

# 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.

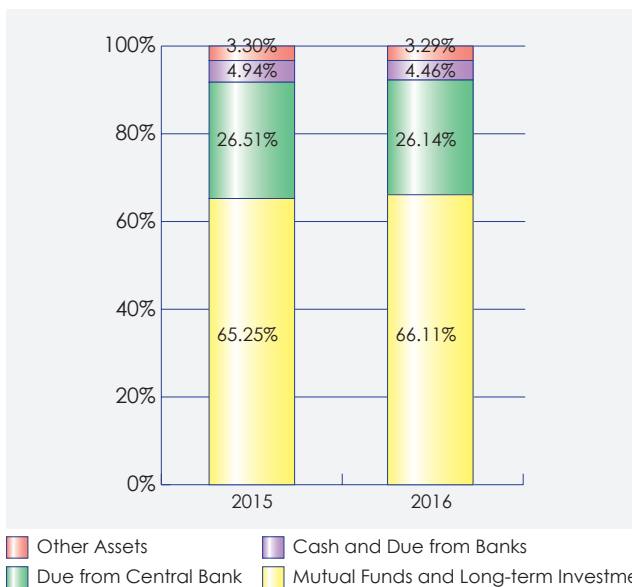
### Percentage of Major Assets and Liabilities to Total Assets, 2015 and 2016

Unit: NT\$ 1,000; %

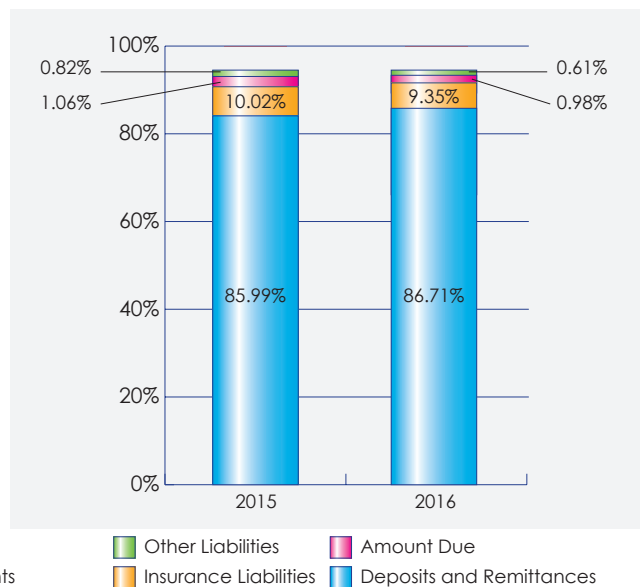
Major Items	2015		2016	
	Amount	%	Amount	%
Total Assets	6,760,682,468	100.00	6,914,127,667	100.00
Mutual Funds and Long-Term Investment	4,411,666,448	65.25	4,571,095,287	66.11
Due from Central Bank	1,792,151,063	26.51	1,807,288,531	26.14
Cash and Due from Other Banks	334,131,757	4.94	308,398,555	4.46
Other Assets	222,733,200	3.30	227,345,294	3.29
Total Liabilities	6,618,242,863	97.89	6,751,801,805	97.65
Deposits and Remittances	5,813,761,964	85.99	5,994,921,433	86.71
Insurance Liabilities	677,325,478	10.02	646,177,801	9.35
Amount Dues	71,878,172	1.06	67,580,982	0.98
Other Liabilities	55,277,249	0.82	43,121,589	0.61

Note: Figures for 2015 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2016 are CPA approved.

### Comparison Chart of Asset Allocation, 2015 and 2016



### Comparison Chart of Liabilities, 2015 and 2016





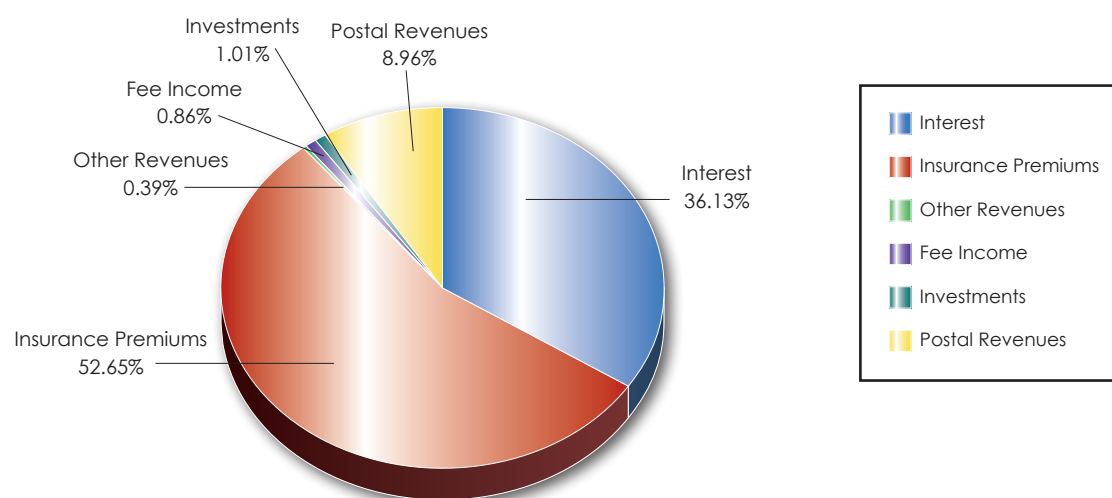
## Percentage of All Business Revenues, 2015 and 2016

Unit: NT\$ 1,000; %

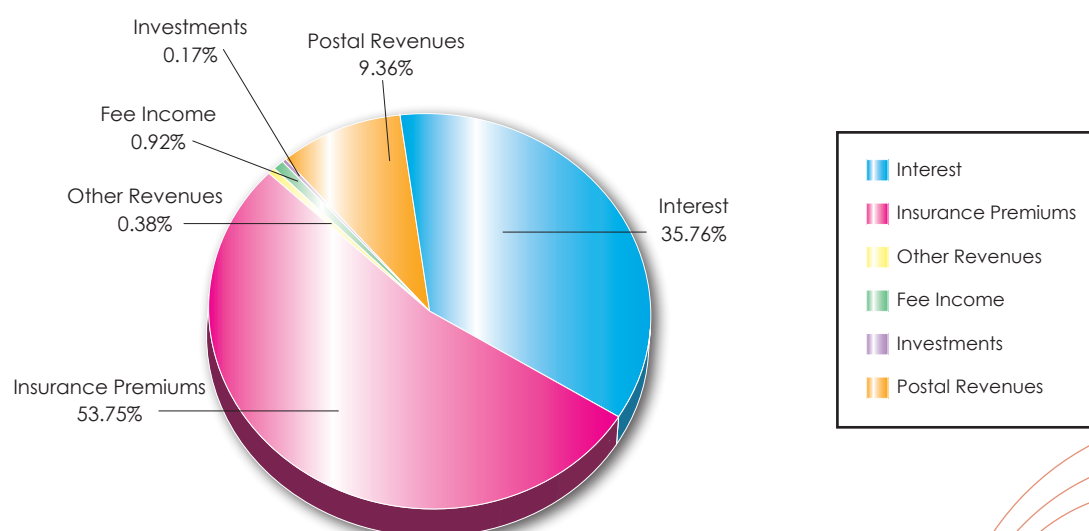
Item	2015		2016	
	Amount	%	Amount	%
Insurance Premiums	150,853,789	52.65	146,160,501	53.75
Interest	103,525,258	36.13	97,230,073	35.76
Postal Revenues	25,674,829	8.96	25,451,509	9.36
Investments	2,897,698	1.01	-468,914	-0.17
Fee Income	2,472,830	0.86	2,494,861	0.92
Other Revenues	1,096,783	0.39	1,037,421	0.38
Total Revenues	286,521,187	100.00	271,905,451	100.00

Note: Figures for 2015 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2016 are CPA approved.

### Sources of Business Revenues, 2015



### Sources of Business Revenues, 2016



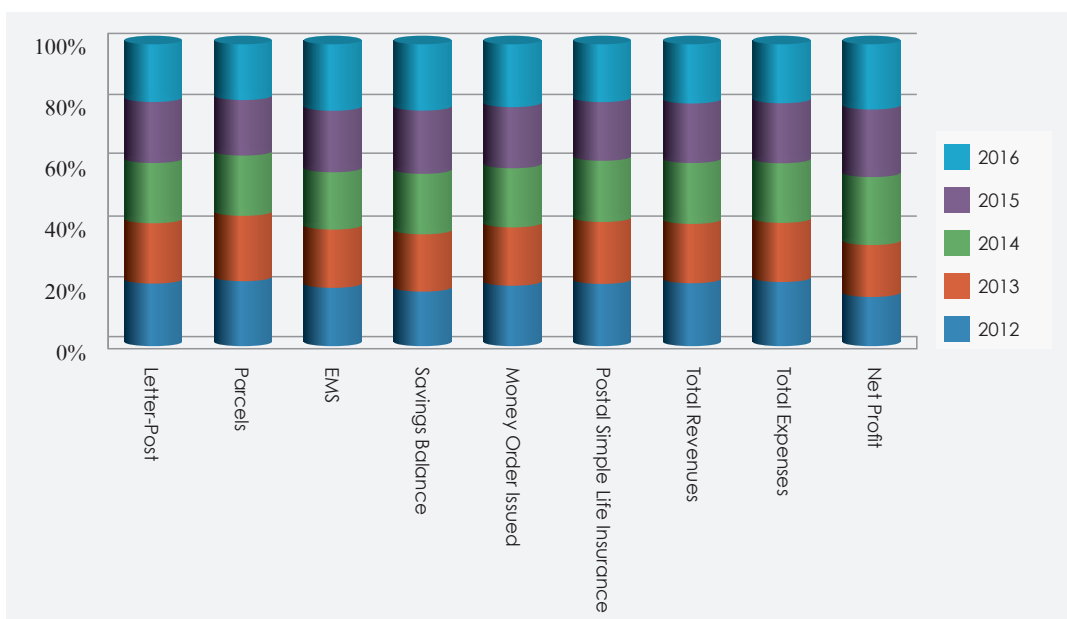
# VIII Operations Summary

## Business Highlights over the Past 5 Years

Item	Unit	2012	2013	2014	2015	2016
1. Letter-Post	Million pcs	2,706	2,700	2,755	2,612	2,504
2. Parcels	Thousand pcs	27,946	25,600	23,562	24,172	23,833
3. EMS	Thousand pcs	7,653	7,538	8,194	8,859	9,806
4. Savings Balance	Million NT\$	4,995,976	5,210,943	5,547,399	5,822,490	6,003,341
5. Money Order Issued	Thousand pcs	15,877	16,027	16,577	17,187	17,114
6. Postal Simple Life Insurance	Thousand pcs	2,768	2,754	2,645	2,665	2,585
7. Total Revenues	Million NT\$	280,438	286,871	286,005	286,692	272,120
8. Total Expenses	Million NT\$	271,391	274,810	274,011	274,912	262,313
9. Net Profit	Million NT\$	9,047	12,061	11,994	11,780	9,807

Note: Figures for 2012, 2013, 2014, 2015, and 2016 are readjusted by the CPA in accordance with figures approved by the National Audit Office; figures for 2012, 2013, and 2014 were also recompiled, following adjustment, in line with the 2013 IFRS; figures for 2016 are CPA approved.

## Business Highlights in 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. Moreover, unlike the previous year, there were not a great number of election mails in 2016. The items sent and received in 2016 thus dropped to 2,479,380,000 pieces, which is 4.39% lower than the 2,593,140,000 pieces in 2015. The correspondence posted per capita was 105.5.

International letter-post items sent and received in 2016 totaled 24,820,000, up 30.88% from the 18,970,000 pieces in 2015. The growth is mainly attributed to the new parcel post service,



which has boosted the volume of the “ePacket”.

## 2. Parcels

A total of 23,091,000 domestic parcels were delivered in 2016, down 1.53% from the previous year. 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 2016 totaled 741,779, which translates into a growth rate of 2.72% compared with the 722,102 pieces of 2015.

## 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 8,126,000 pieces, up 15.96% compared with the previous year. Chunghwa Post will continue to offer integrated logistics services such as doorstep pick-up, express delivery, collection 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 2016 amounted to 1,679,138 pieces, 9.29% lower than the 1,851,098 pieces of 2015.

## 4. E-mail service

We at Chunghwa Post seeks 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 311,010,000 e-mails were handled in 2016, down 0.81 % from the previous year.

## 5. Cross-strait mail service

The direct mail service between both sides of the Taiwan Strait was launched on December 15th, 2008. Over the past 8 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 2016.

### (1) Cross-strait mail delivered in 2016

The volume of mail sent from Taiwan amounted to more than 4,290,000 items, down 12.35% compared with the previous year; more than 3,360,000 items were received from China, 8.44% lower than the volume of 2015.

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

In January 2016, we visited mainland China for a business communication, and in November, we attended the 2016 Cross-Strait Postal Development Seminar held in Yunnan Province. 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, 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 Suzhou Exchange Office

The large amounts of mail accumulated at the Shanghai Exchange Office waiting to be handled have often affected the efficiency of cross-strait postal services. In order to improve the efficiency and quality of cross-strait postal services, and provide a solid foundation for future postal cooperation between Taiwan and China, the Suzhou Exchange Office have officially started operating in April, 2016. With the operation of Suzhou Exchange Office, we expect to provide a range of refined, excellent, efficient and convenient cross-strait postal services for both general and commercial purposes.

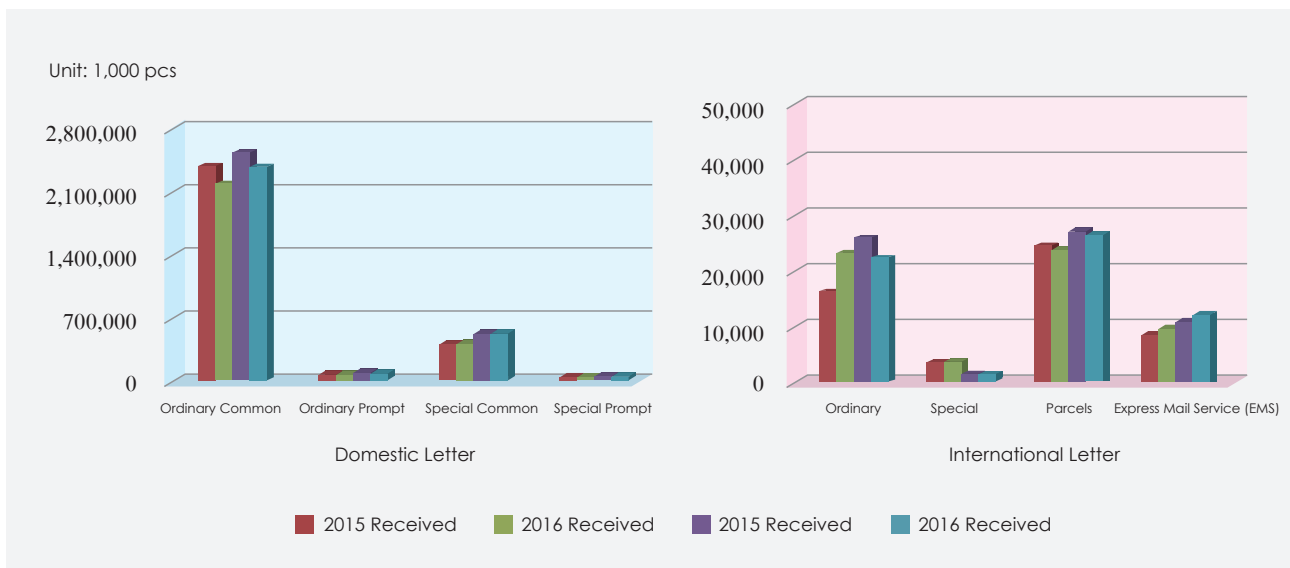
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## Number of Mail Items Received and Delivered, 2015 and 2016

Units: 1,000 pcs

Postal Item			Received		Delivered	
			2015	2016	2015	2016
Domestic Letter	Ordinary	Common	2,243,181	2,125,668	2,353,760	2,236,174
		Prompt	40,923	39,265	50,457	47,389
	Special	Common	285,720	292,201	368,848	385,695
		Prompt	23,321	22,246	27,848	26,548
	Sub-Total		2,593,145	2,479,380	2,800,913	2,695,805
International Letter	Ordinary		16,632	22,448	25,051	22,258
	Special		2,338	2,380	921	929
	Sub-Total		18,970	24,828	25,972	23,187
Parcels	Domestic		23,450	23,091	25,927	25,617
	International		722	742	632	641
	Sub-Total		24,172	23,833	26,559	26,258
Express Mail Service (EMS)	Domestic		7,008	8,127	8,959	10,161
	International		1,851	1,679	2,015	2,044
	Sub-Total		8,859	9,806	10,974	12,205
Total			2,645,146	2,537,847	2,864,418	2,757,455

## Number of Mail Items Received and Delivered, 2015 and 2016





## 6. Mail routes

### (1) Domestic mail routes

Efficiency, safety, accessibility, precision, and afford ability 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 2015, 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 124,386.6 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 2015, the international air routes (EMS routes included) and waterways had reached 1,201,551 and 593,400 kilometers respectively.

## Mileage of Mail Route, 2015 and 2016

Unit:KM

Type	2015	2016	Growth (%)
I .Land	119,491	118,843	-0.83%
High-speed Railway	345	345	
Railroads	426	426	
Highways	27,998	27,774	-0.19%
Others	90,722	90,298	-0.49%
II .Waterways	594,913	594,913	
Domestic	1,513	1,513	
International	593,400	593,400	
III .Air Routes	1,205,582	1,205,582	
Domestic	4,031	4,031	
International	1,201,551	1,201,551	

## (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 outperform 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 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

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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 2016, the number of accounts totaled over 35,630,000, 1.05% more than that of 2015, while the balance of all accounts combined had climbed 3.11% compared with the previous year to NT\$ 6003.3 billion, which translates into more than NT\$ 160,000 per account.

## 1. New services introduced in 2016

### (1) Outward international remittance on i-Post

Starting on March 22, 2016, this service is accessible through iPost. With a CHP passbook account, each client can apply for outward remittances under NT\$ 500,000, per transaction and per day.

### (2) ATM cardless withdrawal

This service started on December 16, 2016. Having owned ATM cards or VISA cards, activated online accounts, installed Mobile Post APP, and applied for this service over the counter or through online ATM, one will be given a set of withdrawal code and be able to withdraw cash without cards from ATMs of CHP.

## 2. Improved working procedures

Financial Supervisory Commission intends to raise the proportion of e-payment to 52% within five years. To be in line with the goal, CHP has established the e-payment system, in which e-payment accounts are able to be connected passbook accounts. This service is available to e-payment institutions.

## 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) Setting pre-designated receiving accounts online:

Since March 17, 2016, after applying for the service over the counter, all clients may set the receiving accounts through iPost and transfer money on both iPost and Mobile Post APP.

### (2) Automatic VISA card renewal:

To make VISA card renewal more efficient and convenient, since June 1, 2016, new VISA cards will be automatically sent to card owners upon the expiry date and the owners may renew their cards by ATM.

### (3) To make it more convenient for remittance, we continued to add inter-bank remittance into the services of regional offices. By the end of 2016, there have been 1,262 post offices providing the service.

## Volume of Postal Savings Services

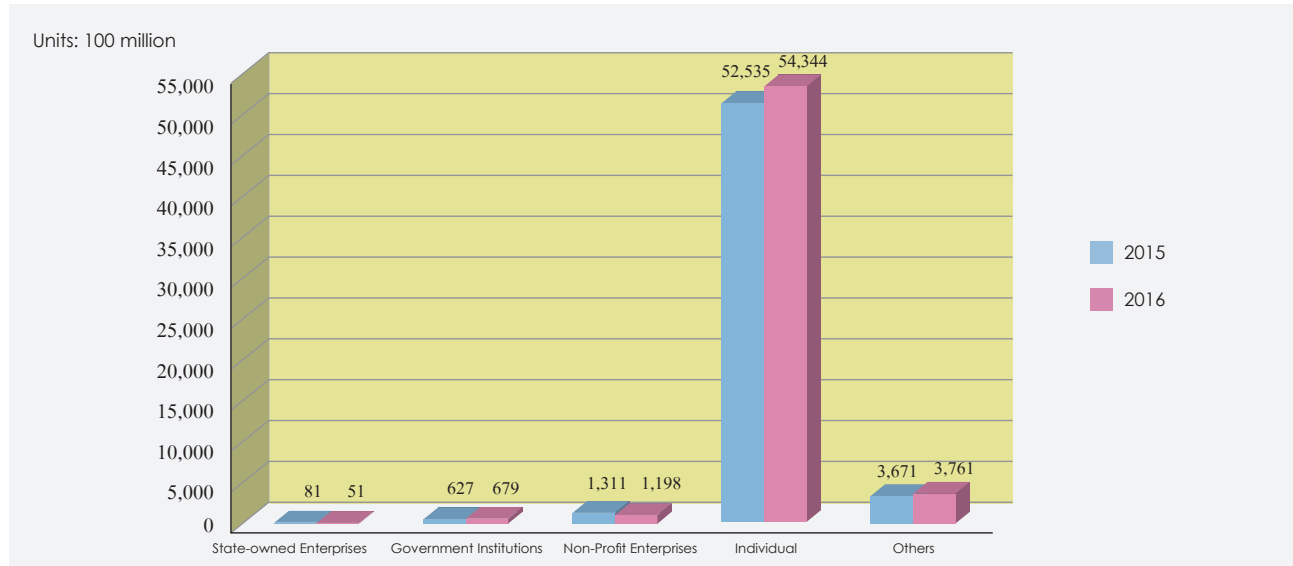
Unit: NT\$ Million

Type	Number of Deposits		Number of Withdrawals		Number of Accounts		Total Balance	
	2015	2016	2015	2016	2015	2016	2015	2016
Passbook Accounts	242,641,723	256,349,952	367,315,319	377,569,091	27,533,314	27,810,439	1,995,785	2,130,484
Time Deposit Accounts	7,215,677	7,269,134	44,659,636	46,134,414	6,132,507	6,227,135	3,783,370	3,829,520
Giro Accounts	58,555,077	55,327,068	12,486,637	12,738,732	1,599,493	1,596,542	43,335	43,337
Total	308,412,477	318,946,154	424,461,592	436,442,237	35,265,314	35,634,116	5,822,490	6,003,341

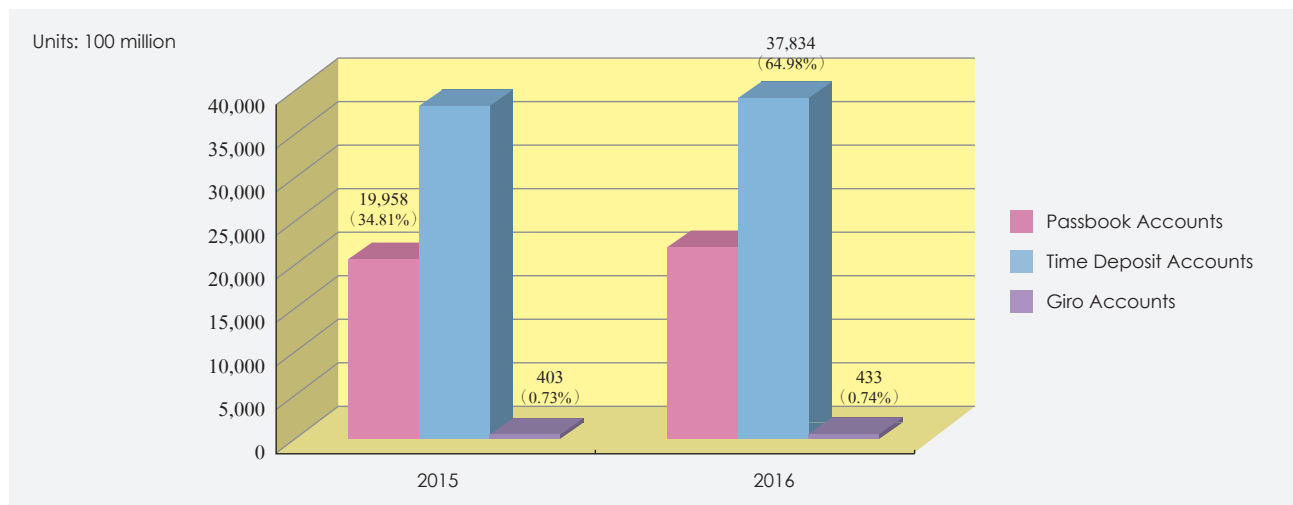




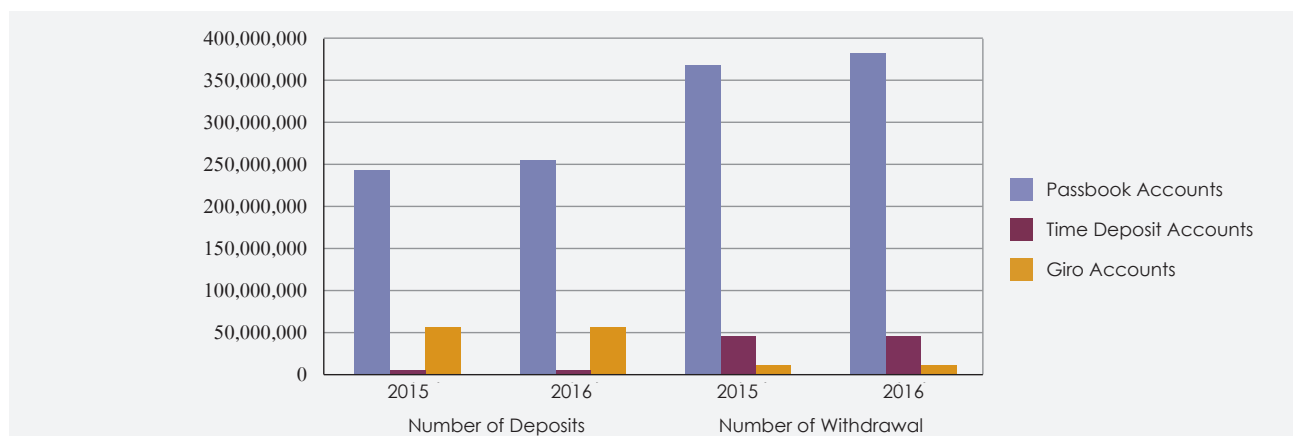
### Savings Accounts Holders, 2015 and 2016



### Comparison Chart of Postal Savings Services, 2015 and 2016

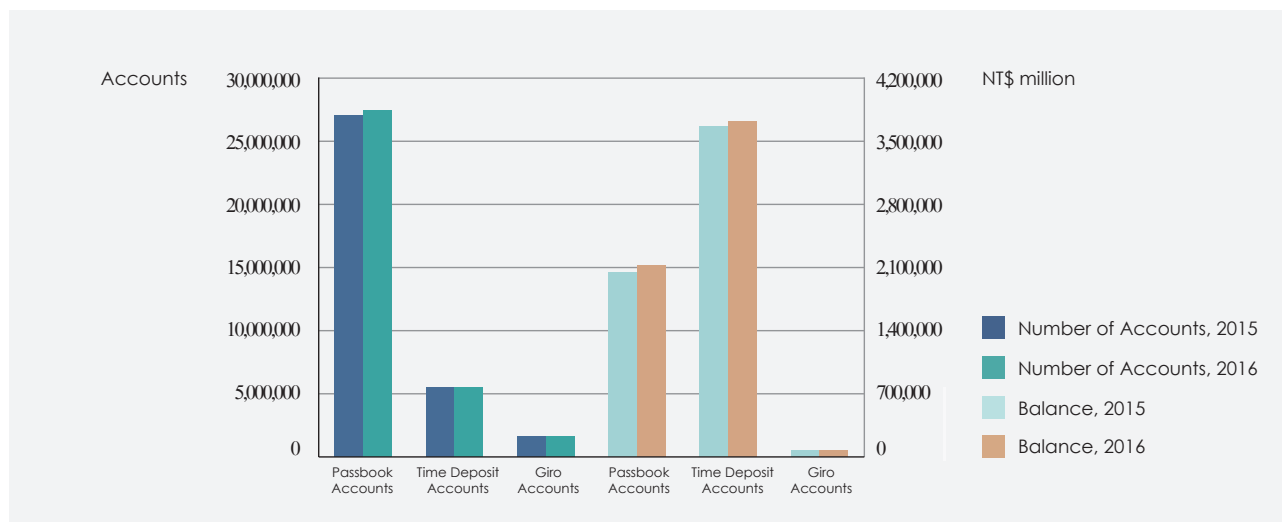


### Numbers of Deposits and Withdrawals of Various Types of Accounts, 2015 and 2016



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## Numbers of Accounts and Balances of Various Types of Accounts, 2015 and 2016



### (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 2016, the number of post offices which provide international remittance services, including the trading of foreign currency, had reached 223, and the Taoyuan International Airport as well as 30 scenic areas/regional post offices had been appointed to undertake the exchange of foreign currencies and the trading of US dollar travelers' checks.

In 2016, funds remitted through Chunghwa Post amounted to NT\$ 1670.9 billion, down 0.12% compared with 2015, while money orders totaled 17,110,000, down 0.4% compared with 2015.

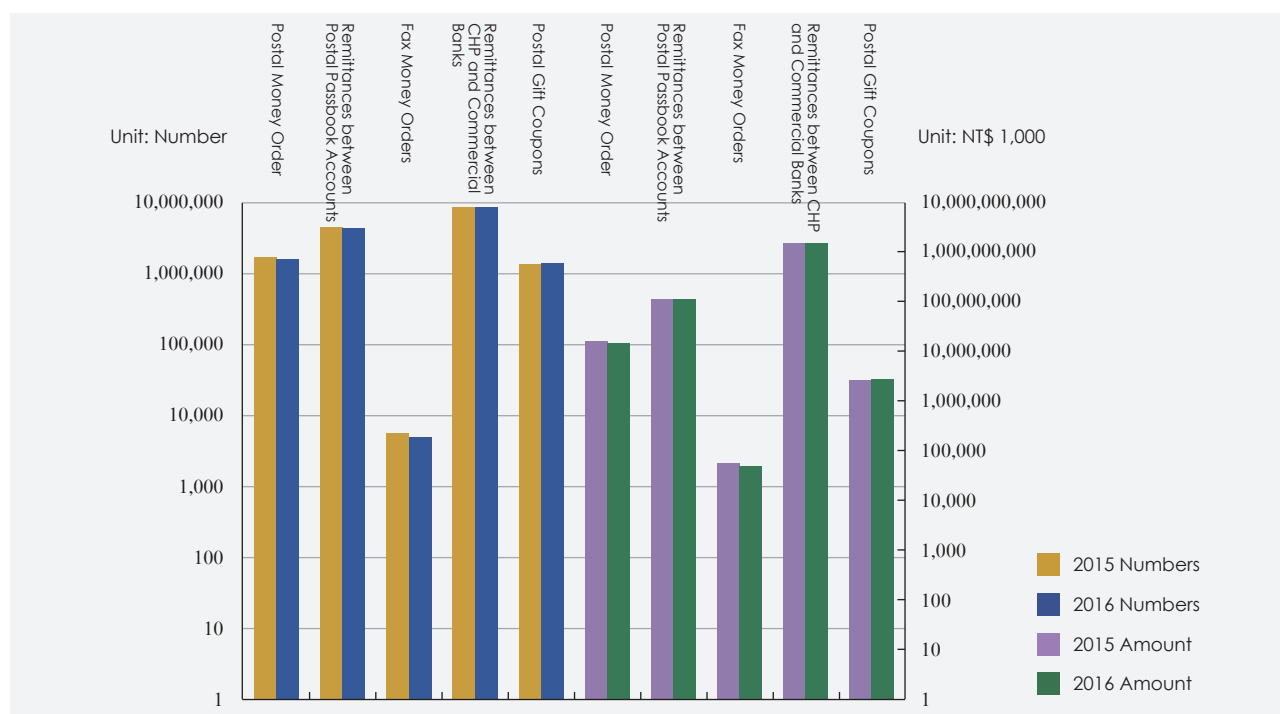
### Volume of Remittance Services

Unit: NT\$ 1,000

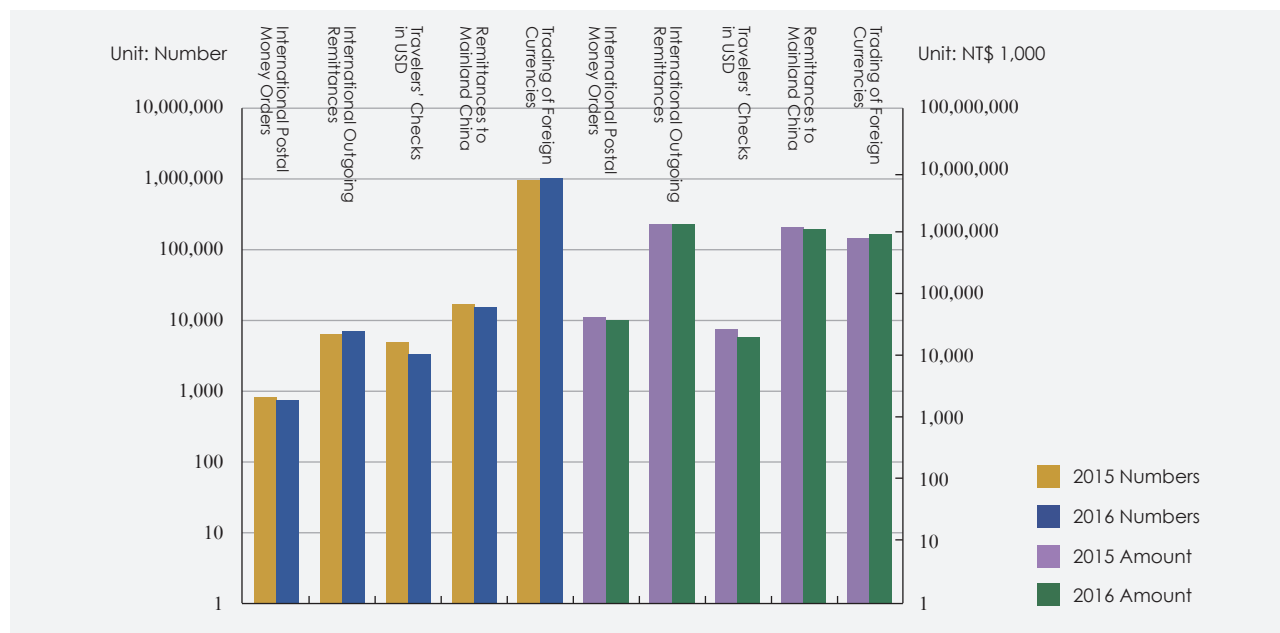
Type	Number		Amount	
	2015	2016	2015	2016
Postal Money Orders	1,496,770	1,416,811	14,715,938	13,769,149
Remittances between Postal Passbook Accounts	4,769,102	4,681,699	116,763,619	114,619,451
Fax Money Orders	4,099	3,242	47,905	37,916
Remittances between CHP and Commercial Banks	8,541,258	8,537,320	1,535,213,180	1,536,306,075
Postal Gift Coupons	1,343,679	1,354,953	2,654,975	2,675,399
International Postal Money Orders	821	722	41,098	37,399
International Outgoing Remittances	5,833	6,250	1,344,256	1,357,179
Travelers' Checks in USD	4,087	2,517	26,338	16,760
Remittances to Mainland China	15,566	14,761	1,165,215	1,087,851
Trading of Foreign Currencies	1,005,908	1,095,997	851,653	959,246
Total	17,187,123	17,114,272	1,672,824,177	1,670,866,425



### Volume of Domestic Remittance Services, 2015 and 2016



### Volume of International Remittance Services, 2015 and 2016



### (M) 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

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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		
2015	366,310	2,665,036	332,272	122,743	1,001,102	122,336	150,854	677,136
2016	316,850	2,584,655	383,380	103,935	980,605	114,505	146,161	645,983

### 1. New insurance products introduced in 2016:

(1) The “Happy>Returns-Every-Year Endowment” was introduced on March 29th, 2016

- 6-year, 10-year and 20-year terms were offered. Consumers were allowed to make their own choices based on personal insurance needs.
- Premiums paid during a selected term will be returned on an annual basis, ensuring financial flexibility for policyholders.
- Should the insured outlive the policy anniversary date on which he/she has reached the insurance age of ninety-six (96), and should the policy still remain valid, Chunghwa Post will pay the insured an amount of “Happy Birthday Benefit” equivalent to six times of the insured amount accumulated as of his/her insurance age of ninety-six (96).

(2) The “Very Favorable Increasing Whole Life Insurance” was introduced on October 12th, 2016

- 6-year, 10-year and 20-year terms were offered. Consumers were allowed to make their own choices based on personal insurance needs.
- From the first policy year to the policy anniversary date on which the insured has reached the insurance age of ninety-five (95), the “insurance coverage” will increase annually as the “basic sum insured” increases year by year at a simple rate of 10%.
- Should the insured outlive the policy anniversary date on which he/she has reached the insurance age of ninety-six (96), and should the policy still remain valid, Chunghwa Post will pay the insured an amount of “Happy Birthday Benefit” equivalent to the insured amount accumulated as of his/her insurance age of ninety-six (96).

### 2. New policies:

In 2016, newly-issued postal life insurance policies totaled 316,850, down 13.50% compared with 2015, the sum insured registered a 15.32% year-on-year decrease, dropping to NT\$103.9349 billion, and the first-year premium income generated therefrom grew by 5.27% to NT\$26.52123 billion when compared with the previous year.





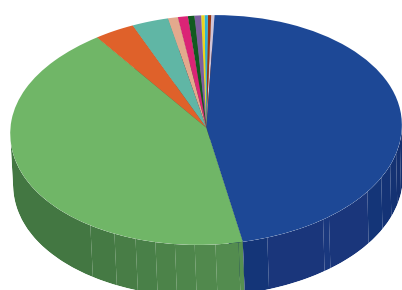
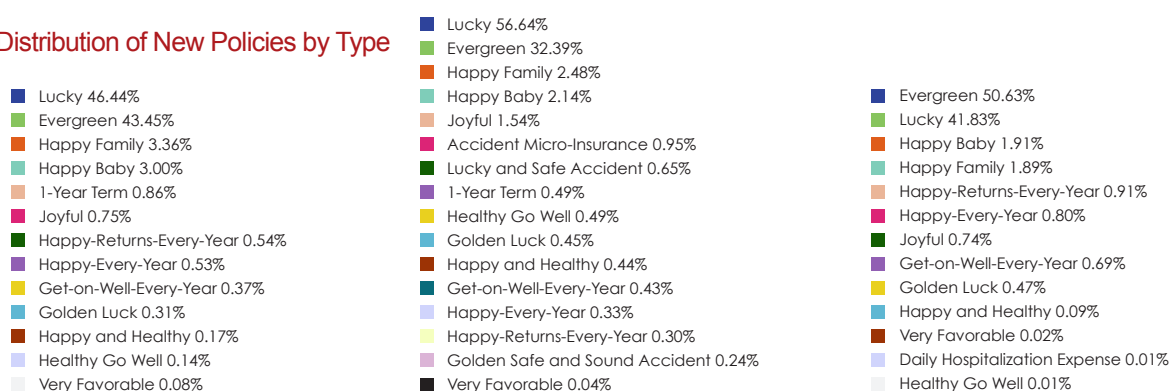
## New Policies by Type

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

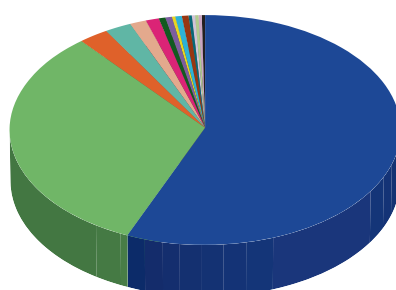
Type		Number of Policies	%	Sum Insured	%	Premium Income	%
Total		316,850	100.00	103,934,895	100.00	26,521,232	100.00
Endowment	Lucky 6-year-Term Endowment	147,140	46.44	58,867,577	56.64	11,094,452	41.83
	Evergreen Increasing Endowment	137,677	43.45	33,666,538	32.39	13,427,194	50.63
	Happy Family Increasing Endowment	10,647	3.36	2,580,821	2.48	502,505	1.89
	Happy Baby Endowment	9,522	3.00	2,219,349	2.14	507,364	1.91
	Joyful Endowment	2,393	0.75	1,596,490	1.54	194,997	0.74
	Happy>Returns-Every-Year Endowment	1,701	0.54	314,480	0.30	241,414	0.91
	Happy-Every-Year Endowment	1,666	0.53	346,340	0.33	211,087	0.80
	Get-on-Well-Every-Year Endowment	1,184	0.37	448,520	0.43	182,059	0.69
	Golden Luck Endowment	973	0.31	462,570	0.45	123,925	0.47
Insurance against Death	1-Year Term Insurance	2,737	0.86	505,500	0.49	985	0.00
	Happy and Healthy Whole Life Insurance	527	0.17	453,330	0.44	22,548	0.09
	Healthy Go Well Term Insurance	438	0.14	504,979	0.49	2,168	0.01
	Very Favorable Increasing Whole Life Insurance	245	0.08	44,060	0.04	6,117	0.02
Accident Insurance	Accident Micro-Insurance Rider	2,761		989,910	0.95	920	0.00
	Lucky and Safe Accident Insurance Rider	1,377		680,150	0.65	714	0.00
	Golden Safe and Sound Accident Insurance Rider	493		253,350	0.24	463	0.00
Health Insurance	Daily Hospitalization Expense Insurance Rider	733		931	0.00	2,320	0.01

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

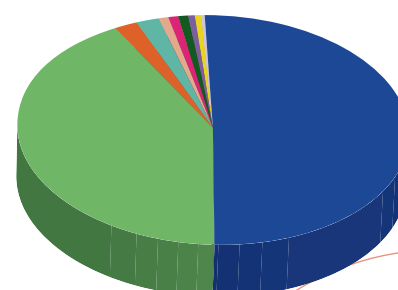
## Percentage Distribution of New Policies by Type



Number of Policies



Sum Insured



First-Year Premium Income

# VIII Operations Summary

## In-Force Policies by Type

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

Type		Number of Policies	%	Sum Insured	%	Premium Income	%
Total		2,584,655	100.00	980,604,904	100.00	146,160,501	100.00
Endowment	Lucky 6-year-Term Endowment	1,323,764	51.22	496,691,420	50.65	81,242,079	55.58
	Evergreen Increasing Endowment	363,449	14.06	83,394,266	8.51	39,664,035	27.14
	Stable Family Refundable Whole Life Endowment	170,198	6.59	62,179,287	6.34	546,807	0.37
	Golden Babe Child Insurance	97,787	3.78	28,335,090	2.89	4,357,008	2.98
	Beautiful Life Interest-Sensitive Insurance	90,283	3.49	50,049,988	5.10	5,476,291	3.75
	Safe and Rich Increasing Endowment	63,664	2.46	25,301,365	2.58	416,234	0.29
	Happy Baby Insurance	58,385	2.26	13,953,182	1.42	2,945,374	2.02
	Joyful Endowment	31,831	1.23	16,900,363	1.72	2,143,429	1.47
	Little Sun Child Insurance (91)	31,048	1.20	8,795,697	0.90	789,806	0.54
	Good Fortune Year after Year Endowment	26,895	1.04	7,318,378	0.75	213,632	0.15
	Happy Child Increasing Whole Life Insurance with Survival Benefits	24,382	0.94	8,161,732	0.83	151,535	0.10
	Happy Family Increasing Endowment	19,608	0.76	4,513,538	0.46	1,009,767	0.69
	Happy-Every-Year Endowment	17,814	0.69	3,317,935	0.34	2,097,652	1.44
	Auspicious Child Endowment	17,169	0.67	5,122,454	0.52	301,576	0.21
	Good Luck and Peaceful Endowment	14,003	0.54	8,161,428	0.83	119,238	0.08
	Get-on-Well-Every-Year Endowment	10,798	0.42	3,713,823	0.38	1,478,776	1.01
	Golden Luck Endowment	7,267	0.28	2,633,980	0.27	735,581	0.50
	Healthy and Safe 103 Endowment	2,697	0.11	1,472,754	0.15	61,211	0.04
	Wealthy and Happy Child Endowment	2,514	0.10	804,206	0.08	71,348	0.05
	Great Luck Endowment	1,847	0.07	534,612	0.06	83,328	0.06
	Happy>Returns-Every-Year Endowment	1,593	0.06	291,831	0.03	241,414	0.17
	Golden Colors Increasing Endowment 123	674	0.03	161,632	0.02	48,122	0.03
	Healthy and Blessed Endowment	283	0.01	104,651	0.01	18,259	0.01
	Great Fortune and Great Favor Increasing Endowment	127	0.01	20,822	0.00	7,078	0.00
	Little Sun Child Insurance	90	0.00	20,190	0.00	44,120	0.03
	Auspicious and Wealthy Increasing Endowment	72	0.00	15,907	0.00	3,816	0.00
	Good Fortune All the Way Insurance	59	0.00	8,882	0.00	47,573	0.03
	Other Endowments	43	0.00	4,663	0.00	440	0.00
	Sub-Total	2,378,344	92.02	831,984,076	84.84	144,315,529	98.74
	Insurance against Death	Safe and Peace Whole Life Insurance	87,561	3.39	58,446,726	5.96	535,369
Safe and Smooth Double-Indemnity Whole Life Insurance		17,627	0.68	9,137,850	0.93	117,513	0.08
Happy and Healthy Whole Life Insurance		12,923	0.50	7,988,538	0.82	440,244	0.30
Longevity Term Insurance		11,733	0.45	9,235,956	0.94	51,110	0.04
1-Year Term Insurance		6,140	0.24	1,029,750	0.11	2,431	0.00
Safe and Healthy Term Insurance		5,729	0.22	5,298,193	0.54	21,166	0.01
Lucky Star Whole Life Insurance		3,643	0.14	2,497,076	0.25	106,717	0.07
6-Year Term Insurance		3,099	0.12	2,755,488	0.28	6,771	0.01
Safe and Smooth Double-Indemnity Whole Life Insurance (91)		1,705	0.07	500,881	0.05	20,582	0.01
Healthy Go Well Term Insurance		1,394	0.05	1,537,056	0.16	5,219	0.00
Very Favorable Increasing Whole Life Insurance		232	0.01	40,540	0	6,117	0.00
Other Insurance against Death		54,525	2.11	32,896,124	3.36	493,175	0.34
Sub-Total		206,311	7.98	131,364,178	13.40	1,806,414	1.23



	Type	Number of Policies	%	Sum Insured	%	Premium Income	%
Accident Insurance	Lucky and Safe Accident Insurance Rider	29,640		13,017,299	1.33	11,995	0.01
	Accident Micro-Insurance Rider	5,780		1,643,150	0.17	920	0.00
	Golden Safe and Sound Accident Insurance Rider	5,702		2,588,412	0.26	4,315	0.00
	Sub-Total	41,122		17,248,861	1.76	17,230	0.01
Health Insurance	Daily Hospitalization Expense Insurance Rider	5,998		7,789	0.00	21,328	0.02

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

### 3. policy in force

In 2016, the number of in-force postal life insurance policies lowered by 3.02% to 2,584,655, the sum insured posted a 2.05% year-on-year decline, dropping to NT\$980.6049 billion, and the premium income declined by 3.11% to NT\$146.1605 billion when compared with 2015.

### 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 2016 saw 131,961 cases of policy loans, down 2.44% compared with 2015, and the amount of outstanding loans therefrom decreased by 5.80% to NT\$15.52189 billion compared with 2015.

### 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 2016, the number of secured mortgage loans issued by Chunghwa Post totaled 14,074, up 3.11% compared with 2015, and the outstanding loan balance therefrom amounted to NT\$34.42623 billion, 2.37% higher than that of the previous year.

### 6. Benefit payment

#### (1) Payment on maturity

In 2016, a total of 336,073 payments were made on maturity, which translates into a 16.09% year-on-year increase, while the amount paid to the insured lowered by 7.81% to NT\$98.6392 billion when compared with the previous year.

#### (2) Surrender value

The year of 2016 saw 41,604 cases of surrender, up 5.08% compared with 2015, and the amount paid to the insured increased by 2.85% to NT\$13.5789 billion compared with the previous year.

#### (3) Payment to claims

The year of 2016 saw 5,703 payments to claims, up 9.97% compared with 2015, and the amount paid to the insured totaled NT\$2.28661 billion, which translates into a 6.73% year-on-year increase.

## 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 2016, generating an annual revenue of NT\$820,750,000.

### 1. Issuing new postage stamps:

A total of 23 sets of postage stamps were issued in 2016, including 3 sets of commemorative issues, 16 sets of special issues and 4 sets of definitive issues. Additional issues of the year included: 2 models of stamp yearbook (one in hardback and the other in loose leaf), 1 model of postage stamp catalogue, 10 models of stamp folio, 4 models of stamp pictorial, 5 models of maximum card, 1 style of commemorative envelope, and 1 model of press sheet of New Year's Greeting Postage Stamps (Issue of 2016). Among all of the issues provided for sale, the souvenir sheet of Painting and Calligraphy on the Fan is printed on bamboo chips with phosphorescent stamp paper, the souvenir sheet of PHILATAIPEI 2016 World Stamp Championship Exhibition Commemorative Issue features an offset- and laser-printed hologram with embossing and hot-stamping spots, and the mini-pane of PHILATAIPEI 2016 World Stamp Championship Exhibition Postage Stamps: Taiwan the Treasure Island employs augmented reality (AR) and virtual reality (VR) technologies to display its graphic designs of colorful pointillism, a smiley face - the most beautiful picture in Taiwan, and a butterfly-shaped perforation between the two stamps of the sheet. With regard to stamp shapes and the formats of full sheets, numerous creative designs, including interlocking layout, uniquely die-cut, unique mini-pane, and pair souvenir sheets are employed in 2016 issues, epitomizing the exquisiteness and diversity of postage stamps, such as the Inauguration of the 14th President and Vice President Commemorative Issue, PHILATAIPEI 2016 World Stamp Championship Exhibition Postage Stamps: Having Fun with Animation, PHILATAIPEI 2016 World Stamp Championship Exhibition Postage Stamps: A New Vision through Design, and the souvenir sheet of Painting and Calligraphy on the Fan: Traveler at Shanyin County. Moreover, during the PHILATAIPEI 2016 World Stamp Championship Exhibition, multiple stamp folios and pictorials were released, containing an exclusive gift of the issues released for the exhibition which were printed either with imitation perforations or in uniquely die-cut format. In line with business demands, Chunghwa Post also released 2 models (vertical and





horizontal designs) of domestic postal cards, domestic ordinary stamped and registered stamped envelopes, 2 sets of postage labels, 1 set of 12 landscape postal cards, 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 13 types of philatelic products in 2016, including fine silver ingots featuring the Coiling Dragon Stamp, traditional/classic pillar boxes, I.P.O. letter pillar-boxes, leaning mailboxes, porcelain bearing herb plants, postal canvas bag, and postman figure piggy banks, a total of 17 models being provided for sale. Chunghwa Post also authorized its branches nationwide to produce and sell a total of 82 models of philatelic products.

## 3. Organizing sales promotions to expand philately business:

(1) "New Year's Greeting Postal Cards with Lottery (Issue of 2015)" sales promotion:

This sales promotion was launched from December 1st 2015 to February 26th 2016 to encourage citizens to send their happy new year greetings by means of hand-written postal cards. A public lucky draw was held on March 18th 2016, with 1,040 prizes given away, including tablets, philatelic stamps and products, and so forth.

(2) 2015 Stamp Yearbook premium sale:

The premium sale lasted from January 6th to April 30th 2016. During this period of time, any customer who bought a 2015 Stamp Yearbook (either hardback or loose leaf) would be rewarded with a scratch-and-win card, with 16,527 prizes given away, including tablets, varifocal single-lens reflex camera filters, smart phones, netbook, philatelic stamps and products released by Chunghwa Post, and so forth.

(3) Hosting 2016 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 January 25th to February 22nd 2016. A Total of 227,493 votes were casted, with the top three winners being Marine Life Postage Stamps-Jellyfish, Teresa Teng Personal Greeting Stamps, and the souvenir sheet of Ancient Chinese Paintings by Giuseppe Castiglione in Qing Dynasty. A public lucky draw was held on March 8th 2016.

## 4. Philately promotion events:

(1) Taking part in international philatelic activities to expand Chunghwa Post's business globally:

Chunghwa Post sent representatives to attend the World Stamp Show-NY 2016 to have exchanges with postal administrations and stamp dealers worldwide so as to boost global cooperation on philately. The Company also took this opportunity to promote PHILATAIPEI 2016 World Stamp Championship Exhibition and invite postal administrations, stamp dealers and philatelists worldwide to enjoy the exhibition together in Taiwan.

(2) Hosting PHILATAIPEI 2016 World Stamp Championship Exhibition:

Lasting from October 21st to 26th 2016 at Taipei World Trade Center, Exhibition Hall 1, this exhibition was the first world-level stamp show held in Taiwan. In line with various daily themes during the period of exhibition, Chunghwa Post released multiple creative models of philatelic stamps and products, and organized a series of splendid performances and activities.

The exhibition saw 74 participating countries setting up 129 distinctive booths and exhibiting 2,393 frames of collections (including 2,379 frames in the Competition class and 14 frames in the Honor class), and 43 pieces of stamp rarities, attracting 318,053 viewers from home and abroad. The exhibition was a great success in enhancing Chunghwa Post's international visibility and international friendship.

(3) Sponsoring philatelic societies to participate in philatelic activities home and abroad:

- Subsidized delegates of the Chinese Taipei Philatelic Federation to attend board

# VII Operations Summary

meetings of Fédération Internationale de Philatélie (FIP) and Federation of Inter-Asian Philately (FIAP), and to participate in World Stamp Show-NY 2016, Thailand 2016 – the 32nd Asian International Stamp Exhibition, and China 2016 – FIAP 33rd Asian International Stamp Exhibition, and so forth.

- Supported philatelic societies and other groups nationwide to organize philatelic exhibitions and stamp-collection promotions, totaling 73 times.

(4) Honoring and rewarding eminent philatelists:

In accordance with Chunghwa Post's Guidelines for Honoring and Rewarding Eminent Philatelists, the Company honored on the 2016 Postal Day 34 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 2015.

(5) Supervising the Outsourcing Project of 2016 Philatelic Marketing and Promoting Activities:

The project was constituted of three parts: Four-Frame-Comics Stamp Competition, Creative Marketing, and Media Marketing, attracting 224 pieces of creative cartoon drawings from competitors. Furthermore, other marketing activities designed to promote philately were launched both online and on street. Citizens walking around business areas in Taipei, Taichung and Kaohsiung were randomly invited to participate in a series of street activities regarding stamp collecting, stamp story-telling and stamp price guessing while similar activities were vigorously promoted through the Chunghwa Post Facebook fan club.

(6) Holding 2016 Family Camp, attracting 1,483 philately fans.

(7) Establishing a total of 196 Philately Classrooms in schools nationwide in 2016.

(8) Holding exhibitions and activities at the Postal Museum:

- Stamp or special exhibitions and activities at the main museum:

To promote philately and provide the public with opportunities to appreciate artistic aesthetics, Chunghwa Post planned stamp or special exhibitions in line with the release of new stamps or folk festivals. In joint efforts with China Stamp Research Society, Jiachen Society of Poetry, Xin Yuan Collections, Taiwan Poster Design Association, Painting Group of Postal Evergreen Senior Citizens Center and Taiwan Research Society of Chinese Zodiac Stamps, Chunghwa Post held six rich and diversified exhibitions and activities in 2016, attracting more than 54,700 viewers.

- Stamp or special exhibitions and activities at Beimen Branch:

Beimen Branch is designed as a place for family activities. In 2016, six stamp or special exhibitions themed on lovely cartoons, animals, insects, flowers or Chinese zodiac signs were held, attracting more than 21,800 viewers.

- Postal Museum 50th Anniversary Exhibition:

To celebrate the 50th year of operation since the opening of the Postal Museum, an anniversary exhibition and a series of other activities were held on the first and second floors of the main museum starting from July 9th 2016. Rarities on display included Shanghai Print Flying Geese Stamps overprinted with characters and Red Color Revenue Stamps Converted into Postage Stamps, restored ancient books, and brilliant stamps made from various differing materials. There were also a number of interesting and exciting interactive zones, including two multimedia interaction areas for visitors to experience the daily life of a postman and to design stamps by themselves, a scenario displaying a mobile mail van, and a postal card DIY workshop.

(9) Organizing 2016 Postal Museum Tour Exhibition, with a total of 24 sessions attracting more than 56,800 viewers.

(10) Holding Dahu Courier Station 130rd Anniversary Exhibition:



To recall how hard our predecessors fought to keep post roads clear of obstacles, and to reveal how hard our post men and women have been working, the Postal Museum, together with Miaoli Post Office, held the opening tea party and unveiling ceremonies at Dahu Post Office on March 12th, kicking off the special exhibition celebrating the 103rd anniversary of the Dahu courier station. Lasting from March 12th to 13th 2016, the exhibition centered on the postal history of Taiwan in Qing Dynasty, the establishment of Dahu courier station, and Dahu courier station's delivery of government documents concerning reclamation, offering viewers a cultural feast of great historical value.

- (11) Hosting together with DungXin Elementary School a special stamp exhibition in Keelung: To help students, their parents and teachers at schools located in Keelung region to better understand postal business, Chunghwa Post worked together with Keelung Municipal DungXin Elementary School and held this special exhibition from November 23rd to 25th 2016. Collections on display included stamps featuring protected insects and lovely animals released by Chunghwa Post over the years, models of pillar boxes and mail vans, etc. There was also an area dedicated to displaying the development history of postal business and various appealing philatelic collections. Chunghwa Post expected such exhibitions would help promote philatelic business.

- (12) Organizing stamp seminars: To promote philatelic culture and share philatelic knowledge with the public, stamp seminars have been jointly held by Chunghwa Post, China Stamp Research Society, and Chinese Culture and Fine Arts Philatelic Association on Saturday of the 4th week of each month.

#### (M) 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 2016, the number of franchise stores reached 2,175 and a total of 170,000 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 prize exclusive to electronic invoice lotteries have to cash their prizes at designated branches, winners of the 2nd to 6th prizes and the NT\$2,000-valued prize exclusive to electronic invoice lotteries may cash their prizes at any branch of Chunghwa Post across the country.
4. To meet multifaceted investment needs of deposit account clients, Chunghwa Post has designated 1,148 branch offices to sell 165 domestic funds by the end of 2015.
5. Post offices at 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.

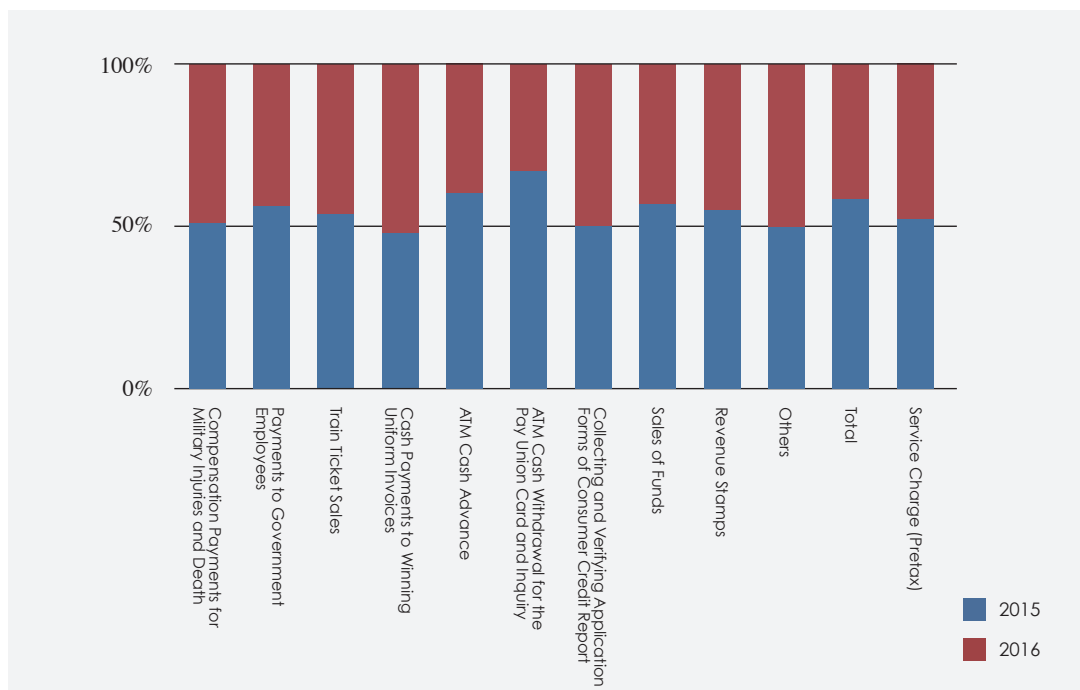
# VIII Operations Summary

## Volume of Agential Business (exclusive of bonds and military honorable discharge pension funds)

Unit: NT\$10,000

Item	2015	2016	Increase/ Decrease %
Compensation Payment for Military Injuries and Death	108,463	108,209	-0.23
Payments to Government Employees	239,671	171,783	-28.32
Train Ticket Sales	4,710	3,578	-24.03
Cash Payments to Winning Uniform Invoices	844,603	852,823	0.97
ATM Cash Advance	40,098	22,775	-43.20
ATM Cash Withdrawal for the Pay Union Card and Inquiry	990,111	415,112	-58.07
Collecting and Verifying Application Forms of Consumer Credit Report	131	131	0
Sales of Funds	91,824	69,191	-24.65
Revenue Stamps	158,575	137,129	-13.52%
Others	18,545	18,519	-0.14%
Total	2,496,731	1,799,250	-27.94%
Service Charge (Pretax)	57,238	53,186	-7.08%

## Comparison Chart of Agential Business, 2015 and 2016







## (VI) 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, post offices at all levels and mail processing centers, 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 2016. Details are as follows:

### 1. Asset lease

- (1) The lease of property assets is as follows:
  - Renting out spare space after review and adjustment of the workspace configuration.
  - Renting out business premises for marketing display.
  - Allowing mobile communication companies to rent roofs of post offices for base station installation.
  - Renting out the interior and outer walls (or space) for posting ads.
  - Others: renting out meeting rooms, auditoriums, parking lots and the employee training classrooms.
- (2) All post offices (centers) 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\$247.398326 million in the year of 2016, up NT\$5.725153 million or 2.37% compared with NT\$241.673173 million generated in 2015.

### 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) 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. 162 post 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 of Post Offices (Taipei Mail Processing Center) to orchestrate, arrange and support the activation of property assets owned and managed by post offices (centers) 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.
- (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 (centers) at all levels.
- (3) Chunghwa Post provided trainings on property assets utilization on a yearly basis. All levels of post offices (centers) performing well in asset revitalization were invited to designate a representative to share their success stories and experience.

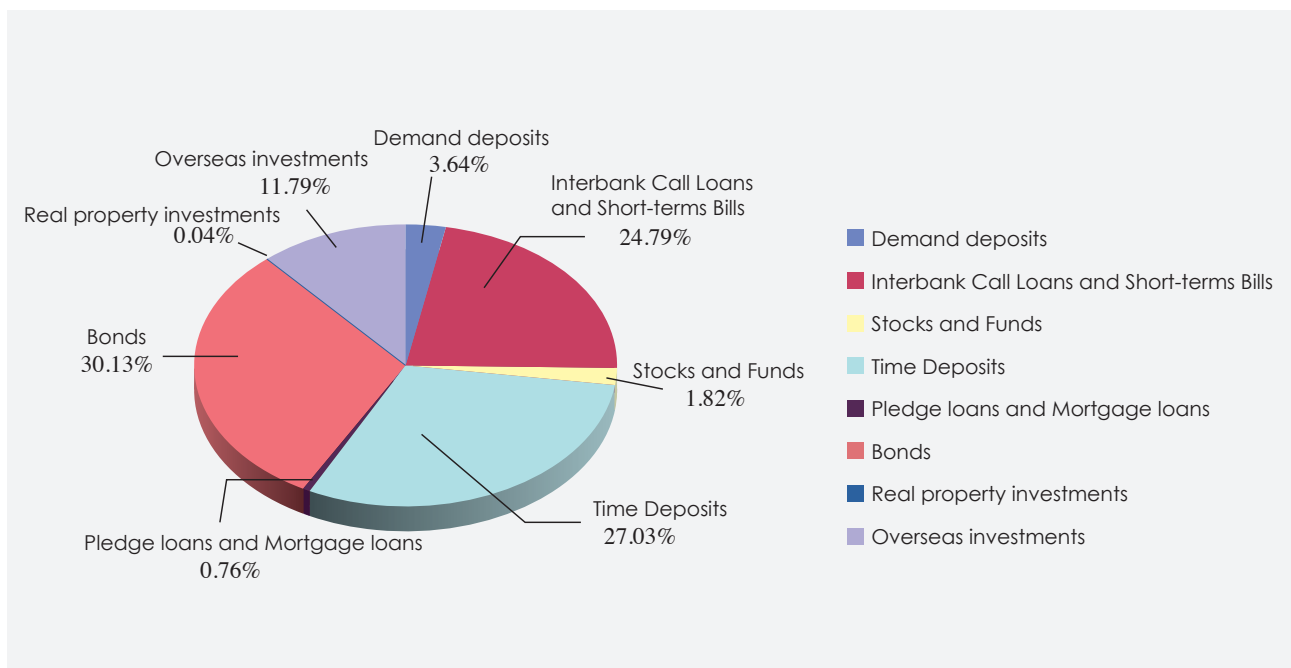
## (VIII) Capital Utilization – Supporting State Construction Programs

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 2016, postal capital (savings, remittances and life insurance capital inclusive) put into use has totaled NT\$6,722.8 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\$244.8 billion, accounting for 3.64% of the total.
2. Time deposits (time savings deposits inclusive): NT\$1,817.4 billion, or 27.03% of the total.
3. Interbank call loans and short-term bills: NT\$1,666.9 billion, or 24.79% of the total.
4. Bonds (government bonds, corporate bonds and financial bonds inclusive): NT\$2,025.5 billion, or 30.13% of the total.
5. Overseas investments: NT\$792.5 billion, or 11.79% of the total.
6. Stocks and funds (outsourced investments inclusive): NT\$122.6 billion, 1.82% of the total.
7. Time deposits and life insurance policy pledge loans and mortgage loans: NT\$50.7 billion, or 0.76% of the total.
8. Real property investments: NT\$2.4 billion, or 0.04% of the total.

### Utilization of Postal Capital





By the end of 2016, Chunghwa Post has provided more than NT\$1,611.9 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	9,741	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

Item		2015	2016	As of January 18th 2017
Number of Employees	Staff	11,450	14,271	14,194
	Laborers	12,645	10,439	10,397
	Contract Workers	1,494	1,689	1,701
	Total	25,589	26,399	26,292
	Average Age	46.9	46.1	46.0
Average Seniority		19.4	18.2	18.1
Educational Background (Half-day Workers Counted as Whole)	Doctorates	3	6	5
	Masters	918	1,063	1,074
	Bachelors	15,018	16,163	16,144
	Senior High School	9,072	8,790	8,729
	Junior High School and Below	991	877	850
Employees Holding Professional Certificates		2, 238	2,386	476
Employee Training	1. Training Courses: Launched 1,050 classes on technical skills, computer skills and lectures on specific topics for new recruits, executives and professionals, with 74,174 recorded attendances. 2. Online Learning: Launched for all employees, having total hours amounting to 620,282 hours.			
Volunteering	In 2016, a total of 2,219 volunteers worked for 1,060,667 hours in branches and mail processing centers at all levels.			

# VII Operations Summary

## (I) Budget quota

In accordance with the quota set in budget 2016, 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, mail counters, registered mail claiming and postal agencies.

## (III) Workforce structure

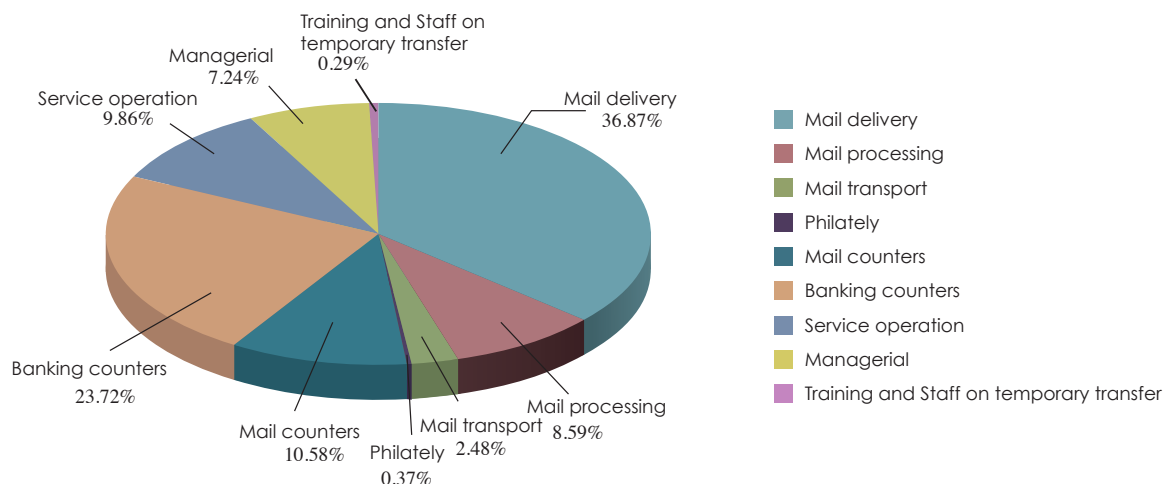
As of December 31st 2016, Chunghwa Post has employed a chairperson, a president, 13,964 transferred employees, 10,746 staff members and 1,689 contract workers, totaling 26,401 employees. Among them, 24,413 employees (or 92.47% of the entire workforce) were basic-level clerks, 1,911 employees (or 7.24%) worked at management level, 17 (0.06%) were training staff, and 60 (or 0.23%) 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 31, 2016 Unit: Person

	Total	%	Head Office	Branches at All Levels	Mail Processing Center
Total	26,401	100.00	1,676	23,896	829
Total Business Staff	24,413	92.47	879	22,749	785
Mail Delivery	9,733	36.87	0	9,733	0
Mail Processing	2,267	8.59	0	1,732	535
Mail Transport	656	2.48	16	390	250
Philately	98	0.37	57	41	0
Mail Counters	2,793	10.58	0	2,793	0
Banking Counters	6,262	23.72	0	6,262	0
Service Operation	2,604	9.86	806	1,798	0
Managerial	1,911	7.24	749	1,120	42
Training	17	0.06	17	0	0
Staff on Temporary Transfer	60	0.23	30	28	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

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

# VII Operations Summary

requested by 1,311 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
  - 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.
  - As of March 2017, a total of 1,241 branch offices has been equipped with ISDN dial-up lines and 52 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.

(4) Testing the backup network for interbank systems with other financial institutions twice a year to test whether the backup network functions well, check whether the switching procedures are correct and familiarize operating personnel with the procedures. Should the main network fail, operation personnel would be able to rapidly switch to the backup network and resume normal operations of the interbank systems.

2. Apart from the above-mentioned 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.