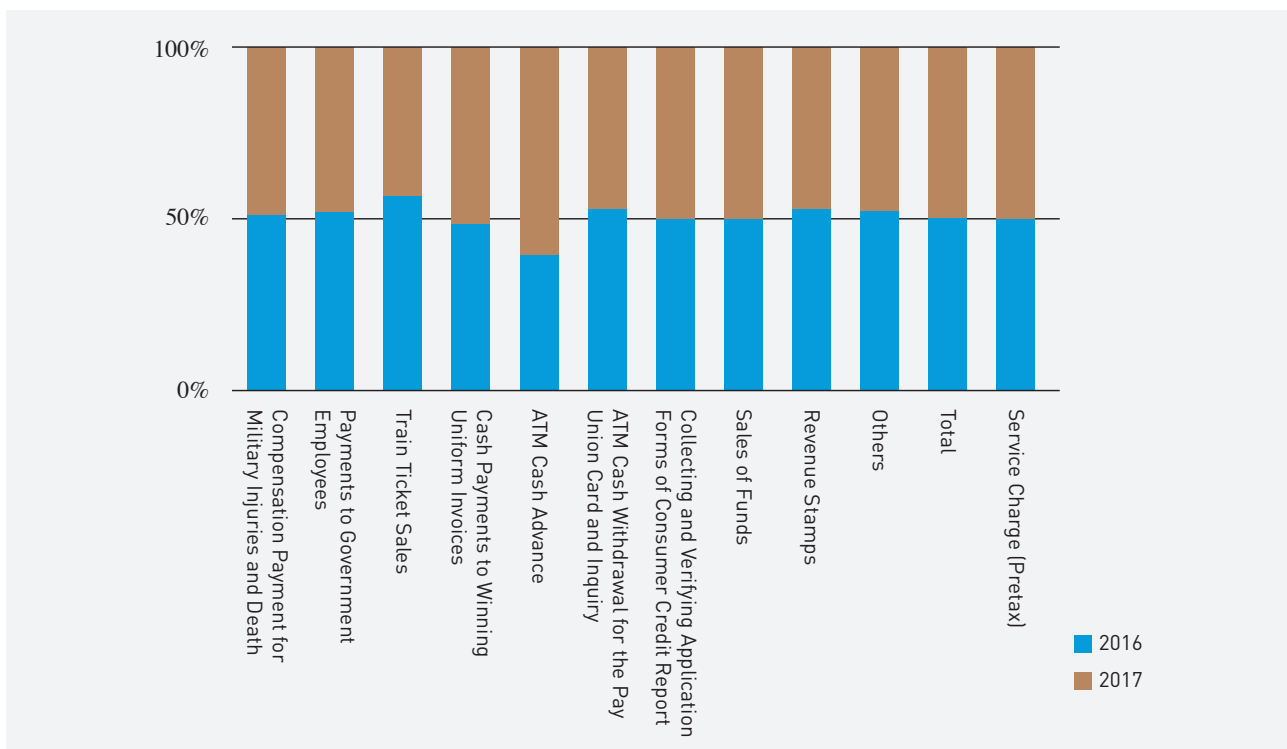
Volume of Agential Business

(exclusive of bonds and military honorable discharge pension funds)

Unit: NT\$10,000

Item	2016	2017	Increase/ Decrease %
Compensation Payment for Military Injuries and Death	108,209	105,374	-2.62%
Payments to Government Employees	171,783	159,506	-7.15%
Train Ticket Sales	3,578	2,768	-22.64%
Cash Payments to Winning Uniform Invoices	852,823	886,119	3.90%
ATM Cash Advance	22,775	33,253	46.01%
ATM Cash Withdrawal for the Pay Union Card and Inquiry	415,112	359,066	-13.50%
Collecting and Verifying Application Forms of Consumer Credit Report	131	127	-3.05%
Sales of Funds	69,191	66,847	-3.39%
Revenue Stamps	137,129	119,353	-12.96%
Others	18,519	16,408	-11.40%
Total	1,799,250	1,748,821	-2.80%
Service Charge (Pretax)	53,186	53,792	1.14%

Comparison Chart of Agential Business, 2016 and 2017





(VII) Asset Management – Asset Activation

Real properties under the management of Chunghwa Post are used to operate businesses such as postal service, savings and remittances services and life insurance. Paragraph 6 of Article 5 of the Postal Act provides that Chunghwa Post may engage in the management of postal assets. Moreover, according to the Plans for Strengthening the Management and Utilization Efficiency of State-owned Assets formulated by the Ministry of Finance, branch offices and mail processing center at all levels, while in compliance with objectives, originally designated purposes or profit-seeking businesses of Chunghwa Post, may properly utilize spare space or provide it to others at a cost after reviewing the actual utilization of real properties registered under their names. Such plans are aimed at increasing revenues, making full use of postal resources and boosting the rate of return on assets.

In order to enhance the utilization efficiency of postal assets, Chunghwa Post managed to better utilize postal real properties and aggressively repurposed spare space in 2017. Details are as follows:

1. Asset lease

(1) The lease of property assets is as follows:

- i. Renting out spare space after review and adjustment of the workspace configuration.
- ii. Renting out business premises for marketing display.
- iii. Allowing mobile communication companies to rent roofs of branch offices for base station installation.
- iv. Renting out the interior and outer walls (or space) for posting ads.
- v. Others: renting out meeting rooms, auditoriums, parking lots and the employee training classrooms.

(2) All post offices (center) were asked to make an inventory of the actual use of their own real properties. Where there was spare space or any underused property, short-, mid- and long-term use improvement plans had to be proposed to guide the implementation of relevant asset revitalization program.

(3) Post-tax revenue from rent was NT\$250.9 million in the year of 2017, up NT\$3.51. million or 1.42% compared with NT\$247.39 million generated in 2016.

2. Asset development

Chunghwa Post participated in a number of urban renewal projects:

- (1) Participated in 3 urban renewal projects launched by the private sector.
- (2) Participated in 1 urban renewal projects launched by the government.
- (3) Launched by ourselves an urban renewal project.

3. Applied to change Lands for Government Agencies and Lands for Post Offices owned and managed by post administrations to categories with higher land use density. Applications for relevant urban plan changes have been submitted to the Urban and Rural Development Branch of the Construction and Planning Agency, Ministry of the Interior. 179 branch offices have now had their applications approved.

4. Other measures to activate assets

(1) Chunghwa Post established a Property Assets Operation Supervision Team and formulated Guidelines for Property Assets Operation Incentives at All Levels of Post Offices (Taipei Mail Processing Center) to orchestrate, arrange and support the activation of property assets owned and managed by post offices (center) at all levels, and to provide incentives accordingly. The supervision team met twice in 2016 to speed up the revitalization and resolve problems arising therefrom.

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- (2) Meeting minutes, briefings along with training materials, regulations and reports regarding asset revitalization have been uploaded online, ready to be shared among post offices (center) at all levels.
- (3) Chunghwa Post provided trainings on property assets utilization on a yearly basis. All levels of post offices (center) performing well in asset revitalization were invited to designate a representative to share their success stories and experience.

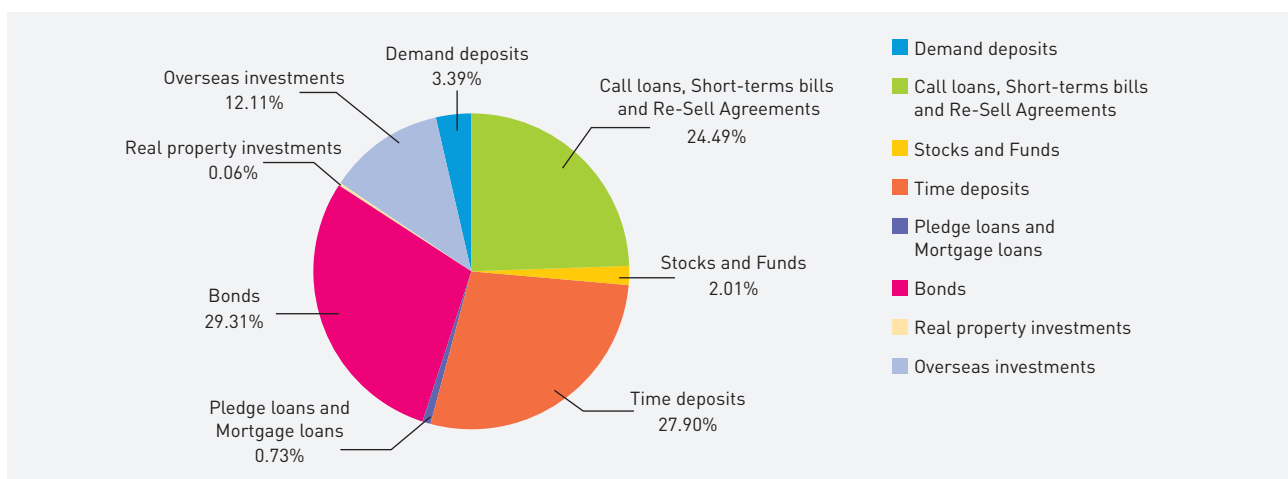
(VIII) Capital Utilization – Supporting State Construction Programs

Chunghwa Post keeps attracting non-government idle capital, accumulating a steadily growing amount of postal capital, which shall be spent in accordance with Article 18 of the Postal Remittances and Savings Act and Article 27 of the Simple Life Insurance Act. Portions of the capital shall be re-deposited with the Central Bank of the Republic of China (Taiwan) while the remaining may be spent in various ways: deposited with state-owned and private banks, invest abroad, purchase bonds, bills and stocks, provide time deposits and life insurance policy pledge loans and mortgage loans, and invest in real property. In coordination with government policies, Chunghwa Post also provide mid- and long-term capital plans to finance major state construction projects and private investment projects to boost economic development across Taiwan.

By the end of 2017, postal capital (savings, remittances and life insurance capital inclusive) put into use has totaled NT\$6,811.7 billion. The capital was distributed as follows:

1. Demand deposits (deposit reserves re-deposited with the Central Bank of the Republic of China, and revolving capital of post offices at all levels inclusive): NT\$230.7 billion, accounting for 3.39% of the total.
2. Time deposits (time savings deposits inclusive): NT\$1,900.7 billion, or 27.90% of the total.
3. Interbank call loans and short-term bills: NT\$1,668.3 billion, or 24.49% of the total.
4. Bonds (government bonds, corporate bonds and financial bonds inclusive): NT\$1,996.6 billion, or 29.31% of the total.
5. Overseas investments: NT\$824.7 billion, or 12.11% of the total.
6. Stocks and funds (outsourced investments inclusive): NT\$136.7 billion, 2.01% of the total.
7. Time deposits and life insurance policy pledge loans and mortgage loans: NT\$50.2 billion, or 0.73% of the total.
8. Real property investments: NT\$3.8 billion, or 0.06% of the total.

Utilization of Postal Capital





By the end of 2017, Chunghwa Post has provided more than NT\$1,612.6 billion postal capital, in coordination with government policies, to finance major state construction projects and private investment projects. Details are as follows:

Project Name	Amount/ NT\$100 Million	Remarks
State Construction and Private Investment Projects	9,748	In coordination with the Committee for Planning and Promoting the Utilization of Short- and Long-Term Funding initiated by National Development Council
Small and Medium Enterprises (SME) Consolidation Project Loans	1,339	In coordination with Small and Medium Enterprise Administration of the Ministry of Economic Affairs
First Time Homebuyers Loans	1,057	In coordination with the Construction and Planning Agency, Ministry of the Interior
Manufacturing Industry and SME Project Loans	727	In coordination with the Central Bank of the ROC
First Time Homebuyers Loan for Citizens without Self-Use Residential Property	2,715	Same as above
Home Reconstruction Loans for 921 Quake Victims	514	Same as above
Reconstruction/Repair Loans for Schools, Medical Institutions, Temples and Churches Damaged in 921 Quake	26	Same as above

II. Employee Composition

Year		2016	2017	As of January 20th 2018
Number of Employees	Staff	14,271	14,185	14,106
	Laborers	10,439	10,278	10,270
	Contract Workers	1,689	1,669	1,670
	Total	26,399	26,132	26,046
	Average Age	46.1	46.0	45.9
Average Seniority		18.2	17.9	17.7
Educational Background (Half-day Workers Counted as Whole)	Doctorates	6	5	5
	Masters	1,063	1,141	1,145
	Bachelors	16,163	16,383	16,373
	Senior High School	8,790	8,340	8,276
	Junior High School and Below	877	775	760
Employees Holding Professional Certificates		2,386	4,040	112
2017 Employee Training	1. Training Courses: Launched 1,191 classes on technical skills, computer skills and lectures on specific topics for new recruits, executives and professionals, with 65,089 recorded attendances. 2. Online Learning: Launched for all employees, having total hours amounting to 662,336 hours.			
2017 Volunteering	In 2017, a total of 2,158 volunteers worked for 1,045,394 hours in branches and mail processing center at all levels.			

VII Operations Summary

(I) Budget quota

In accordance with the quota set in budget 2017, Chunghwa Post was allowed to employ a total of 27,496 employees, including 14,800 regular staff, 10,896 regular workers and 1,800 temporary workers.

(II) Outsourcing some of the businesses to private enterprises

To cut salary expense, non-core businesses continued to be outsourced, such as mail transport, mail processing, postal service counters, registered mail claiming and postal agencies.

(III) Workforce structure

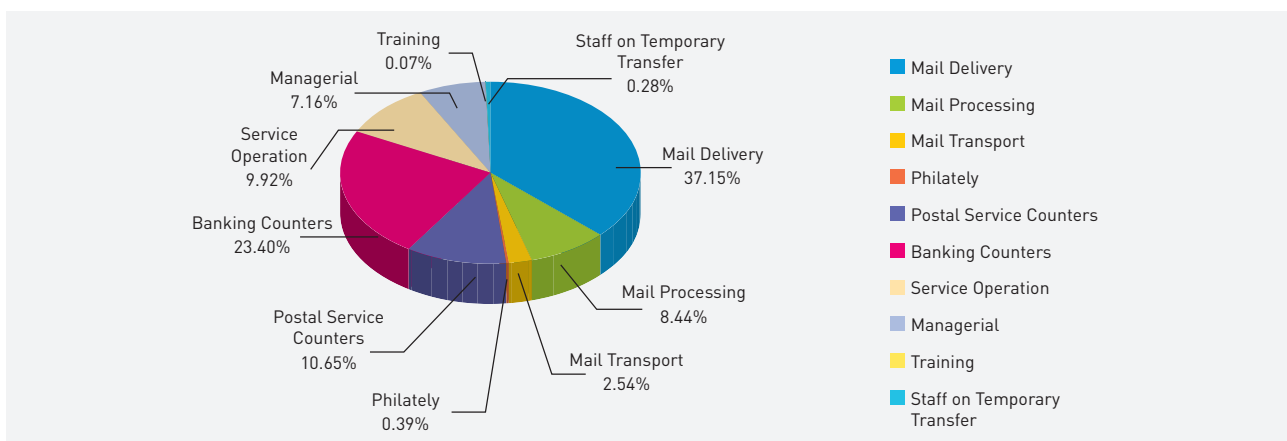
As of December 31st 2017, Chunghwa Post has employed a president, 12,840 transferred employees, 11,622 staff members and 1,669 contract workers, totaling 26,132 employees. Among them, 24,171 employees (or 92.49% of the entire workforce) were basic-level clerks, 1,871 employees (or 7.16%) worked at management level, 17 (0.07%) were training staff, and 73 (or 0.28%) were staff worked on temporary transfer. Such a workforce structure displays that, compared with a rather small number of managerial positions, a large number of employees work behind counters or at departments handling postal mails.

Employees by Function

December 31st 2017 Unit: Person

	Total	%	Head Office	Branches at All Levels	Mail Processing Center
Total	26,132	100.00	1,687	23,636	809
Total Business Staff	24,171	92.49	905	22,504	762
Mail Delivery	9,708	37.15	0	9,708	0
Mail Processing	2,206	8.44	0	1,686	520
Mail Transport	664	2.54	16	406	242
Philately	102	0.39	60	42	0
Postal Service Counters	2,783	10.65	0	2,783	0
Banking Counters	6,115	23.40	0	6,115	0
Service Operation	2,593	9.92	829	1,764	0
Managerial	1,871	7.16	726	1,100	45
Training	17	0.07	17	0	0
Staff on Temporary Transfer	73	0.28	39	32	2

Employees by Function





III. Labor-Management Relations

(I) Employee benefit plans, retirement system and its implementation, as well as labor-management agreements and measures for protecting employees' rights and interest:

1. Employee benefit plans

- (1) Benefits provided by the Company: sports and recreational activities, birthday parties, vacation subsidies and continuing education opportunities.
- (2) Benefits provided by the Company's Employee Welfare Committee: gifts and gift certificates for three major Chinese holidays and the Labor Day, education subsidies for employees' children, mutual assistance in the event of wedding, childbirth and funeral of employees.

2. Retirement system

Depending on employee status (civil servant concurrent with labor status, or only labor status) and employment dates, the following laws and regulations will apply with regard to employees' retirement, severance and consolation payments: Regulations Governing the Retirement of Employees of Postal and Communications Enterprises under the MOTC, Regulations Governing the Retirement of Non-Ranking Current Employees of Chunghwa Post Co., Ltd, Labor Standards Act, Labor Pension Act, Enforcement Guidelines for the Severance of Transferred Employees of Chunghwa Post Co., Ltd, and Directions for Retirement, Consolation Payments and Severance of Regular Employees of Chunghwa Post Co., Ltd. We at Chunghwa Post keep working on providing retirees with proper care.

3. Labor-management agreements

To harmonize labor-management relations, labor-management meetings are held at least once every three months in accordance with Implementing Regulations Governing Labor-Management Meetings and Article 83 of the Labor Standards Act. In order to unite employees and build a cohesive team, both labor and management representatives are elected and designated to attend such meetings in accordance with applicable laws. Issues discussed include salary, benefits, retirement, severance, consolation payments, and so forth.

4. Measures for protecting employees' rights and interests

To clearly regulate rights and obligations of laborers and the management, Chunghwa Post has formulated work rules in accordance with Article 70 of the Labor Standards Act, and made and entered into with its Labor Union a collective agreement, which shall be complied with by the both parties. In addition, a report meeting (an ad-hoc meeting when necessary) is called every year to reconcile the relations between the two parties and to resolve issues relevant to employees' benefits in a proper manner. Where any recommendation is put forward at labor-management meetings, or by the Labor Union or its members, Chunghwa Post has been responding to or processing relevant issues in a timely and proper manner.

(II) Loss resulting from labor disputes in the most recent fiscal year and during the current fiscal year as of the date of printing the annual report, disclosure of an estimated amount of loss incurred to date or likely to be incurred in the future, and mitigation measures: None

IV. IT Facilities

(I) Hardware and software deployment of the IT system

1. The host system of Taipei Main Computer Center

VII Operations Summary

This main computer center is employed with an IBM2828-V04 mainframe computer, which has four central processing units (CPUs) running at a speed of 2.244 billion instructions per second (BIPS), a 176GB memory and a z/OS V2.1 operating system. Based on the needs of the Company and its business systems, the host system of the main computer center handles (1) online and batch operations of savings, remittances and life insurance business requested by 1,307 branch offices throughout the country, (2) accounting and mail services, (3) operation connections with other financial institutions to deal with interbank businesses, and (4) system testing for various businesses.

2. The host system of Taichung Disaster Recovery Center

The backup and disaster recovery center in Taichung is employed with an IBM2817-603 mainframe computer, which has three CPUs running at a speed of 2.13 BIPS, a 128GB memory and a z/OS V2.1 operating system. Based on the needs of the Company and its business systems, the host system of the backup center is divided into various logical partitions corresponding to the mainframe computer of the main center in Taipei, preparing for the activation of the backup system in the event of any disaster so as to sustain the operational capacity of the Company's important systems.

3. The open system

In 2005, the Company built a three-tiered centralized computing environment for the open system. The front end, equipped with a blade server, deals with input and output network services while the back end, a storage area network (SAN), stores databases of various systems, and the middle tier, equipped with a high-end server, integrates various systems to access back-end data. A series of improvements have been made to the environment: a load balancer was installed in 2005; the remote storage of materials was completed in 2008; the year of 2009 saw the setting up a virtual environment and a remote backup scheme for important systems such as Internet services; the storage was virtualized in 2015 to expand and efficiently manage resources available in the storage; and the year of 2016 witnessed the virtualization of the data base to boost its efficacy and availability. Moreover, the Company keeps bringing in new technologies and virtualization management tools to enhance system performance and operation efficiency.

4. Maintenance

The Company have professional manufacturers maintain hardware and software equipment of Taipei Main Computer Center, Taichung Disaster Recovery Center and the open system, with maintenance engineers checking the operation of equipment regularly, to prevent in advance any possible failure and ensure that the hardware runs safely and stably. On the other hand, to maintain the safety and high availability of information and communications, system software has also been updated on a regular basis.

(II) Emergency backup and safeguarding measures

1. The company has been holding regular disaster recovery drills each year starting from 2003, and such drills have been carried out as follows:

- (1) Switching the operation system from Taipei Main Computer Center to Taichung Disaster Recovery Center twice a year to ensure that, after Taipei center is hit by disasters, system operation can be resumed promptly and various businesses can continue to be provided.

- (2) Organizing local backup and recovery drills at Taipei Main Computer Center twice a year to familiarize relevant staff with required procedures, and to ensure the availability of backup data. Therefore, system operation can be resumed promptly in the event of a localized disaster at Taipei center.
 - (3) Holding regional network control center (station) drills irregularly
 - i. These drills simulate an emergency incident at any network control center (station) in any region, where online operations have been disrupted. The backup system of the control station of Taichung Disaster Recovery Center would then be started immediately to take over the problematic station so as to resume online operations of local postal offices.
 - ii. As of the end of December 2017, a total of 1,221 branch offices has been equipped with ISDN dial-up lines and 81 branch offices have been equipped with MPLS VPN backup schemes. Should the private line of any branch fail, ISND or MPLS VPN connection would start automatically to prevent operations being disrupted.
2. Apart from the abovementioned backup measures, Chunghwa Post has also established a Network Monitor Center and an Information Security Monitor Center, to monitor network operations throughout the country and any potential unidentified intrusion from within and outside.

