



Business Report

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Over the past year, the global economy didn't perform well as expected as the result of the decline of oil and commodity prices, the slowing down of international trade, and the slackened development of emergent and developing countries, among which the retarding economic growth of Mainland China has exercised greatest influences on global economy. The weakening of international market demands and the emergence of Mainland China supply chain have impacted our domestic economy, resulting in an annual economic growth rate of less than 1%. The year 2016 may still be threatened by a further decline in global economy. But thanks to the persistent low in the international oil markets, the domestic economy is expected to stabilize and hopefully enjoy a growth exceeding that of 2014.

Since the restructuring of our company in 1993, we have run the existing businesses of mails, savings and remittances, and insurance actively to offer comprehensive and quality customer care for people across the country, meeting their basic needs and become their most-trusted business institution.

Inspite of the harsh and ever-changing economic environment, we take over the policy-based duties, making management ever more challenging. With the unflinching commitment of our employee to their assigned duties, the operation goals of 2015 has been accomplished. What follows is the graphic presentations of our results in 2015, followed by the planned goals for 2016.

I. 2015 Operation Results

(I) Major Operation Items: Estimation and Execution

| Items | Units | Result this year | Estimation | Result previous year | Estimation accomplished (%) | Increase over previous year (%) |
|---|------------------|------------------|------------|----------------------|-----------------------------|---------------------------------|
| Mail Operations | Thousand pcs. | 2,645,146 | 2,678,152 | 2,786,839 | 98.77% | -5.08% |
| Philately | Thousand NT\$ | 795,577 | 671,000 | 784,690 | 118.57% | 1.39% |
| Savings (Average daily balance) | 100 Million NT\$ | 57,639.21 | 54,500.00 | 54,278.45 | 105.76% | 6.19% |
| Domestic Remittances (Total amount) | 100 Million NT\$ | 16,728.24 | 16,000.00 | 16,983.52 | 104.55% | -1.50% |
| Simple Life Insurance (Premium income) | 100 Million NT\$ | 1,508.54 | 1,530.00 | 1,487.67 | 98.60% | 1.40% |
| Agential Services (Total amount) | 100 Million NT\$ | 249.67 | 165.16 | 235.64 | 151.17% | 5.95% |

(II) Fund Utilization

Postal capital utilization is institutionalized in accordance with Article 18 of the Postal Remittances and Savings Act and Article 27 of Postal Simple Life Insurance Act. Below is the tabular presentation of the postal fund utilization as of the end of December 2015:

2015 Postal Capital Utilization

Unit: NT\$ 100 Million

| Items | As of the end of December 2015 | Percentage in Postal Capital (%) | As of the end of December 2014 | Increase/Decrease (%) |
|--|--------------------------------|----------------------------------|--------------------------------|-----------------------|
| Demand deposits (including reserves against deposits in the Central Bank of the ROC and the revolving funds in all branch) | 2,276 | 3.46% | 1,963 | 15.94% |
| Time deposits (including time savings deposits) | 18,311 | 27.81% | 18,915 | -3.19% |
| Interbank Call Loans and Short Term Notes and Bills | 15,194 | 23.08% | 14,043 | 8.20% |
| Bonds (including government bonds, corporate bonds, and financial bonds) | 20,145 | 30.59% | 19,126 | 5.33% |
| Overseas Investment | 7,994 | 12.14% | 7,088 | 12.78% |
| Stocks and Mutual Funds (including investment outsourcing) | 1,399 | 2.12% | 1,219 | 14.77% |
| Mortgage loans on Certificates of Deposit, Insurance Policies and Real Estate | 510 | 0.77% | 453 | 12.58% |
| Real Estate Investment | 18 | 0.03% | 13 | 38.46% |
| Total | 65,847 | 100% | 62,820 | 4.82% |

(III) Financial Status and Profitability Analysis

In fiscal year 2015, the total revenue (including operating revenue and non-operating revenue) amounted to NT\$286,692.31 million and total expenditure (including operating costs, operating expenses and non-operating expenses) totaled NT\$273,124.59 million. Profit before tax was NT\$13,567.72 million, and the income tax payable was NT\$1,960.03 million, and the net profit was NT\$11,607.69 million, with an increase of NT\$3,393.44 million over the estimated NT\$8,214.25 million. The ROA (return on assets), ROE (return on equity) after tax and net profit margin for the year were 0.18%, 7.94%, and 4.05% respectively.

(IV) Research and Development

The relevant business units of our company conducted analyses of financial situations, industrial dynamics and trends, both at home and abroad, on a regular or irregular basis, and compiled reports for the benefit of their operations. What follows is a list of major research developments in 2015 that deserves our mention:

- 357 reports done regularly on the analyses of domestic and international financial situations.
 - Analytical reports on domestic and international macroeconomics (monthly)
 - Analytical reports on domestic fixed income market (weekly)
 - Analytical reports on domestic stock market (weekly)
 - Analytical reports on international investments (weekly and monthly)
- 12 overseas study reports
- One research project commissioned to experts in a certain academic institute, entitled "A 2015 Customer Satisfaction Investigation of Postal Services"

II. 2016 Outline of Operation Plan

(I) Strategy

Offering overall quality services of mails, savings and remittances, and insurance to meet people's everyday needs; boosting core postal services, integrating logistics, cash flow, and informational



flow, and opening up services on electronic commerce; enhancing assets revitalizing and activation to enlarge operational capacity.

(II) Policy

1. Related to implementing government policies
 - (1) To be in line with cross-strait policies, enhance the interaction and cooperation so as to offer convenient services to people
 - (2) To be in line with the policies of boosting economic growth, support major government public construction plans and investment plans in the private sectors
 - (3) To be in line with fiscal and monetary policies, offer basic financial protection for our people and help construct the social security network
 - (4) To be in line with the asset management policies, enhance assets revitalizing and activation to enlarge operational capacity
2. Related to management
 - (1) Enhance human resource management, upgrade human resource quality to meet the need for business development
 - (2) Re-integrate resources of postal service and diversify products to offer comprehensive and quality mails, savings and remittances, and insurance services
 - (3) Develop cross-strait postal service business by integrating our advantages of cash flow, logistics, and information flow to strengthen the competitive edge of our business
 - (4) Take advantage of our information technology, enhance information security, improve the operating procedure, and strengthen the overall effectiveness of our services
 - (5) Strengthen our company governance and risk management, guarantee the disclosure of information
 - (6) Allocate assets dynamically, enhance the effectiveness of capital utilization, enhance assets revitalizing and activation and promote the effectiveness of such developments
 - (7) Actively host charity activities, fulfill social responsibilities, create excellent corporate image
 - (8) Work in line with the carbon reduction policy, promote green consumption, create a low carbon environment
3. Related to coordinating supply and demand
 - (1) To enhance quality of service and effectiveness of work, relocate and renovate post office branches, improve facilities, create a bright, comfortable and friendly environment for customer
 - (2) To enhance operational efficiency, expand information appliances and upgrade their operating systems to meet customers' diverse demands
 - (3) To meet the needs of business development, plan for the development of postal logistic park to offer supporting service for related businesses

(III) Operation goals

1. Mail: Estimate to handle 2,615.86 million pieces
2. Philately: Estimate an revenue of NT\$683 million
3. Savings: Estimate a daily balance of NT\$5,830 billion
4. Remittances: Estimate a total amount of NT\$1,604.3 billion
5. Simple Life Insurance: Estimate a total amount of premium income of NT\$143 billion
6. Agential Services: Estimate to handle a total amount of NT\$18,542 million

(IV) Annual Surplus

Estimate to have a pretax surplus of NT\$10,300.1 million