

## II. Business Report



President

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In 2011, as a result of rampant European debt crisis, high unemployment rate in advanced countries, weak demand caused by austerity measures and the lack of policy coordination among E.U. nations in coping with the crisis, global economic growth saw a dramatic slowdown. For the domestic economy, despite steady growth during the first half of the year, a slowing trend was evident under the expansive impact of the Euro debt crisis as the TAIEX index dropped by 1,900 points for the whole year. The United Nations, OECD and major international economic institutions such as GI all revised down the global economic growth and expected an even stagnant trend in 2012. Through the joint efforts of the whole postal staff who actively promoted the business, we accomplished the annual goals in 2011 while the polls showed a high recognition of our postal service by the general public. The 2011 operation results and 2012 operation plan are outlined below:

### I. 2011 Business Operation Results

#### (I) Major Operation Items Estimation and Execution

Operation item	Unit	Result this year	Estimation	Result previous year	Accomplishment rate	Increase over previous year
Mail Operations	1,000 pcs	2,815,419	2,666,035	2,760,598	105.60	1.99
Philately	Thousand NT\$	715,246	570,000	653,126	125.48	9.51
Postal Savings (Average daily balance)	100 Million NT\$	47,281.31	45,800.00	46,624.49	103.23	1.41

Money orders (Amount issued)	100 Million NT\$	15,949.17	14,600.00	15,491.84	109.24	2.95
Simple Life Insurance (Premium Income)	100 Million NT\$	1,625.04	1,500.28	1,659.70	108.32	-2.09
Agential business (Agential amount)	100 Million NT\$	943.41	868.31	915.22	108.65	3.08

## (II) Capital Utilization

Postal capital is employed in accordance with Article 18 of the Postal Remittances and Savings Act and Article 27 of the Simple Life Insurance Act. At the end of December 2011, the utilization of postal capital are as follows:

### 2011 Postal Capital Utilization

Unit: 100 Million NTD

Item	At the end of December this year (2011)	Percentage in postal capital	At the end of December last year (2010)	increase %
Deposits in current accounts (including reserves against deposits in the Central Bank of the ROC and the revolving funds of its branch offices)	1,803	3.29	2,181	-17.33
Certificate deposits (including time deposits )	19,944	36.41	20,442	-2.44
Call loans of other banks and short-term bills and notes (including CDs issued by the Central Bank of the ROC )	9,768	17.83	9,998	-2.30
Bonds (including government bonds, corporate bonds and financial bonds)	16,434	30.00	15,463	6.28
Overseas investments (including money invested by investment management companies on behalf of the post office)	5,017	9.16	3,941	27.30
Stocks and mutual funds (including money invested by investment management companies on behalf of the post office)	1,405	2.56	1,295	8.49
Mortgage loans on CDs, insurance policies and real estate	401	0.73	400	0.25
Real estate investments	11	0.02	11	0.0
Total	54,783	100.00	53,731	1.96

## (III) Financial Status and Profitability Analysis

In FY 2011, total revenue (including operating revenue and non-operating revenue) stood at NT\$ 298,183.86 million and total expenditures (including operating costs, operating expenses and non-operating expenses) totaled NT\$ 287,895.60 million. Profit before tax was NT\$ 10,288.26 million, the income tax was NT\$ 1,667.43 million and profit after tax was NT\$ 8,620.83 million, an increase of NT\$ 640.14 million over the estimated NT\$ 7,980.69 million. The figures for the ROA (return on assets) after tax, ROE (return on

equity) after tax and net profit margin for the year were 0.16%, 7.64% and 2.89% respectively.

### (IV) Research and Development

The business units of the company conduct analysis and compile the information of financial situations both home and abroad, industrial development and trend and other business on a regular and irregular basis. The general situation of important research development of 2011 are as follows:

1. 391 periodical domestic and international financial situation analysis reports:

- (1) Domestic and international economic analysis reports (monthly).
- (2) Domestic fixed income market research and analysis reports (weekly).
- (3) Domestic stock market research and analysis reports (weekly).
- (4) International investment research and analysis reports (weekly, monthly).

2. 17 overseas study reports.

3. 4 research projects were conducted:

- (1) A survey on the customer satisfaction of the postal service.
- (2) The Chunhwa Post organizational structure development research project.
- (3) Mid and long-term capital use interest equation research project.
- (4) Risk management organization and function structure research project.

## II. 2012 Operation Plan Outlines:

### (I) Operation Guidelines

Develop new type of postal businesses, increase operation effectiveness, apply cloud technology, innovate operation services and improve service functions and competitiveness; effectively increase postal capital use effectiveness, support government major development projects and private investment plans.

### (II) Operation Strategies:

1. Actively implement plans to create new sources of income and save expenditures for stabilization of revenues and accomplishment of legal surplus.
2. Improve quality of mail delivery by increasing the accuracy rate of delivery of all sorts of mail items; establish new logistics warehouses and offices to expand the operation niche.
3. Actively develop cross-straight two-way postal and remittance market to provide more efficient and convenient services to the people across the strait.
4. Activate the use of capital and strengthen the management and control of assets to improve asset operation performance.
5. Improve the return of investment of simple life insurance premium and investment through investment management companies to achieve the effectiveness of capital use.
6. Strengthen the training of talents and apply information technology to enhance work efficiency.

### (III) Operation Goals:

1. Mails: It is estimated that 2,769.53 million pieces of mails will be handled.
2. Philately: It is estimated that philately revenues will be NT\$ 609.88 million.
3. Deposit: It is estimated that daily balance will be NT\$ 4,615 billion.
4. Exchange: It is estimated that the amount of exchange will be NT\$ 1,500 billion.
5. Simple life insurance: It is estimated that annual premium income will be NT\$ 155 billion.
6. Agential business: It is estimated that annual amount of agential business will be NT\$ 88,141 million.

(IV) Surplus Goal: It is estimated that pretax surplus will be NT\$ 10,610.32 million.