



中央存款保險公司

Central Deposit Insurance Corporation

2011 Annual Report

CDIC



中央存款保險公司

Central Deposit Insurance Corporation

# 2011 Annual Report

# CDIC





28  
1

1,425

1,347

1,263

1,182

1

# Table of CONTENTS

Letting the deposit insurance mechanism have its full effect,  
and ensuring financial stability

## **Executive Team**

- 04 Message from the Chairman and President
- 06 Organization and Duties

## **Business Operations**

- 08 Business Operations

## **Financial Statements and Independent Auditor's Report**

- 30 Financial Statements and Independent Auditor's Report

## **Statistics**

- 44 Statistics

## **Appendix 1**

- 47 Research Projects and Summary  
Translation Reports in 2011

## **Appendix 2**

- 48 Publication of Deposit Insurance Reports in 2011

## **Appendix 3**

- 49 Expansion and Improvement of Taiwan's  
Deposit Insurance System

## **Appendix 4**

- 57 Major Economic and Financial Indicators  
for the Last Five Years



# *Message* from the *Chairman and the President*

To the CDIC, 2011 was a year full of challenges. With the gradual distancing of the global financial tsunami, and having considered that the conditions prevailing in the domestic financial environment were right for the period of temporary full deposit insurance coverage to be brought to an end, the government decided to return to implementing a limited deposit insurance coverage system from 2011 onwards. In addition to raising the amount of the coverage limit to NT\$3 million, and including foreign currency deposits and the interest on deposits being brought within the scope of coverage, the CDIC continued to strengthen the functions of the deposit insurance system, put various supporting measures in place and actively conducted public awareness campaigns to maintain the confidence of depositors during the return to a system of limited coverage. Thanks to the concerted efforts of all of our staff, 2011 was a year of significant achievements, which included the following:

**1. Continuing to enlarge the deposit insurance payout reserves, and complete the setting up of a “Risk-based Premium Rating System”**

In order to strengthen its ability to undertake risk, the CDIC in 2011 raised the risk-based premium rates on the covered deposits of banks and credit cooperatives participating in deposit insurance to speed up the accumulation of the deposit insurance payout reserves and thereby improve the deposit insurance payout mechanism. In addition, to reflect the differences in operational risk among insured institutions and their financial conditions in a timely manner, the CDIC completed the setting up of the Deposit Insurance Risk-based Premium Rating System in 2011 and

amended the “Implementation Scheme for the Deposit Insurance Risk-based Premium System,” which was to formally take effect in 2012.

**2. Continuing to conduct inspections of financial institutions in accordance with the Deposit Insurance Act to control insured risk**

To effectively control insured risk, and thereby ensure the rights of depositors, the CDIC continued to conduct various kinds of special-purpose inspections of insured institutions as well as on-site inspections of financial institutions applying to participate in deposit insurance and repeat inspections to confirm any relevant operational deficiencies. In addition, in

line with the competent authority's approval of the amendments to the "Implementation Scheme for the Deposit Insurance Risk-based Premium System" on October 31, 2011, it was decided to strengthen the training of CDIC inspection personnel. It was also planned from 2012 onwards to verify data reported by insured institutions and to examine files for their accuracy.

**3. In response to the end of the Financial Restructuring Fund, handling the transfer of remaining assets and liabilities to the National Treasury and related unresolved matters**

In 2011, in addition to continuing to be entrusted with the handling of unsold assets of problem financial institutions retained under the Financial Restructuring Fund and in view of the Fund's ceasing to be effective at the end of 2011, the CDIC successfully completed its tasks in accordance with the plan approved by the Executive Yuan for various agencies to coordinate the handling of matters that remained unresolved. Furthermore, the CDIC compiled "A Report on the Handling Results of the Executive Yuan's Financial Restructuring Fund" to serve as a documentation and testimony to the history of financial reform in Taiwan that will be published as a valuable source of reference for all areas of society.

**4. Actively promoting international affairs, being reelected as a member of IADI's Executive Council, hosting an IADI training seminar and signing more Memorandums of Understanding**

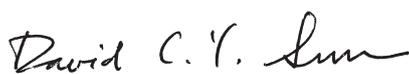
Since joining the International Association of Deposit Insurers (IADI) in 2002, the CDIC has actively participated in IADI's various international activities and research projects. In October 2011, at IADI's Annual General Meeting, the CDIC was reelected as a member of IADI's Executive Council, and in November hosted the IADI's training seminar on "Deposit Insurance Assessments and Fund Management" which was a resounding success. In addition, in 2011 the CDIC signed a Letter of Exchange with

the Indonesia Deposit Insurance Corporation and a Memorandum of Understanding with the Malaysia Deposit Insurance Corporation, bringing to seven overseas organizations in total with which the CDIC had formally established cooperative relationships.

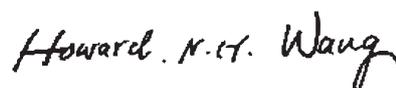
**5. Strengthening R&D, continuing to participate in international research and gathering information on international finance and deposit insurance**

In chairing IADI's Research and Guidance Committee, the CDIC has assisted in promoting the formulation of international guidance on various topics related to deposit insurance as well as research on specialized topics, and has chaired and dispatched personnel to directly participate in IADI research projects. In addition, over the longer term, it has focused on researching topics related to finance and deposit insurance. In 2011, the CDIC completed its compilation of a report on a Summary of the 2008 Global Financial Crisis and Developments in Financial Reforms, to serve as valuable reference for members of Taiwan's financial safety net.

The year 2011 marked the 100<sup>th</sup> anniversary of the founding of our country. As we look back at the history of the CDIC, while we see that our hard work has had its accomplishments, we feel an even heavier weight of responsibility as we look to the future. As the global economy remains full of uncertainty, the CDIC will continue to make every effort to fulfill its responsibility as a member of the financial safety net, to strengthen the risk management of insured institutions as well as the mechanism for handling problem financial institutions, and perpetually strive to "perfect the deposit insurance mechanism," as it continues to move forward. For a long time, thanks to the support and encouragement of all sectors of society and the diligent efforts of all of our staff, the CDIC has been able to smoothly carry out its operations, and for this we would like to extend to all of you our sincere appreciation. In this endeavor, we continue to solicit your ongoing support and guidance.

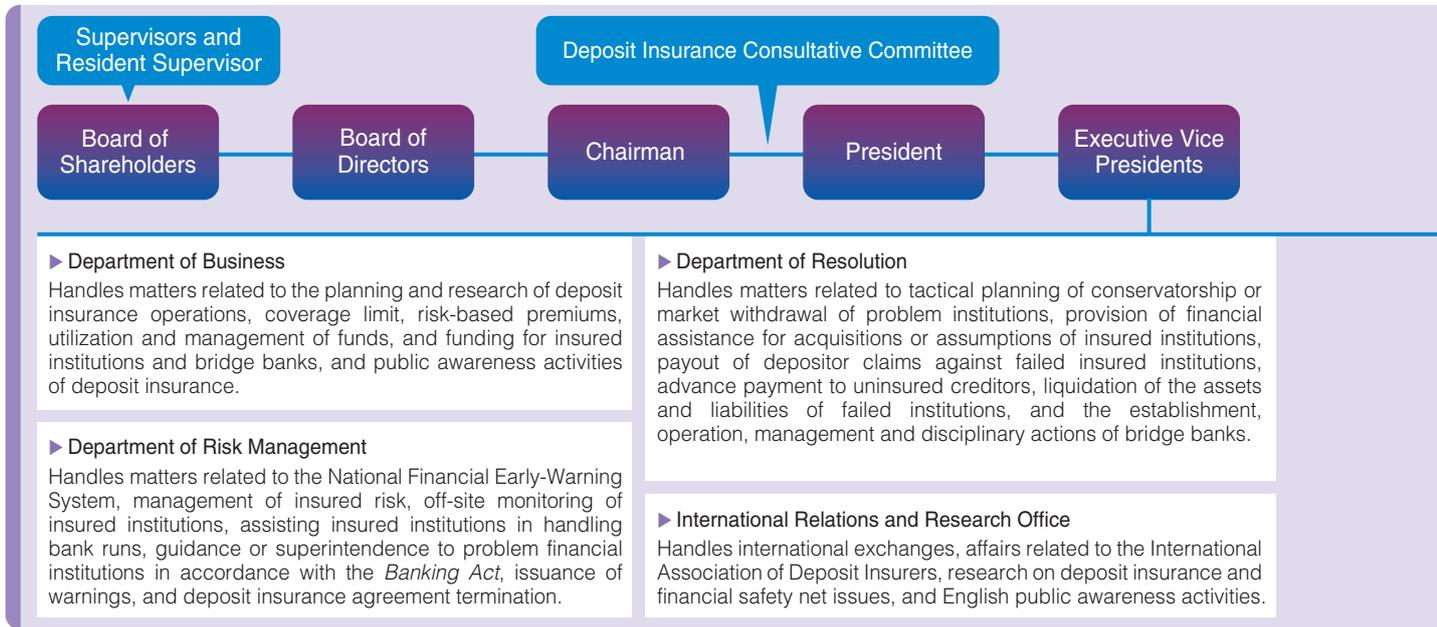


Chairman David C. Y. Sun



President Howard N. H. Wang

# Organization and Duties



## Board of Directors and Supervisors

Board of Directors	Chairman	David C. Y. Sun (Representative of the Financial Supervisory Commission)
	Resident Supervisor	Tsuey-Ling Hsiao* (Representative of the Central Bank)
Supervisors	Supervisor	Te-Hsin Chen (Representative of the Financial Supervisory Commission) Yu-Chin Su (Representative of the Financial Supervisory Commission)

Executive Vice President W. H. Lai	Director, Department of Accounting Huei-Ling Liu	Director, Personnel Office Hong-Dei Huang	Department of Business Allen Chen	Director, Civil Service Ethics Office Ing-Cyuan Hu	Director, Secretariat Quan-Cheng Chang	Advisor Lu Ye	Advisor Ming-Ho Hsu
---------------------------------------	---	--	--------------------------------------	---	---	------------------	------------------------



► **Special Inspection Department**

Handles matters related to inspections of deposit insurance applications by financial institutions, the accuracy in calculations of the deposit assessment base of insured institutions, the content of electronic data files of insured institutions, any events causing the termination of the deposit insurance agreement, the assets and liabilities of the insured institutions prior to the fulfillment of insurance responsibilities, and information needed to pursue civil actions for illegal acts by employees of failed insured institutions.

► **Legal Affairs Office**

Handles contracts, litigation, financial laws and regulations, research of laws and systems related to deposit insurance, and other related legal matters.

► **Department of Accounting**

Handles budgeting, accounting, statistics and auditing.

► **Secretariat**

Handles confidential matters, documentation, procurement, cashier affairs, asset management, public relations, and other general affairs.

► **Information Management Office**

Handles the planning, design, implementation and management of all electronic data handling operations, and other related matters.

► **Personnel Office**

Handles personnel management and training matters.

► **Civil Service Ethics Office**

Handles matters related to ethics of the staff.

► **Central Region Office**

Collects, processes, analyzes, monitors and oversees operational information and provides guidance to, inspects, handles bank runs, and assists with takeovers and payout of community insured institutions in the area from Taichung to Chiayi.

► **South Region Office**

Collects, processes, analyzes, monitors and oversees operational information and provides guidance to, inspects, handles bank runs, and assists with takeovers and payout of community insured institutions in the area from Tainan to Taitung.

**Directors**

Howard N. H. Wang  
(Representative of the Central Bank)

Mang-Chih Lee  
(Representative of the Financial Supervisory Commission)

Yeh-Ning Chen  
(Representative of the Financial Supervisory Commission)

A-Wang Huang  
(Representative of the Central Bank)

Hsien-Yuan Huang  
(Representative of the Financial Supervisory Commission)

Ling-Yang Wu  
(Representative of the Financial Supervisory Commission)

\* The former Resident Supervisor Tsai-Chiu Hsu retired on Jan. 16, 2012 and was succeeded by Tsuey-Ling Hsiao.

Director, Department of Resolution Annie Jen	Director, South Region Office Yong-Huei Peng	Director, International Relations and Research Office Yvonne Fan	Director, Special Inspection Department Yao-Kun Chen	Director, Department of Risk Management William Su	Director, Information Management Office Shui-Dong Huang	Director, Central Region Office Ruby Hou	Legal Affairs Office Cyuan-Yuan Yang	Executive Vice President Robert L.I Chen
---	---	---	---	---	--	---	---	--





# *Business Operations*

**T**he CDIC is the sole government agency vested with the responsibility for handling deposit insurance in Taiwan. Its objectives are to safeguard the benefits of depositors in financial institutions, maintain an orderly credit system, and enhance the sound development of financial operations. To facilitate legislative objectives, the *Deposit Insurance Act* vests the CDIC with the major duties of handling deposit insurance, controlling the operational risk of insured institutions, conducting special inspections of insured institutions, handling problem insured institutions, and disposing of problem insured institutions. The following is a brief overview of the major tasks and policy missions of the CDIC in 2011:

## 1 Deposit Insurance

### (1) Slight increase in the number of insured financial institutions

Pursuant to Article 10 of the *Deposit Insurance Act* and the *Approval Standards for Financial Institutions Applying to Participate in Deposit Insurance*, in 2011 a total of two farmers' associations with newly-established credit departments had their applications approved by the CDIC as having met the requirements for becoming insured institutions. In addition, one credit cooperative was merged with another insured institution. As of the end of December 31, 2011, a total of 392 financial institutions were insured by the CDIC, of which there were three domestic publicly-owned banks, 35 private banks, 27 local branches of foreign banks in Taiwan, 25 credit cooperatives, 277 credit departments of farmers' associations and 25 credit departments of fishermen's associations.

### (2) Raising the risk-based premium to provide an abundance of deposit insurance payout reserves

In line with the ending of the temporary full deposit insurance coverage on December 31, 2010 and the coverage limit being set at NT\$3 million from January 1, 2011, the government instructed the CDIC to look into ways of adjusting the deposit insurance premium in order to speed up the accumulation of the deposit insurance payout reserves, and thereby strengthen the CDIC's ability to undertake risk. The resulting proposed measures were approved by the Executive Yuan's Financial Supervisory Commission (hereinafter referred to as the Financial Supervisory Commission) and took effect from January 1, 2011. Following the adjustments, the premiums were as follows:



- For banks (including domestic banks and the local branches of foreign banks in Taiwan) as well as credit cooperatives, the five-tiered risk-based premium rates which had been 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%, were respectively raised to 0.05%, 0.06%, 0.08%, 0.11%, and 0.15% and to 0.04%, 0.05%, 0.07%, 0.10%, and 0.14% for covered deposits, with a flat premium rate of 0.005% for eligible deposits in excess of the coverage limit.
- For the credit departments of farmers' and fishermen's associations, no adjustments in premium rates were made. The risk-based premium rates were still divided into five-tiered risk-based premium rates of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06% for covered deposits, respectively, with a flat premium rate of 0.0025% for eligible deposits in excess of the coverage limit.

In addition, in order that the operational risk of insured institutions and their financial conditions can more effectively and in a more timely manner be reflected in the risk-based premium, the CDIC has at the request of the competent authority revised the "Implementation Scheme for the Deposit Insurance

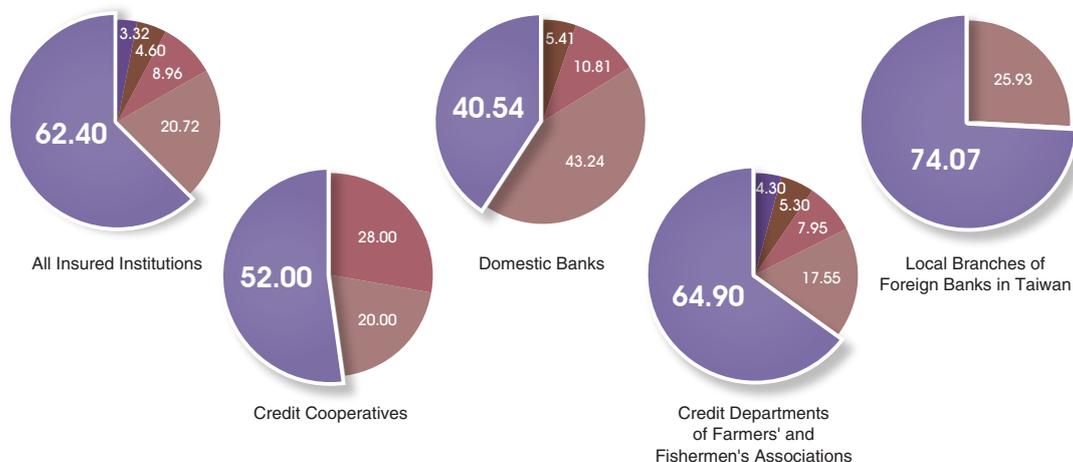
Risk-based Premium System," and amended one of the risk indicators of the risk-based premium rates, namely, the "Composite Score of the Examination Data Rating System" to become the "Composite Score of the Risk-based Premium Rating System." It has also stipulated that the call report data submitted by insured institutions is the primary source of the data on which the scores are based, with the data obtained from examination reports being the secondary source. Furthermore, in order to confirm the accuracy of call report data and files submitted by insured institutions and avoid the falsification or concealment of important business information, which could affect the appropriateness of the premium, additional supporting measures regarding the CDIC's handling the inspection of insured institutions and calculation of the risk-based premiums have also been drawn up. The content in regard to such amendments was approved by the competent authority on October 31, 2011 with a view to their becoming effective on January 1, 2012.

The first tier of the premium rate is currently applied to about 62.40% of all financial institutions, the second tier to 20.72%, the third tier to 8.96%, the fourth tier to 4.60%, and the fifth tier to 3.32%.

### Risk-based Premium Rates by Institution Types

As of December 31, 2011

Unit: %



Note: All Insured Institutions do not include Chunghwa Post Co., Ltd. Domestic Banks include the Agricultural Bank of Taiwan but exclude Chunghwa Post Co., Ltd.

### (3) Increasing the deposit insurance coverage limit and extending the scope of coverage

After the implementation of temporary full deposit insurance coverage came to an end on December 31, 2010, effective from January 1, 2011 the deposit insurance coverage limit was raised to NT\$3 million and the scope of coverage broadened to include foreign currency deposits and the interest on deposits. Based on statistics submitted by insured institutions as of December 31, 2011, total eligible deposits amounted to approximately NT\$32.22 trillion, and deposits within the NT\$3 million coverage limit totaled roughly NT\$17.45 trillion. The ratio of deposits not exceeding the coverage limit to total eligible deposits rose to 54.16%, while the ratio of fully covered deposit accounts to the total number of deposit accounts also increased to 98.55%. This shows that, after raising the deposit insurance coverage limit to NT\$3 million, by far the vast majority of small depositors have benefited from coverage, which in turn has increased the confidence of depositors in the deposit insurance system.

### (4) Advocating measures to increase public awareness of deposit insurance

In line with the return to a system of limited deposit insurance coverage with the coverage limit being set at NT\$3 million as from January 1, 2011 and in order to extend the scope of coverage to include foreign currency deposits and interest on deposits, the CDIC has also drawn up a comprehensive awareness campaign so that through each insured institution, as well as television, broadcasts, flyers, magazines, the Internet, transportation and other forms of media and activities, the general public might be more fully informed of their rights and benefits.

Furthermore, to understand the extent to which the general public are aware of deposit insurance and to find out what channels are being used to convey information about deposit insurance, the CDIC has on a regular basis commissioned a professional agency to conduct a questionnaire survey to serve as a reference in future publicity work and in the formulation of follow-up measures. In 2011, the level of public awareness was 62%.

Press conference held for a CDIC-sponsored public awareness campaign



# Risk Management

## 2 Risk Management

### (1) Detecting problem insured institutions through timely financial early-warning operations

The CDIC continued to implement the National Financial Early-Warning System to closely track the operating status and financial conditions of financial institutions and detect problem institutions in a timely manner, as well as to provide a reference to the competent authorities concerned for formulating relevant regulatory policies. The CDIC also made necessary adjustments and revisions to the system to meet changing financial conditions and supervisory requirements. In addition, during the period in which temporary full deposit insurance coverage was implemented, it regularly followed up the changes in the deposits of insured institutions, in order to enhance financial stability.

### (2) Implementation of an Account Officer Analysis System to control the operating conditions of insured institutions

The CDIC implemented an account officer analysis system to grasp the operating status of insured institutions and facilitate the operation of a risk-prevention management system. The key elements involved in the implementation of the account officer analysis system include: the timely detection of the operational abnormalities of insured institutions through Internet transmission surveillance system on a daily basis; conducting regular analyses of the operating status of insured institutions; establishing specific files on significant unexpected events as well as on the operational data and special warning items of insured institutions; carefully handling public complaints and tip-offs in accordance with regulations; and carrying out off-site monitoring directed toward insured institutions with concentrations of business risk. In line with the return to the implementation of limited deposit insurance coverage, the CDIC is regularly following up on the changes in the deposits as well as on the management of the liabilities of certain domestic banks.



CDIC Chairman (Second from left), President (Third from left) and two Executive Vice Presidents

### **(3) Strengthening controls on insured risk by providing guidance to insured institutions**

The CDIC, in line with the supervisory policies of the competent authority, dispatched specialists to adopt measures to strengthen the auditing of financial statements through the provision of off-site guidance and to closely monitor the improvement status of financial conditions and business operations of an insured institution, as well as submitted relevant reports on a regular basis to the competent authority for reference. In addition, the CDIC dispatched personnel to attend relevant guidance meetings convened by the competent authority, which helped the CDIC, in close coordination with the competent authority, to provide the guidance to enhance the business operation of an insured institution and the CDIC also dispatched personnel to insured institutions to provide timely suggestions as a reference for the institutions in handling operational problems, thereby facilitating the institutions' return to sound business operations.

### **(4) Enhancing information sharing and coordination mechanisms with relevant supervisory agencies to increase the effectiveness of supervision**

In addition to participating in meetings of the Financial Supervisory Liaison Team and preparing draft resolutions, the CDIC in coordination with the operation of the "Single Window for Reporting of the Financial Supervisory Information System" promoted by the Examination Bureau of the Financial Supervisory Commission assisted with the amendments to each kind of submitted reports and offered opinions. Moreover, it also dispatched personnel to participate in the "New Basel Capital Accord Ongoing Recommendations Task Force" convened by the Banking Bureau of the Financial Supervisory Commission to assist in planning and setting up the simulation of macroeconomic variables and loss estimation methods for stress testing in order to help strengthen financial supervision. Personnel were also dispatched to participate in the "Liquidity Risk Management Task Force" to assist banks in the drafting of guidelines for bank liquidity risk management and self-discipline.



CDIC personnel performance assessment by Financial Supervisory Commission



Remarks delivered by Chairman Chen of Financial Supervisory Commission at the CDIC's seminar

### **(5) Holding seminars on insured institution's operating policies and management to enhance risk management concepts**

In recent years, each country's economic and financial environment has been significantly impacted by the financial crises in Europe and the U.S. In order to effectively control insured risk, the CDIC organized Insured Institutions' Operating Policies and Management Seminars and invited experts and insured institutions to discuss together on topics related to the financial sector and risk management in 2011, and to effectively upgrade the risk management skills of insured institutions in response to the changing financial environment.

## **3 Resolution of Problem Institutions**

In 2011, the CDIC continued to assume the conservatorship of Chinfon Bank and eight financial institutions with unsound operations, and continued to deal with the retained assets of financial institutions and other unresolved matters, which included the handling and disposal of remaining real estate, antiques, retained loans, shares in the Taipei Financial Building Corporation and unresolved litigation, while also dealing with day-to-day matters in relation to record keeping, stocks and taxation. In addition, as the assets and liabilities of such problem financial institutions were successively resolved, to keep down expenditure in relation to accounting and stock-related matters over the long term, the CDIC in accordance with the situation facing each individual institution made plans to terminate its conservatorship to the competent authority for approval. As for the five institutions that still had unresolved litigation and subordinated liabilities that could not be paid out in accordance with the law, namely, Kaohsiung Business Bank, Chung Shing Bank, the Enterprise Bank of Hualien, Taitung Business Bank and Bowa Bank, the CDIC asked the competent authority to first order that these institutions be terminated, with the CDIC acting as the liquidator in accordance with the *Banking Act*, so as to eliminate the legal personality of these entities.

## **4 Disposition of Problem Financial Institutions under Commission by the Financial Restructuring Fund**

### **(1) Utilizing the Financial Restructuring Fund to facilitate the withdrawal of financial institutions with unsound operations from the market**

From the establishment of the Financial Restructuring Fund in July 2001 to its termination on December 31, 2011, the CDIC successfully enabled a total of 56 financial institutions with unsound operations to withdraw from the market. These 56 institutions included 38 credit departments of farmers' and fishermen's associations, nine credit cooperatives, seven banks and two trust and investment corporations. However, because during this period the funds remaining in the Financial Restructuring Fund were insufficient to deal with the financial institutions with unsound operations, in order to maintain financial stability, the Executive Yuan approved a "Mechanism for the Combined Use of the Financial Restructuring Fund and the Deposit Insurance Payout Reserves," thereby treating the deposit insurance payout reserves as an auxiliary source of funds for the combined use by the Financial Restructuring Fund, so as to provide a uniform guarantee to the creditors of institutions handled by the Financial Restructuring Fund in accordance with the Fund's regulations. At the end of 2011, the total reimbursements made according to law by the Financial Restructuring Fund amounted to NT\$206.8 billion. In addition, the deposit insurance payout reserves were used by the CDIC to make disbursements amounting to approximately NT\$82.7 billion for six unsound financial institutions including the Enterprise Bank of Hualien. In total, the reimbursements for handling the 56 financial institutions with unsound operations amounted to NT\$289.5 billion.

### **(2) Actively handling the retained assets of financial institutions with unsound operations**

A. In 2011 the CDIC dealt with the retained assets of financial institutions with unsound operations, including sales of real estate, the collection of non-performing loans (NPLs), the sale of NPLs and the sale of antiques. These sales are described in more detail as follows:

#### **(a) Handling the sale of the Chinfon Bank's remaining assets**

Of the 2,227 items retained by the Chinfon Bank that were identified as antiques, a total of 784 items were sold in 2011, with the sales proceeds amounting to NT\$259.73 million. When added to those items sold in 2010, that resulted in sales of 1,652 items, with total sales proceeds amounting to NT\$1,087.35 million. This leaves 575 antique items unsold, with a book value of NT\$79.33 million, representing a decline in the book value of approximately 76.01% since April 2010 when the CDIC assumed responsibility for dealing with them. Furthermore, of the Chinfon Bank's remaining real estate, 12 items were sold in 2011, with the sales proceeds totaling NT\$1,293.51 million. If these are added to the 25 items sold in 2010, this results in total sales of NT\$6,068.7 million. Seven items of real estate remain with a book value of NT\$201.71 million. It means approximately 97.18% of the book value has already been sold since April 2010.

**(b) Dealing with the remaining assets of the China United Trust and Investment Corporation**

In 2011, 12 pieces of real estate belonging to the China United Trust and Investment Corporation were sold, with sales proceeds amounting to NT\$417.46 million. If these are added to the 46 items sold previously, it gives total sales proceeds of NT\$3,461.59 million. A total of nine pieces of real estate remain with a book value of NT\$1,182.52 million. It means approximately 77.32% of the book value has already been sold since December 2007.

In addition, the shares of the China United Trust and Investment Corporation in the Taipei Financial Building Corporation had a net book value of NT\$2,222.05 million (or a 15.12% stake). Because the local economic climate has been improving, the Taipei Financial Building Corporation's operations can be expected to continue to recover, and thus the CDIC will wait for an opportune moment based on this corporation's operations and financial conditions before disposing of the shares.

**(c) Handling the retained loans of The Chinese Bank**

To follow up on the protection of creditors' rights and the collection of credit in the case of The Chinese Bank's retained loans, the CDIC formulated guidelines on related retained loan monitoring, loan collection, and the delegation of authority to serve as a basis for implementation and standards for operation. A Credit Collection Review Committee was also set up to ensure the quality of loan collection. In 2011, a total of NT\$1,562 million was recovered on these loans. If the amounts recovered in previous years are included, the total amount recovered is NT\$3,494.75 million. It means 90.64% of the net amount of retained loans has been handled since March 2008.

**(d) Others**

In order to dispose of the retained loans of financial institutions with unsound operations, in 2011 the retained non-performing loans of The Chinese Bank, the Taitung Business Bank and Bowa Bank amounting to NT\$6,258.36 million were sold by public tender. The total sales proceeds amounted to NT\$1,631.56 million.

**B. Handling the Asia Trust and Investment Corporation**

After the Asia Trust and Investment Corporation was put up for sale by public tender, its net worth became positive. To speed up the process of

disposing of the remaining assets and subsequently allocating the remaining property among the shareholders, the CDIC made arrangements with the competent authority for the Asia Trust's liquidation plan. However, because the originally designated liquidator and supervisor resigned from their positions, and none of the shareholders had the intention of becoming the liquidator, in order to complete the procedures for the Asia Trust's smooth withdrawal from the market, the CDIC resubmitted various proposals to the competent authority for decision-making.

**C. Ongoing handling of unresolved litigation**

The CDIC continued to deal with the remaining litigation cases, tax debts and arbitration issues of financial institutions with unsound operations that had withdrawn from the market. During 2011, a total of 12 cases were resolved. If these are added to the cases resolved in previous years, this means that 67 cases had been resolved. There currently remain nine cases, including three for The Chinese Bank, one for the Enterprise Bank of Hualien, one for the Asia Trust and Investment Corporation and four for the Chinfon Bank.





**(3) Dealing with the transfer of the remaining assets and liabilities under the Financial Restructuring Fund as well as subsequent unresolved issues according to the “Plan for Handling the Issues Related to the Expiration of the Financial Restructuring Fund Period”**

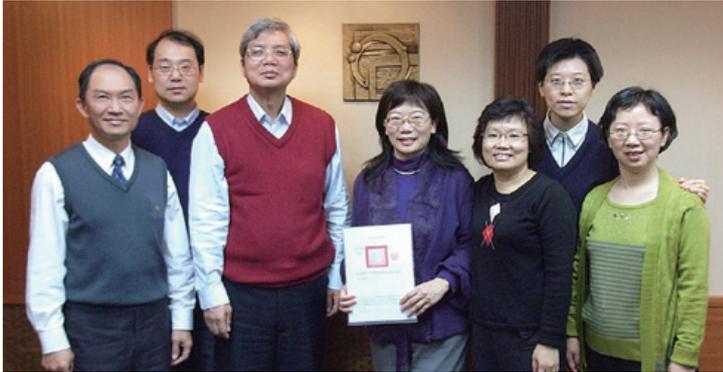
- A. The Financial Restructuring Fund ceased to take effect at the end of 2011. Pursuant to the Executive Yuan’s ratification of the “Plan for Handling the Issues Related to the Expiration of the Financial Restructuring Fund Period,” at the time the Fund was no longer effective, any related assets and liabilities needed to be transferred to the CDIC or the National Treasury. The CDIC thus made the necessary arrangements for such transfer and this task was successfully completed on December 29, 2011. Of this Fund, the reimbursement account of the credit departments of farmers’ and fishermen’s associations totaled NT\$20,974.28 million, the claims against Chaochou Farmers’ Association amounting to NT\$236.92 million and the claims in relation to the internal financing of 19 farmers’ and fishermen’s associations were taken over by the Council of Agriculture. A total of seven pieces of real estate amounting to NT\$238.56 million obtained from the Chinfon Bank were taken over by the National Property Administration. Claims to persons in violation of laws and cases involving the distribution of the Asia Trust and Investment Corporation’s remaining property were taken over by the Financial Supervisory Commission, which continued to entrust the CDIC with this task.

- B. To enable the general public to fully understand the measures being adopted in relation to the role of the Financial Restructuring Fund in helping financial institutions with unsound operations withdraw from the market, and as a documentation of and testimony to the history of financial reform in Taiwan, the CDIC has already as requested by the competent authority completed its "Report on the Handling Results of the Executive Yuan's Financial Restructuring Fund," which has been forwarded to the Financial Restructuring Fund's Management Committee for approval, after which it will be forwarded to the competent authority to be further verified, and then published for the general public's reference.
- C. To respond to the CDIC's need to continue its role as conservator to deal with unresolved matters following the termination of the effective period of the Financial Restructuring Fund and the subsequent return to the deposit insurance mechanism, the CDIC has, based on its need to fulfill its insurance obligations or act as conservator or liquidator, drawn up the "Guidelines for the Establishment of an Appraisal Task Force for Handling Insured Institutions with Unsound Operations," "Guidelines for Managing the Disposal of the Retained Assets of Insured Institutions with Unsound Operations," and the "Guidelines for the Outsourcing of the Tasks in the Fulfillment of the Insurance Obligation and the Conducting of the Conservatorship and Receivership," and has stipulated five qualifications and expenditure standards of hiring specialists, including lawyers in accordance with these guidelines, so that these standards can be followed in the exercise of such duties.

#### (4) Handling legal prosecution

The CDIC, in accordance with Article 17 of the *Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund* and, with the approval of the Fund's Management Committee, transfers cases of illegal behavior by the responsible persons and employees of unsound financial institutions which have handled by the Fund to prosecutorial agencies for investigation. The CDIC also pursues civil actions for compensation against persons in violation of laws to make up for compensation payments by the Financial Restructuring Fund and to serve the interest of social justice. At the end of December 2011, the CDIC had submitted 183 cases of suspected criminal activity to prosecutorial agencies for investigation, and 141 cases of civil compensation were being pursued.





Handover of the Financial Restructuring Fund

## 5 Inspection

### (1) Conducting inspections stipulated in Article 24 of the *Deposit Insurance Act* in order to effectively fulfill insurance responsibilities

Pursuant to Article 24 of the *Deposit Insurance Act*, the CDIC shall inspect the accuracy of the deposit assessment base of insured institutions and the content of their electronic data files, whether or not there are any events causing the termination of the deposit insurance agreement, as well as the assets and liabilities of the insured institutions prior to the fulfillment of insurance responsibilities, and property information and information needed to pursue civil actions for illegal acts or dereliction of duty by employees of problem insured institutions. During 2011, the CDIC carried out the following:

- A. The CDIC carried out inspections regarding the accuracy of the deposit assessment base of a total of 10 insured institutions. When deficiencies regarding the calculations of the premium were detected, the institutions involved were all asked in writing to make improvements, in order to ensure the accuracy in the calculations of the deposit insurance premiums.
- B. The CDIC carried out inspections on the content of the electronic data files established by a total of 72 insured institutions. In regard to any deficiencies detected, the CDIC has already requested in writing that the insured institutions make improvements, so that in exercising its insurance responsibility, the CDIC can quickly make use of the computer information to handle insurance payouts.

### (2) Handling on-site inspections of institutions applying to participate in deposit insurance to reduce the CDIC's insured risk

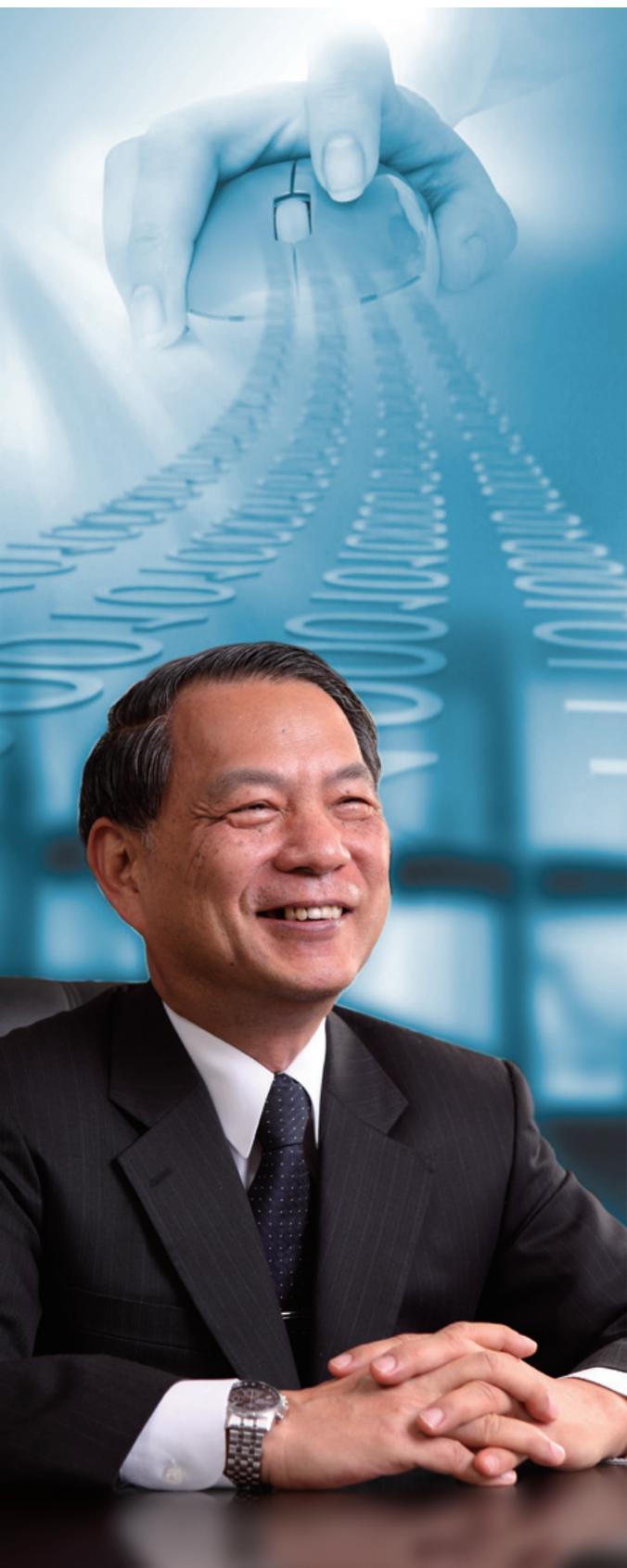
Pursuant to Article 10 of the *Deposit Insurance Act*, and Article 5 of the *Approval Standards for Financial Institutions Applying to Participate in Deposit Insurance*, in regard to those financial institutions that applied to participate in deposit insurance and in addition to reviewing the written documentation submitted by the applying institution, the CDIC should when necessary dispatch personnel to conduct on-site inspections. During 2011, the CDIC conducted one on-site inspection involving the reestablishment of the credit department of a farmers' association. As for the deficiencies detected by an on-site inspection, the CDIC requested that the institution inspected carry out the necessary improvements and ensured that all such deficiencies were corrected, before insuring the institution in order to reduce insured risk.



## 6 Computerization

- (1) Completing, in line with business needs, the design and testing of “Phase One of the Payout and Advance Payment System.”
- (2) In response to the Financial Supervisory Commission’s need for a common platform for sharing financial information by means of a single window, establishing a “Database for Insured Institutions’ Call Report.”
- (3) To promptly reflect the operational risk status of insured institutions, and based on the need to implement the newly-amended “Implementation Scheme for the Deposit Insurance Risk-based Premium System,” launching the “Call Report Rating System.”
- (4) To respond to business needs and apply the latest in information technology, relaunching the CDIC’s “Knowledge Management System,” and adding a calendar, real-time financial information, details of the work conducted by each of the CDIC’s departments and offices, online survey and online text message notification and other new functions to enhance work effectiveness and efficiency.
- (5) Launching an “Electronic Form Operating System” to facilitate the process of applying for meeting rooms, reporting computers in need of repair, and arranging corporate vehicles, while also adopting the use of online approval.
- (6) Establishing a “Computer Terminal Protection and Integrated Network Security System” to enhance the ability to protect the information system’s terminal equipment and network operations.
- (7) Establishing an “Information Security Monitoring System” to centralize control over all computer system logs as well as computer machinery room environment and equipment operating information, in order to strengthen information security performance.





## 7 Research and Development

In view of the rapid changes taking place in the financial environment, and to ensure that the development of its business conforms more closely to the needs produced by those changes, the CDIC not only collects the opinions of insured institutions on a regular basis, but also conducts studies on the latest information related to domestic and international financial operations, as well as the business of the CDIC, and compiles reports on those studies. The results of important R&D projects carried out during 2011 are briefly described as follows:

### (1) Drafting amendments to certain articles of the *Enforcement Regulations of the Deposit Insurance Act*

Draft amendments to Articles 12 and 13 of the *Deposit Insurance Act* were promulgated by the President on December 29, 2010. In order to implement these amendments and enable the operations of deposit insurance aggregation to be clearer, the CDIC deliberated over the practical implementation of deposit insurance and came out with the draft amendments to the *Enforcement Regulations of the Deposit Insurance Act*. It supplemented related operating regulations in relation to the calculation of the deposit insurance assessment base and fulfillment of CDIC's insurance obligation, such as standard to decide exchange rates for conversion of deposits not denominated in New Taiwan Dollars into New Taiwan Dollars, the definition of a depositor in each category and the employee pension accounts. The *Enforcement Regulations* were submitted to the Financial Supervisory Commission for review and approval on March 31, 2011, before being promulgated by the Commission on January 19, 2012.

## **(2) Holding meetings of the Deposit Insurance Consultative Committee**

In 2011, two meetings of the “CDIC Deposit Insurance Consultative Committee” were convened. The discussion topics included issues related to the risk-based premium rating system, the draft revisions to the “Implementation Scheme for the Deposit Insurance Risk-based Premium System,” criteria regarding the adjustment for score of management risk of insured institutions, and discussions to the future direction of the risk-based premium rating system. Those consulted put forward many valuable opinions that can serve as important reference in planning the future direction of Taiwan's deposit insurance system.

## **(3) International research**

- A. The CDIC participated in the compilation of the “Core Principles for Effective Deposit Insurance Systems – A Methodology for Compliance Assessment” developed by the International Association of Deposit Insurers (IADI), the Basel Committee on Banking Supervision, the International Monetary Fund (IMF), the European Forum of Deposit Insurers, the European Commission, and the World Bank. During 2011, these Core Principles were included in the Financial Stability Board's Key Standards for Sound Financial Systems and the IMF's Financial Sector Assessment Program.
- B. The CDIC concurrently promoted a further 13 IADI projects, of which the CDIC took the leading role in three, namely, “Public Policy Objectives,” “Update of General Guidance for the Resolution of Bank Failures,” and “Funding Mechanism of Deposit Insurance Systems in the Asia-Pacific Region,” while also participating and assisting in the promotion of the other 10.

## **(4) Research projects and summary translation reports**

In 2011, a total of nine reports were compiled or translated on deposit insurance or other important international economic and financial information, and included the following: “2008 Global Financial Crisis Summary IV – Developments in Financial Supervisory Reforms and Deposit Insurance Systems,” “The Federal Deposit Insurance Corporation (FDIC)'s Approach to the Acquisition of Distressed Banks and Loss-sharing Mechanisms,” and “An Outline of the Implementation of a Differential Premium System in 12 Countries Including the U.S. and Canada.” In addition, a further nine reports were prepared as the result of CDIC staff traveling overseas to participate in various international conferences, forums or training seminars (see Appendix 1).

## **(5) Publication of the Deposit Insurance Quarterly Bulletin**

CDIC's Deposit Insurance Quarterly Bulletin features articles by experts and scholars on the operational management of financial institutions, financial theory and practice, financial supervision, and international trend of deposit insurance and financial supervision. The Quarterly Bulletin is distributed to stakeholders, insured institutions, colleges, parliamentarians, libraries and culture centers for reference and to increase awareness of deposit insurance.

## **(6) Publication of Deposit Insurance Reports**

In 2011, various CDIC personnel prepared eight research reports based on their overseas business trips. These were compiled into publications for public reference. For more details, see Appendix 2.



Remarks delivered by CDIC Chairman (left) and President (right) at 2011 IADI Executive Training Seminar in Taipei

## 8 International Exchanges

In view of the role played by international cooperation in deposit insurance in contributing to the stability of financial systems, the CDIC has since 2002 in line with government policies been a founding member of the IADI and has been actively involved in its affairs. In addition, it currently serves as a member of IADI's Executive Council, the chairperson of IADI's Research and Guidance Committee, and the chair of the Chairperson Election Committee of IADI's Asia Pacific Regional Committee. To strengthen international cooperation and enhance international visibility, in 2011 the CDIC continued to participate in IADI meetings, training activities and international conferences, in addition to hosting international exchange activities, the major ones being as follows:

### (1) Hosting IADI executive training seminar

Each year, IADI regularly organizes training seminars on deposit insurance-related topics for executives of its member organizations. In 2011, such training seminars were held at two venues, being organized by both the Federal Deposit Insurance Corporation (U.S.A.) and the CDIC. The CDIC together with IADI in mid-November hosted a "Deposit Insurance Assessments and Fund Management" executive training seminar for which 50 international experts came to Taiwan from 25 countries, including the U.S., Canada, Germany, Japan and Korea to participate. Taiwan's Financial Supervisory Commission and Central Bank also sent representatives to attend.



International events attended by CDIC Chairman or President

### **(2) Participating in international activities and frequently being invited to speak at international conferences and promote Taiwan's experiences**

To fulfill its responsibility as a member of IADI and in view of the roles it plays in that association, the CDIC on several occasions in 2011 dispatched personnel to participate in IADI Executive Council meetings, as well as meetings of IADI's Research and Guidance, Training and Conference, and Asia Pacific Regional Committee. In addition, because of its handling of problem financial institutions and its implementation of measures to perfect the deposit insurance mechanism in recent years, for which it has received wide recognition, the CDIC has repeatedly been invited to give lectures at international conferences or training seminars hosted by IADI or its member countries. In 2011, the CDIC was able to share Taiwan's experiences on 10 occasions. The wide variety of lecture topics included the early intervention and resolution experiences in relation to Taiwan's problem banks, the deposit insurance system's role in stabilizing financial stability, public awareness of deposit insurance system, the deposit insurance risk-based premium system, and risk indicators and fund management. In addition, the CDIC received representatives of deposit insurance organizations from Japan, Korea, Vietnam and Malaysia, which were very helpful in promoting Taiwan's experiences and building Taiwan's international image.

### **(3) Continuing to sign Memorandums of Understanding and Letters of Exchange with other deposit insurance corporations**

With its many years of efforts in engaging in international affairs, the CDIC has already established with IADI and other deposit insurance corporations a reputable and professional image. In 2011, the CDIC formally signed a Memorandum of Understanding with the Malaysia Deposit Insurance Corporation, and a Letter of Exchange with the Indonesia Deposit Insurance Corporation, as well as renewed two Memorandums of Understanding with the Korea Deposit Insurance Corporation and the National Deposit Insurance Fund of Hungary. In addition, the CDIC continued to facilitate experience exchanges by convening annual cooperative meetings with the deposit insurance organizations of Hungary, Japan and Vietnam with whom it had already signed a Memorandum of Understanding. As of the end of 2011, the CDIC had established formal cooperative relationships with seven organizations in total.

### International Exchange Activities in 2011

Date	Name of Activity	Organizer(s)
January 2011	IADI 9 <sup>th</sup> Asia Pacific Regional Committee Annual Meeting and International Conference on “Lesson Learned and Challenges of the Deposit Insurers in Dealing with Crisis” (President Howard Wang was invited to speak)	IADI Asia Pacific Regional Committee and the Deposit Protection Agency, Thailand
February 2011	Meetings of IADI 32 <sup>nd</sup> Executive Council, Research and Guidance Committee and other committees	IADI
March 2011	Renewal of a Memorandum of Understanding with the Korea Deposit Insurance Corporation	CDIC
March 2011	International Seminar on “Deposit Insurance” (Mr. Su, Director of Department of Risk Management and Mr. Hwang, Assistant Director of International Relations and Research Office were invited to speak)	IADI Asia Pacific Regional Committee and Bangladesh Bank
March 2011	International Seminar on “Building Confidence by Awareness” (President Howard Wang was invited to speak)	IADI Europe Regional Committee and Bank Deposit Guarantee Fund, Romania
April 2011	IADI Training Seminar on “Deposit Insurance Assessments and Fund Management” (Ms. Fan, Director of International Relations and Research Office and Ms. Hsi, Assistant Director of Department of Business were invited to moderate and speak)	IADI and Federal Deposit Insurance Corporation (U.S.A.)
April 2011	Mr. Mai Minh De, Chairman of the Deposit Insurance of Vietnam, led a delegation to visit CDIC	CDIC
May 2011	Signing of a Letter of Exchange with the Indonesia Deposit Insurance Corporation	Indonesia Deposit Insurance Corporation
June 2011	Meetings of IADI 33 <sup>rd</sup> Executive Council and Research and Guidance Committee, and the 1 <sup>st</sup> Research Conference on “Financial Crisis: The Role of Deposit Insurance”	IADI
June 2011	IADI Africa Regional Committee Annual Conference on “Financial Stability in Africa: Role of Deposit Insurance and Financial Inclusion” (Ms. Fan, Director, and Mr. Hwang, Assistant Director, International Relations and Research Office were invited to speak)	IADI Africa Regional Committee and Deposit Protection Board, Zimbabwe



Signing of a Memorandum of Understanding with Malaysia Deposit Insurance Corporation



Signing of a Letter of Exchange with Indonesia Deposit Insurance Corporation

Date	Name of Activity	Organizer(s)
July 2011	Signing of a Memorandum of Understanding with the Malaysia Deposit Insurance Corporation	CDIC
September 2011	Seminar on "Assessment of Compliance with the Core Principles for Effective Deposit Insurance Systems"	IADI and Financial Stability Institute
September 2011	Renewal of the Memorandum of Understanding with the National Deposit Insurance Fund of Hungary	National Deposit Insurance Fund of Hungary
September 2011	Visiting the Deposit Insurance Corporation of Japan and attending cooperative exchange meetings	Deposit Insurance Corporation of Japan
September 2011	Mr. Mutsuo Hatano, Former Deputy Governor of the Deposit Insurance Corporation of Japan and his successor Mr. Hiroyuki Obata visited CDIC	CDIC
October 2011	IADI 10 <sup>th</sup> Annual General Meeting and International Conference on "Beyond the Crisis: the Need for Strengthened Financial Stability Framework" (President Howard Wang was reelected as a member of IADI's Executive Council)	IADI and Bank Guarantee Fund, Poland
November 2011	International Seminar on "Role of Deposit Insurance in the Bank Resolution Framework – Lessons from the Financial Crisis"	IADI and Deposit Insurance and Credit Guarantee Corporation, India
November 2011	IADI Training Seminar on "Deposit Insurance Assessments and Fund Management"	IADI and CDIC
December 2011	International Seminar on "Restructuring the Banking System – International Experiences and Implications for Vietnam" (Ms. Fan, Director of International Relations and Research Office was invited to speak)	Deposit Insurance of Vietnam

## 9 Human Resources

### (1) Employee structure

Year	No. of Employees	Avg. Age of Employees	Educational Attainment of Employees		
			Graduate School	College	Other
2011	153	47	32	118	3
2010	155	46	34	118	3
2009	157	45	31	123	3
2008	158	44	30	125	3
2007	157	44	29	125	3
2006	158	43	29	125	4

#### Department breakdown of CDIC staff for the year 2011:

Department of Risk Management (24)  
 Department of Resolution (22)  
 Special Inspection Department (12)  
 Department of Business (14)  
 International Relations and Research Office (7)  
 Legal Affairs Office (8)  
 Department of Accounting (10)  
 Secretariat (19)  
 Personnel Office (5)  
 Information Management Office (12)  
 Civil Service Ethics Office (2)  
 Central Region Office (8)  
 South Region Office (10)

**(2) Contract employees**

In order to thoroughly carry out financial reforms and actively implement the policies on the disposition of problem institutions, the CDIC adjusted its manpower structure and received approval to hire 24 special contract employees.

**(3) Personnel training**

To upgrade the quality of staff and enhance employees' professional knowledge, the training programs arranged by the CDIC during 2011 involved a total of 2,177 people times. On average, each member of staff (including those contract employees) participated in professional training 13 times.

Handover ceremony of CDIC's incoming and outgoing Chairmen /  
Inauguration speech by Chairman David Sun



Presentation delivered by President Howard Wang at IADI 9<sup>th</sup> Asia Pacific Regional Committee Annual Conference



The image features a collage of financial documents. At the top, a newspaper headline reads "Financial Statements". Below it, a table lists exchange rates for various currencies: Danish krone, Euro, Indian rupee, and Japanese yen. Further down, a section titled "ADRS, GDRS AND FOREIGN-TRADED STOCK" is visible, along with a line graph showing a fluctuating trend. The overall color scheme is a gradient of blue and green.

Currency	Rate
Danish krone	12.0300
Euro	0.6640
Indian rupee	0.1390
Japanese yen	0.1990

# *Financial Statements and Independent Auditor's Report*

## Independent Auditor's Report

To the Board of Directors of Central Deposit Insurance Corporation

We have audited the accompanying balance sheets of the Central Deposit Insurance Corporation as of December 31, 2011 and 2010, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with the "Guidelines for Certified Public Accountants' Examinations and Reports on Financial Statements" in the Republic of China and with generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes the examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by management, as well as an evaluation of the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion based on our examinations, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Central Deposit Insurance Corporation as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the year then ended, in conformity with the law and with generally accepted accounting principles in the Republic of China applied on a consistent basis.

維揚聯合會計師事務所 魏揚 謹啟



Wei Yang Shen (Chartered Accountant)  
Weyong International CPAs & CO.

February 3, 2012



ASSETS	NOTES	2011 / 12 / 31		2010 / 12 / 31	
		AMOUNT	%	AMOUNT	%
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	3	\$ 12,258,372	29.86	\$ 11,672,578	17.69
Held-to-Maturity Financial Assets	2, 4	2,197,893	5.35	1,948,658	2.95
Receivables	5	142,225	0.35	130,357	0.20
Prepayments		17,880	0.04	13,469	0.02
Other Current Assets		590	0.00	563	0.00
Sub-total		14,616,960	35.60	13,765,625	20.86
<b>FIXED ASSETS</b>	2, 6				
Land		228,833	0.56	228,833	0.35
Buildings		265,486	0.65	265,486	0.40
Machinery and Equipment		86,701	0.21	83,623	0.12
Transportation Equipment		13,691	0.03	11,360	0.02
Other Equipment		25,724	0.06	25,165	0.04
Sub-total		620,435	1.51	614,467	0.93
<b>REVALUATION INCREMENT</b>		66,149	0.16	66,149	0.10
<b>COST AND REVALUATION INCREMENT</b>		686,584	1.67	680,616	1.03
Less Accumulated Depreciation					
Buildings		88,337	0.22	83,602	0.13
Machinery and Equipment		61,537	0.15	57,142	0.09
Transportation Equipment		8,897	0.02	8,415	0.01
Other Equipment		16,945	0.04	15,715	0.02
Sub-total		175,716	0.43	164,874	0.25
<b>FIXED ASSETS-NET</b>		510,868	1.24	515,742	0.78
<b>INTANGIBLE ASSETS</b>	2, 7	2,121	0.01	2,028	0.00
<b>OTHER ASSETS</b>	2, 8				
Guarantee Deposits Paid		741	0.00	511	0.00
Temporary Payments and The Account to be Carried Over		2,485	0.01	2,485	0.00
Collateral Securities Deposited		348,088	0.85	-	0.00
Deferral on General Financial Deposit Insurance Payout Losses		25,574,169	62.29	51,714,397	78.36
Sub-total		25,925,483	63.15	51,717,393	78.36
<b>TOTAL ASSETS</b>		\$ 41,055,432	100.00	\$ 66,000,788	100.00



INSURANCE CORPORATION

SHEETS

2011 and 2010

Expressed in NT\$' 000

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTES	2011 / 12 / 31		2010 / 12 / 31	
		AMOUNT	%	AMOUNT	%
<b>CURRENT LIABILITIES</b>					
Marketable Securities Sold Under Repurchase Agreement	2, 9	\$ 313,846	0.76	\$ 383,664	0.58
Payables	10	104,239	0.25	106,436	0.16
Sub-total		418,085	1.01	490,100	0.74
<b>LONG-TERM LIABILITIES</b>					
Long-term loans	11	25,600,000	62.36	51,700,000	78.33
Estimated Accrued Land Value Increment Tax Payable		25,551	0.06	25,551	0.04
Sub-total		25,625,551	62.42	51,725,551	78.37
<b>OTHER LIABILITIES</b>					
General Financial Deposit Insurance Payout Special Reserves	12	-	0.00	-	0.00
Agricultural Financial Deposit Insurance Payout Special Reserves	12	2,743,705	6.69	2,507,075	3.80
Guarantee Deposits Received		482	0.00	1,033	0.00
Temporary Receipts and The Account to be Carried Over	13	990,580	2.41	-	0.00
Sub-total		3,734,767	9.10	2,508,108	3.80
<b>TOTAL LIABILITIES</b>		<b>29,778,403</b>	<b>72.53</b>	<b>54,723,759</b>	<b>82.91</b>
Capital Stock	14	10,000,000	24.36	10,000,000	15.15
Capital Surplus					
Donated Assets Received		265	0.00	265	0.00
Retained Earnings					
Legal Reserve		235,700	0.57	235,700	0.36
Special Reserve		1,000,466	2.44	1,000,466	1.52
Other					
Unrealized Incremental Value from Revaluation		40,598	0.10	40,598	0.06
<b>TOTAL STOCKHOLDERS' EQUITY</b>		<b>11,277,029</b>	<b>27.47</b>	<b>11,277,029</b>	<b>17.09</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>\$ 41,055,432</b>	<b>100.00</b>	<b>\$ 66,000,788</b>	<b>100.00</b>

CENTRAL DEPOSIT INSURANCE CORPORATION

STATEMENTS OF INCOME



FOR THE YEARS ENDED DECEMBER 31, 2011 and 2010

Expressed in NT\$' 000

DESCRIPTION	NOTES	2011 / 12 / 31		2010 / 12 / 31	
		AMOUNT	%	AMOUNT	%
<b>OPERATING INCOME</b>					
Interest Revenue		\$ 231,964	0.91	\$ 202,515	0.89
Premiums Revenue		9,147,032	36.09	4,691,260	20.64
Special Premium Revenue		-	0.00	48,603	0.21
Other Operating Income	2	15,966,640	63.00	17,786,000	78.26
Sub-total		25,345,636	100.00	22,728,378	100.00
<b>OPERATING COSTS</b>					
Interest Expenses		1,856	0.01	5,210	0.02
Insurance Expenses		123	0.00	76	0.00
Insurance Payout Reserve Provisions		22,075,826	87.10	19,576,769	86.13
Financial Restructuring Fund Expenses		2,650,000	10.45	2,650,000	11.66
Handling Fees		24	0.00	46	0.00
Sub-total		24,727,829	97.56	22,232,101	97.81
<b>GROSS PROFIT</b>		617,807	2.44	496,277	2.19
<b>OPERATING EXPENSES</b>					
Transaction Expenses		545,079	2.15	429,039	1.89
General & Administrative Expenses		63,820	0.25	60,342	0.27
Other Operating Expenses		4,388	0.02	6,337	0.03
Sub-total		613,287	2.42	495,718	2.19
<b>OPERATING INCOME</b>		4,520	0.02	559	0.00
<b>NON-OPERATING INCOME</b>					
Indemnity Income		178	0.00	87	0.00
Other Income		49	0.00	3,893	0.02
Sub-total		227	0.00	3,980	0.02
<b>NON-OPERATING EXPENSES</b>					
Loss on Disposal of Assets		223	0.00	474	0.00
Other Expenses		4,524	0.02	4,065	0.02
Sub-total		4,747	0.02	4,539	0.02
<b>INCOME BEFORE INCOME TAX</b>		-	0.00	-	0.00
<b>INCOME TAX</b>		-	0.00	-	0.00
<b>NET INCOME</b>		\$ -	0.00	\$ -	0.00
<b>EARNINGS PER SHARE</b>		\$ -		\$ -	

CENTRAL DEPOSIT INSURANCE CORPORATION

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**



FOR THE YEARS ENDED DECEMBER 31, 2011 and 2010

Expressed in NT\$' 000

DESCRIPTION	CAPITAL STOCK	CAPITAL SURPLUS	RETAINED EARNINGS		UNREALIZED INCREMENTAL VALUE FROM REVALUATION	TOTAL
			Legal Reserve	Special Reserve		
BALANCE, JANUARY 1, 2010	\$10,000,000	\$265	\$235,700	\$1,000,466	\$40,598	\$11,277,029
BALANCE, DECEMBER 31, 2010	\$10,000,000	\$265	\$235,700	\$1,000,466	\$40,598	\$11,277,029
BALANCE, DECEMBER 31, 2011	\$10,000,000	\$265	\$235,700	\$1,000,466	\$40,598	\$11,277,029

## CENTRAL DEPOSIT INSURANCE CORPORATION

## STATEMENTS OF CASH FLOWS



FOR THE YEARS ENDED DECEMBER 31, 2011 and 2010

Expressed in NT\$' 000

DESCRIPTION	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$ -	\$ -
Adjustments		
Depreciation	11,804	12,287
Amortization	2,017	2,036
Insurance Payout Reserve Provisions	22,075,826	19,576,769
Net Loss on Disposal of Fixed Assets	223	474
Changes in Assets and Liabilities:		
Receivables	(11,868)	53,850
Prepayments	(4,412)	252
Other Current Assets	(27)	682
Payables	(2,196)	9,436
Net Cash Inflow from Operating Activities	22,071,367	19,655,786
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Current Financial Assets Decrease (Increase)	(249,235)	(597,039)
Intangible Assets and Other Assets Decrease (Increase)	4,298,745	(18,525,059)
Fixed Assets and Deferral Assets Increase	(6,981)	(5,946)
Fixed Assets and Deferral Assets Decrease	-	6
Net Cash Inflow (Outflow) from Investing Activities	4,042,529	(19,128,038)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Current Financial Liabilities (Decrease) Increase	(69,818)	(13,697)
Increase in Long-term Loans	59,920,000	89,143,000
Increase (Decrease) in Other Liabilities	641,716	785
(Decrease) in Long-term Loans	(86,020,000)	(90,143,000)
Net Cash (Outflow) Inflow from Financing Activities	(25,528,102)	(1,012,912)
<b>EQUIVALENTS</b>	585,794	(485,164)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	11,672,578	12,157,742
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 12,258,372	\$ 11,672,578

Note: The following items won't affect the cash flows from investing and financing activities.

- Pursuant to Article 20 of the *Deposit Insurance Act*, reserve of the Other Liabilities - General Financial Deposit Insurance Payout Special Reserves in 2011 is \$21,839,196 thousand, used to write off the Other Assets - Deferral on General Financial Deposit Insurance Payout Losses.
- According to the "Plan for Handling the Issues Related to the Expiration of the Financial Restructuring Fund" approved by the Executive Yuan, the Financial Restructuring Fund transferred the assets and liabilities to the Corporation:
  - Other Assets and Other Liabilities \$348,313 thousand, respectively, are used to continuously file damage compensation claims caused by illegal acts.
  - Fixed Assets \$171 thousand and Other Assets \$5 thousand are used to return the advance payment to the Financial Restructuring Fund by Deposit Insurance Payout Reserve and also used to write off the Other Assets - Deferral on General Financial Deposit Insurance Payout Losses.

CENTRAL DEPOSIT INSURANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS



DECEMBER 31, 2011 and 2010

(Amounts are expressed in New Taiwan Thousand dollars, unless otherwise stated)

## 1 GENERAL

The Central Deposit Insurance Corporation (CDIC) was established in accordance with the *Deposit Insurance Act* in September 1985, with the aim of safeguarding the interests of depositors in financial institutions, maintaining an orderly credit system, and enhancing the sound development of financial operations.

The Corporation is a government-run organization. Its capital is contributed by the Ministry of Finance, the Central Bank and other insured financial institutions based on the shares that each of them has subscribed. The Ministry of Finance decreed that the shares were not to be issued publicly. The Corporation's approved capital stock is NT\$10,000,000,000, divided into 1,000,000,000 shares with a face value at NT\$10 each. The number of shares issued is 1,000,000,000. In accordance with the office letter No. Tai-Tasi 0990102146 from the Executive Yuan on August 17, 2010, stockholder's right management of the Corporation was transferred from the Ministry of Finance to the Financial Supervisory Commission, Executive Yuan. The Financial Supervisory Commission and the Central Bank are the two major shareholders of the Corporation. As of December 31, 2011, the ratio of their shareholding was 99.9995%. The Corporation's major businesses range from handling deposit insurance, managing deposit insurance risk, conducting special on-site inspection to insured institutions, dealing with failing and failed insured institutions, and establishing related regulations and systems of deposit insurance. Financial institutions duly approved under the law to accept deposits are required to apply for deposit insurance, including banks, the local branches of foreign banks in Taiwan, credit cooperatives, credit departments of farmers' and fishermen's associations, and Chunghwa Post Co., Ltd.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (1) General Accounting Practice & Basis of Compilation for Financial Statements

As the Corporation is a government-run organization, its accounting criteria are subject to the *Budget Act*, the *Financial Statement Act*, the *Deposit Insurance Act*, the Corporation's accounting system approved by Directorate-General of Budget, Accounting and Statistics of Executive Yuan, and other regulations for the accounting affairs of government-run organizations promulgated by the Ministry of Audit, Control Yuan. Matters not regulated in the above-mentioned law are subject to generally accepted accounting principles. Annual financial statements all have to be audited by Directorate-General of Budget, Accounting & Statistics, Executive Yuan, and the Ministry of Audit of the Control Yuan serves as the authority for final approval.

The Corporation's financial statements as of the end of 2010 were audited by Directorate-General of Budget, Accounting & Statistics, Executive Yuan and the Ministry of Audit, Control Yuan. Consequently, the balance at the beginning of 2011 was subject to the balance at the end of 2010, which has been audited by the above-mentioned two agencies.

### (2) Held-to-Maturity Financial Assets

- A. Delivery date accounting is used, and financial products are measured at fair value plus transaction costs generated from acquisition or issuance, when being recognized originally.
- B. Held-to-Maturity Financial Assets are measured at amortized cost by interest method.

C. According to the *Deposit Insurance Act*, the funds of the Corporation, except for the allowance for regular expenses, fulfillment of insurance responsibilities stipulated in the *Act*, provision of financial assistance, establishment of a bridge bank and processing of advance payments, shall be invested in government bonds, deposited with the Central Bank or used in other methods approved by the board of directors of the Corporation.

### **(3) Marketable Securities Sold Under Repurchase Agreement**

Bond for transaction purposes are listed as repurchased bond liabilities.

### **(4) Fixed Assets**

Fixed assets are recorded in the books at cost. Major improvements, renewals and replacements are capitalized, while repairs and maintenance are expensed at the year of occurrence. When assets are sold or disposed of, the cost and related accumulated depreciation are written off from the accounts. The amount of depreciation is based on the estimated durable period by using the straight-line method.

### **(5) Intangible Assets**

Computer software is recorded in the books at cost and amortized equally in 3 years based on the straight-line method.

### **(6) Deferred Assets**

As regulated in the "Mechanism for the Combined Use of the Financial Restructuring Fund and the Deposit Insurance Payout Reserves" program and Article 20 of the *Deposit Insurance Act*, "Upon fulfillment of insurance responsibilities, provision of financial assistance, establishment of a bridge bank or processing of advance payments by the Corporation, if the recovered amount is less than cost expended, the difference shall be written off from the deposit insurance payout special reserves. Any further deficiencies shall be recorded in the deferral account and written off from the deposit insurance payout special reserves in the subsequent years."

### **(7) Employees' Pension**

The Corporation dealing with its employees' retirement, consolation and demobilization applies to the "Retirement, Consolation and Demobilization Regulations for Government-run Financial and Insurance Institutions under Ministry of Finance." Pursuant to Article 41-1 of the Regulations, the pension offered will be calculated in accordance with the *Labor Standards Act* based on the length of an employee's service in the Corporation effective from Mar. 1, 1998. The length of the employee's service in the Corporation before the *Labor Standards Act* went into effect will be reserved and the savings fund appropriated from the Corporation (4%~8.5% of salary) and the employees (3% of salary) per month will also be reserved. The calculation of the employees' pension offered by the Corporation is based on the length of each employee's service and salary at the time of retirement.

Pursuant to relevant regulations, the Corporation commissions an actuary to calculate the amount of the Corporation's contributions to the pension fund and to deposit it in the labor pension accounts opened by the Corporation's Employees Pension Supervision Committee and Labor Retirement Fund Supervision Committee. The latter account is deposited in the Bank of Taiwan according to the regulations. As for project contract employees, in order to comply with the enforcement of the *Labor Pension Act*, the Corporation, beginning from July 1, 2005, contributes an amount equal to at least 6% of their monthly salaries into the pension fund. The

pensions are deposited into employees' exclusive labor retirement accounts of Bureau of Labor Insurance. The Corporation's contributions are listed as current expense at the year of occurrence.

### (8) Limitation of Earning Allocation

Pursuant to Article 5 of the *Deposit Insurance Act*, "any remainder of the annual gross income of the Corporation, after deducting costs, expenses and losses, shall be fully appropriated for the Deposit Insurance Payout Special Reserves."

### (9) Asset Impairment

The Corporation shall recognize an impairment loss of the owned assets when the environment has changed or a certain event occurs in order to reflect that recoverable amount of the owned assets is less than carrying amount. Recoverable amount refers to the higher of an asset's net fair value and its value in use. Net fair value refers to the amount obtainable from the sale of an asset less costs to sell in a general transaction. Value in use refers to the discounted present value of the future cash flows arising from the continuing use of an asset.

When the situation resulting in recognition of the accumulated impairment loss in the previous years does not exist any more or has improved, accumulated impairment loss can be reversed to the extent of the amount of such loss recognized in the previous year.

### (10) Other Operating Income

Income derived from levies are the financial industry business tax collected during 2006~2010 pursuant to Article 3.3 of the *Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund*, and the limit that the Financial Restructuring Fund uses the tax income is 110 billion. The remaining business tax should be deposited to the General Financial Deposit Insurance Payout Special Reserves. According to Paragraph 7 of Article 11 of the *Value-added and Non-value-added Business Tax Act*, the business tax in banking sector from 2011 should be deposited to the General Financial Deposit Insurance Payout Special Reserves.

## 3 CASH AND CASH EQUIVALENTS

	Dec. 31, 2011	Dec. 31, 2010
Petty Cash	\$ 350	\$ 350
Checking Deposits	13,344	46,227
Demand Deposits	2	1
Time Deposits	12,205,000	11,626,000
Treasury Deposits	39,676	-
Total	\$ 12,258,372	\$ 11,672,578

## 4 HELD-TO-MATURITY FINANCIAL ASSETS

	Dec. 31, 2011	Dec. 31, 2010
Bonds	\$ 2,197,893	\$ 1,948,658

The interest rates at year ends of 2011 and 2010 range from 1.595%~6.9% and 1.375%~7.3%, respectively.

## 5 RECEIVABLES

	Dec. 31, 2011	Dec. 31, 2010
Tax Refund Receivable	\$ 21,586	\$ 20,226
Interest Receivable	120,639	103,770
Others	-	6,361
<b>Total</b>	<b>\$ 142,225</b>	<b>\$ 130,357</b>

## 6 FIXED ASSETS

Dec. 31, 2011				
	Cost	Revaluation Increment	Accumulated Depreciation	Net
Land	\$ 228,833	\$ 66,149	\$ -	\$ 294,982
Buildings	265,486	-	88,337	177,149
Machinery and Equipment	86,701	-	61,537	25,164
Transportation Equipment	13,691	-	8,897	4,794
Other Equipment	25,724	-	16,945	8,779
<b>Total</b>	<b>\$ 620,435</b>	<b>\$ 66,149</b>	<b>\$ 175,716</b>	<b>\$ 510,868</b>

Dec. 31, 2010				
	Cost	Revaluation Increment	Accumulated Depreciation	Net
Land	\$ 228,833	\$ 66,149	\$ -	\$ 294,982
Buildings	265,486	-	83,602	181,884
Machinery and Equipment	83,623	-	57,142	26,481
Transportation Equipment	11,360	-	8,415	2,945
Other Equipment	25,165	-	15,715	9,450
<b>Total</b>	<b>\$ 614,467</b>	<b>\$ 66,149</b>	<b>\$ 164,874</b>	<b>\$ 515,742</b>

- (1) The fire insurance coverage on fixed assets as of December 31, 2011 and 2010 was \$222,142 thousand and \$229,180 thousand, respectively.
- (2) In accordance with the regulations as stated in official letter No. Tai-(83)-Chu-Hsiao-5-Tzu-Ti-05739 from Directorate-General of Budget, Accounting & Statistics, Executive Yuan on June 22, 1994, the Corporation has revaluated lands after the approval of Ministry of Audit. The recognition of land value was increased by \$66,149 thousand. It was correspondingly recorded in the books that Long-Term Liabilities – Estimated Accrued Land Value Increment Tax Payable was \$25,551 thousand, and Others of Stockholders' Equity – Unrealized Incremental Value from Revaluation was \$40,598 thousand. The latest land reevaluation was based on the published present land value posted at eTax Portal, Ministry of Finance in June 2010 ([www.etax.nat.gov.tw](http://www.etax.nat.gov.tw)). The estimated land value is less than the book value of land, so there was no need for adjustment on the book value of land.
- (3) In line with the No. 35 of Statements of Financial Accounting Standards, the total market price of the lands and buildings evaluated during May 13 to June 3, 2011 was \$955,553 thousand, and the total book value was \$474,498 thousand in the end of June 2011. The market price was in excess of \$481,055 thousand, so there was no need to recognize an asset impairment loss.

## 7 INTANGIBLE ASSETS

	Jan. 1, 2011	Increase	Decrease	Dec. 31, 2011
Computer Software	\$ 2,028	\$ 2,110	\$ 2,017	\$ 2,121

	Jan. 1, 2010	Increase	Decrease	Dec. 31, 2010
Computer Software	\$ 3,793	\$ 270	\$ 2,035	\$ 2,028

## 8 OTHER ASSETS

	Dec. 31, 2011	Dec. 31, 2010
Guarantee Deposits Paid	\$ 741	\$ 511
Temporary Payments and The Account to be Carried Over	2,485	2,485
Collateral Securities Deposited	348,088	-
Deferral on General Financial Deposit Insurance Payout Losses	25,574,169	51,714,397
<b>Total</b>	<b>\$ 25,925,483</b>	<b>\$ 51,717,393</b>

Deferral on General Financial Deposit Insurance Payout Losses is based on Article 20 of the *Deposit Insurance Act*. Upon fulfillment of insurance responsibilities, provision of financial assistance, establishment of a bridge bank or processing of advance payments by the Corporation, if the recovered amount is less than cost expended, the difference shall be written off from the deposit insurance payout special reserves. Any further deficiencies shall be recorded in the deferral account and written off from the deposit insurance payout special reserves in the subsequent years.

## 9 MARKETABLE SECURITIES SOLD UNDER REPURCHASE AGREEMENT

	Dec. 31, 2011	Dec. 31, 2010
Marketable Securities Sold under Repurchase Agreement	\$ 313,846	\$ 383,664

The Bond Repurchase rates at year ends of 2011 and 2010 range from 0.74%~0.745% and 0.44%, respectively.

## 10 PAYABLES

	Dec. 31, 2011	Dec. 31, 2010
Interest Payable	\$ 22,536	\$ 30,740
Accrued Expenses	81,136	75,189
Advance Collections for Customers	567	507
<b>Total</b>	<b>\$ 104,239</b>	<b>\$ 106,436</b>

## 11 LONG-TERM LOANS

	Dec. 31, 2011	Dec. 31, 2010
Bank SinoPac	\$ 5,000,000	\$ 5,000,000
Chinatrust Commercial Bank	6,000,000	-
Far Eastern International Bank	2,000,000	1,200,000
Bank of Taiwan	-	8,100,000
Hua Nan Bank	-	14,200,000
Taishin Bank	900,000	1,000,000
Taiwan Cooperative Bank	-	14,200,000
First Bank	-	2,600,000
Land Bank	-	1,200,000
Chang Hwa Bank	11,700,000	2,800,000
Taiwan Business Bank	-	1,400,000
<b>Total</b>	<b>\$ 25,600,000</b>	<b>\$ 51,700,000</b>

(1) These are the credit loans. At the year ends of 2011 and 2010, the total credit lines respectively are 25.6 billion and 51.7 billion, and revolving credit was available within the amount. Repayment can be installment payments or made in lump sum within the financing period. The Corporation has proceeded in accordance with the approval documents issued by competent authorities and Executive Yuan, and the budget passed by Legislative Yuan.

(2) The loan interest rates at the year ends of 2011 and 2010 range from 0.878%~1.03% and 0.54%~0.76%, respectively.

## 12 GENERAL FINANCIAL DEPOSIT INSURANCE PAYOUT SPECIAL RESERVES AND AGRICULTURAL FINANCIAL DEPOSIT INSURANCE PAYOUT SPECIAL RESERVES

Pursuant to Article 6 and 7 of the *Deposit Insurance Act* and the official letter Chu-hui-2-tzu No. 0960001098 issued by Directorate-General of Budget, Accounting and Statistics, Executive Yuan on February 26, 2007, the "Reserve for Insurance payout" on the 2006 account closing date shall be transferred to "General Financial Deposit Insurance Payout Special Reserves" and "Agricultural Financial Deposit Insurance Payout Special Reserves."

The changes are as follows:

	General Financial Deposit Insurance Payout Special Reserves	Agricultural Financial Deposit Insurance Payout Special Reserves	Total
January 1, 2011	\$ -	\$ 2,507,075	\$ 2,507,075
Reserve of The Current Period	21,839,196	236,630	22,075,826
Used to Write off The Deferred Assets	(21,839,196)	-	(21,839,196)
<b>December 31, 2011</b>	<b>\$ -</b>	<b>\$ 2,743,705</b>	<b>\$ 2,743,705</b>

### 13 TEMPORARY RECEIPTS AND THE ACCOUNT TO BE CARRIED OVER

	Dec. 31, 2011	Dec. 31, 2010
Temporary Receipts and the Account to be Carried Over	\$ 990,580	-

According to the "Plan for Handling the Issues Related to the Expiration of the Financial Restructuring Fund" approved by the Executive Yuan, the Financial Restructuring Fund transferred the assets and liabilities \$950,904 thousand separately to the Corporation to continually deal with the share compensation that Fengshan credit cooperative's members have not applied for, the severance pay being set off due to employees with illegal acts, and damage compensation claims caused by illegal acts, etc. The book value of cash in banks was \$440 thousand, deposited with the Central Bank \$602,151 thousand, guarantee deposited paid \$225 thousand, collateral securities deposited \$348,088 thousand and temporary receipts and the account to be carried over \$950,904 thousand.

### 14 CAPITAL STOCK

	December 31, 2011 & 2010
Authorized Capital	10,000,000
Paid-in Capital	10,000,000
Authorized Shares	1,000,000,000 Shares
Outstanding Shares	1,000,000,000 Shares

The Corporation is a government-run organization. Its capital is contributed by the Ministry of Finance, the Central Bank and four insured financial institutions based on the shares that each of them has subscribed. The Ministry of Finance decreed that the shares were not to be issued publicly. In accordance with the office letter No. Tai-Tasi 0990102146 from the Executive Yuan on August 17, 2010, stockholder's right management of the Corporation was transferred from the Ministry of Finance to the Financial Supervisory Commission. The Corporation's approved capital stock is NT\$10,000,000,000, divided into 1,000,000,000 shares with a face value at NT\$10 each. The number of shares issued is 1,000,000,000. The Financial Supervisory Commission and the Central Bank are the two major shareholders.

### 15 OTHER

None.

### 16 CONTINGENCY

In 2011, the collaterals \$225 thousand on the assets under trust, agency, and guaranty, as well as the liabilities under trust, agency, and guaranty are the marketable securities received from the firms for the purpose of guarantee deposits. As they belong to contingencies, they are not on the balance sheet.

# Statistics

**Table 1: Number of Insured Institutions for the Last Five Years**

Unit: number of institutions

Type of Institution / Year	2011	2010	2009	2008	2007
Domestic Banks	38	38	38	38	41
Credit Cooperatives	25	26	26	27	27
Credit Departments of Farmers' Associations	277	275	264	264	252
Credit Departments of Fishermen's Associations	25	25	25	25	25
Local Branches of Foreign Banks in Taiwan	27	27	30	30	31
<b>Total</b>	<b>392</b>	<b>391</b>	<b>383</b>	<b>384</b>	<b>376</b>

Notes: (1) The standard date for the annual figures in the table is December 31.

(2) The figure for domestic banks includes the Agricultural Bank of Taiwan and Chunghwa Post Co., Ltd.

**Table 2: Ratio of Covered Deposits to Total Eligible Deposits for the Last Five Years**

Unit: %

Type of Institution	Ratio of Covered Deposits to Total Eligible Deposits (%)	2010	2009	2008	Ratio of Covered Deposits to Total Eligible Deposits (%)
	2011				2007
Domestic Banks	53.15	Full Coverage			48.66
Credit Cooperatives	71.85				61.08
Credit Departments of Farmers' Associations	81.56				69.83
Credit Departments of Fishermen's Associations	83.40				75.10
Local Branches of Foreign Banks in Taiwan	17.08				20.63
<b>Total</b>	<b>54.16</b>				<b>49.31</b>

Notes: (1) In October 2008 the government announced that all deposits of depositors in financial institutions participating in deposit insurance (including principal and interest as stipulated in Paragraph 1 and Paragraph 2 of Article 12 of the *Deposit Insurance Act*) would be provided with temporary full coverage, without being limited to the coverage limit until December 31, 2009. This was later extended by one year to December 31, 2010. In order to respond to the return to a system of limited deposit insurance coverage after the temporary full deposit insurance coverage expired on December 31 2010, the Financial Supervisory Commission of the Executive Yuan, the Ministry of Finance and the Central Bank announced that the coverage limit would be raised to NT\$3 million from NT\$1.5 million starting from January 1, 2011.

(2) The standard date for the annual figures in the table is December 31.

(3) The figure for domestic banks includes the Agricultural Bank of Taiwan and Chunghwa Post Co., Ltd.

(4) "Covered Deposits" refer to the total deposit amount of each depositor under the coverage limit in an insured institution. In the year 2011, the "Covered Deposit" means that the total deposit amount per depositor per insured institution is under the NT\$3 million coverage limit, whereas that in the year of 2007 is under the NT\$1.5 million coverage limit.

(5) Eligible deposits refer to the total amount of checking deposits, demand deposits, time deposits, and other deposits listed under the deposit liabilities item, after deducting negotiable certificates of deposit, government deposits, Central Bank deposits, interbank deposits, and other uninsured deposits.

**Table 3: Covered Deposits, Premiums and Deposit Insurance Payout Reserves for the Last Ten Years**

Unit: NT\$ million

Year	Insured Institutions					Premiums	Deposit Insurance Payout Reserves	Ratio of Deposit Insurance Payout Reserves to Covered Deposits (%)
	Type	No. of Institutions	Total Eligible Deposits	Covered Deposits	Ratio of Covered Deposits to Total Eligible Deposits (%)			
			(a)	(b)	(b) / (a)			
						(c)	(c) / (b)	
2011	General	89	30,127,900	16,255,949	53.96	8,792	0	0
	Agricultural	303	2,093,921	1,194,099	57.03	355	2,744	0.23
2010	General	90				4,389	0	0
	Agricultural	301				302	2,507	-
2009	General	93				4,184	0	0
	Agricultural	290			Full Coverage	291	2,395	-
2008	General	94				4,067	0	0
	Agricultural	290				301	2,293	-
2007	General	98	21,764,787	10,472,346	48.12	3,965	0	0
	Agricultural	278	1,298,495	900,009	69.31	365	2,189	0.24
2006	All	383	22,670,064	9,686,080	42.73	4,109	15,125	0.16
2005	All	390	21,850,180	9,528,182	43.61	4,019	13,579	0.14
2004	All	396	20,444,435	9,018,811	44.11	3,909	12,154	0.13
2003	All	401	19,183,842	8,613,531	44.90	3,766	10,946	0.13
2002	All	405	18,339,760	8,273,608	45.11	3,597	9,662	0.12

Notes: (1) The government announced in October 2008 that the deposits of depositors in all financial institutions participating in deposit insurance (including principal and interest as stipulated in Paragraph 1 and Paragraph 2 of Article 12 of the *Deposit Insurance Act*) would be provided with temporary full coverage, without being limited to the coverage limit, until December 31, 2009. This was later extended by one year to December 31, 2010. The deposit insurance system was returned to the limited deposit insurance coverage on January 1, 2011.

(2) The standard date for the annual figures in the table is December 31 of each year. The general account refers to domestic banks, local branches of foreign banks in Taiwan and credit cooperatives; the agricultural account refers to Agricultural Bank of Taiwan, and credit departments of farmers' and fishermen's associations.

(3) According to stipulations under Article 6 of the *Deposit Insurance Act*, the deposit insurance payout reserves were divided into two accounts for general financial institutions and agricultural financial institutions from 2007.

(4) Covered deposits refer to the total deposit amount of each depositor under the coverage limit in an insured institution. On July 1, 2007, the coverage limit was raised from NT\$1 million to NT\$1.5 million. The coverage limit was raised to NT\$3 million from NT\$1.5 million starting from January 1, 2011. The covered deposits for 2007 refer to deposits under the NT\$1.5 million limit, while the covered deposits for the earlier years refer to deposits under the NT\$1 million limit.

(5) Deposit Insurance Premium Rates:

A. From July 1, 2007, the premium of covered deposits for general financial institutions (including banks and credit cooperatives) was divided into five-tiered risk-based premium rates of 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%, respectively, and for eligible deposits in excess of the coverage limit, a flat premium rate of 0.0025% was adopted, but from January 1, 2010, this flat premium rate was raised to 0.005%. The premium of covered deposits for credit departments of farmers' and fishermen's associations was divided into five-tiered risk-based premium rates of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%, respectively. And for eligible deposits in excess of the coverage limit, a flat premium rate of 0.0025% was adopted.

B. From January 1, 2011, the premium of covered deposits for banks and credit cooperatives is divided into five-tiered risk-based premium rates of 0.05%, 0.06%, 0.08%, 0.11%, 0.15% and 0.04%, 0.05%, 0.07%, 0.10%, and 0.14%, respectively; for eligible deposits in excess of the coverage limit, a flat premium rate of 0.005% was adopted for both. The premium of covered deposits for credit departments of farmers' and fishermen's associations remained the same as 0.02%, 0.03%, 0.04%, 0.05%, and 0.06% with the same flat premium rate of 0.0025% for eligible deposits in excess of the coverage limit.

(6) According to stipulations under Article 3 of the *Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund*, the CDIC shall pay to the Financial Restructuring Fund any incremental insurance premium income covering a ten-year period from January 2002 onwards that arisen as a result of the increase in the deposit insurance premium rate that took effect on January 1, 2000.

(7) Beginning in September 2007 the CDIC's deposit insurance payout reserves were used to share some of the compensation paid in relation to the disposition of failed financial institutions in line with the Mechanism for the Combined Use of the Financial Restructuring Fund and the Deposit Insurance Payout Reserves as approved by the Executive Yuan. From 2007 to 2011 the deposit insurance payout reserves for general financial institutions as well as this Fund as a proportion of covered deposits were both 0.

(8) From October 2008 to December 31, 2010, the government implemented temporary full deposit insurance coverage, and thus the ratio of the deposit insurance payout reserves for general financial institutions to covered deposits ceases to have any relevance, and hence we denote this by "-" in the table.

**Table 4: Major Revenue and Expense Items for the Last Five Years**

Unit: NT\$ million

Item / Year	2011	2010	2009	2008	2007
<b>Operating Income</b>	25,346	22,728	4,749	4,804	4,923
Interest Revenue	232	202	227	429	593
Premiums Revenue	9,147	4,691	4,475	4,368	4,330
Special Premium Revenue	-	49	47	7	-
Other Operating Income	15,967	17,786	-	-	-
<b>Operating Costs and Expenses</b>	25,341	22,727	4,748	4,800	4,920
Insurance Payout Special Reserve Provisions	22,076	19,577	1,608	1,649	1,900
Financial Restructuring Fund Expenses	2,650	2,650	2,650	2,650	2,650
Interest Expenses	2	5	1	15	16
Transaction Expenses	545	429	427	424	412
General & Administrative Expenses	64	60	57	56	58
Other Operating Expenses	4	6	5	5	5
Other Expenses	-	-	-	1	6
<b>Operating Income</b>	5	1	1	4	3
Non-Operating Income (Loss)	(5)	(1)	(1)	(4)	(3)
Income before Income Tax	-	-	-	-	-
Income Tax	-	-	-	-	-
<b>Net Income</b>	-	-	-	-	-

Notes: (1) The figures for 2007, 2008, 2009 and 2010 were reviewed and audited by the Ministry of Audit; those for 2011 were based on CDIC's final accounts for that year.

(2) According to the stipulation in Article 5 of the *Deposit Insurance Act* that "Any remainder of the annual gross income after deducting costs, expenses and losses, shall be fully appropriated for deposit insurance payout reserves," so net income for these periods is not listed.

## Appendix 1 : Research Projects and Summary Translation Reports in 2011

No.	Title of Report
1	"The Federal Deposit Insurance Corporation (FDIC)'s Approach to the Acquisition of Distressed Banks and Loss-sharing Mechanisms."
2	"The Deposit Insurance Corporation of Japan (DICJ)'s Handling of the Incubator Bank of Japan."
3	Compilation report on "Summary of the 2008 Global Financial Crisis and Developments in Financial Reforms."
4	"2008 Global Financial Crisis Summary IV – Developments in Financial Supervisory Reforms and Deposit Insurance Systems (May 2010 – February 2011)."
5	"Core Principles for Effective Deposit Insurance Systems – A Methodology for Compliance Assessment: Summary Translation."
6	"An Outline of the Implementation of a Differential Premium System in 12 Countries Including the U.S. and Canada: Summary Translation."
7	Summary Report on "U.S. Congress' Investigation into the Reasons for the Financial Turmoil."
8	Summary Report on "IADI's Research Paper on Cross-border Deposit Insurance Issues Raised by the Global Financial Crisis."
9	Summary Report on "Review of the Implementation of the <i>Dodd-Frank Reform Act</i> One Year Later and the State of the U.S. Financial System."
10	Report on "Participating in the International Seminar Jointly Hosted by IADI and the Financial Stability Institute and Renewing a Memorandum of Understanding with the National Deposit Insurance Fund of Hungary."
11	Report on "Participating in the 2011 International Conference Hosted by IADI's Africa Regional Committee."
12	Report on "CDIC's Signing of a Letter of Exchange with the Indonesia Deposit Insurance Corporation."
13	Report on "Participating in a Training Seminar Hosted by IADI on Deposit Insurance Assessments and Fund Management."
14	Report on "Participating in an International Seminar Hosted by IADI's Europe Regional Committee."
15	Report on "Participating in the International Seminar on Deposit Insurance Hosted by IADI's Asia Pacific Regional Committee and Bangladesh Bank."
16	Report on "Participating in the IADI 9 <sup>th</sup> Asia Pacific Regional Committee Annual Meeting and International Conference."
17	Report on "Cooperative Exchanges Between the CDIC and the Deposit Insurance of Vietnam in 2011."
18	Report on "Participating in IADI 9 <sup>th</sup> International Conference on Safety Nets: Going Forward."



## *Appendix 2 : Publication of Deposit Insurance Reports in 2011*

No.	Title of Publication
1	“The Future Role of the Deposit Insurance System in the Financial Safety Net from the Perspective of the Global Financial Crisis” (Part I) (Part II).
2	“2008 Global Financial Crisis Summary I – Response Measures of Major Countries to the Global Financial Crisis (September 2008 – February 2009).”
3	“2008 Global Financial Crisis Summary II – Response Measures of Major Countries to the Global Financial Crisis (March 2009 – August 2009).”
4	“2008 Global Financial Crisis Summary III – Dealing with Financial Crises in Major Countries and Development in Financial Supervisory Reforms (September 2009 – April 2010).”
5	“2008 Global Financial Crisis Summary IV – Developments in Financial Supervisory Reforms and Deposit Insurance Systems (May 2010 – February 2011).”
6	Report on “Participating in the 5 <sup>th</sup> Deposit Insurance Corporation of Japan’s Roundtable on Towards an Exit Strategy from the Global Financial Crisis.”
7	Summary Report on “Participating in IADI 8 <sup>th</sup> International Conference on Core Principles for Effective Deposit Insurance Systems.”
8	Summary Report on “Participating in IADI 9 <sup>th</sup> International Conference on Safety Nets: Going Forward.”

## Appendix 3: Expansion and Improvement of Taiwan's Deposit Insurance System

	Year CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2011)
Type of Participation	Voluntary	Changed to mandatory system in January 1999	Revised in January 2007 as follows: <ol style="list-style-type: none"> <li>1. All financial institutions legally approved to accept deposits must apply to the CDIC to join the deposit insurance system.</li> <li>2. Such institutions may become insured institutions after inspection and approval by the CDIC.</li> <li>3. The two preceding items do not apply to insured institutions that have joined the deposit insurance system prior to the enactment of the revised Act.</li> </ol>
Capital	<ul style="list-style-type: none"> <li>◆ Legally prescribed capital NT\$2 billion</li> <li>◆ Paid in NT\$800,050,000</li> </ul>	<ul style="list-style-type: none"> <li>◆ Legally prescribed capital raised to NT\$5 billion in July 1992</li> <li>◆ Prescribed capital raised to NT\$10 billion in November 1995</li> </ul>	Same as the left column
Member Institutions	<ul style="list-style-type: none"> <li>◆ Domestic banks (excluding Chunghwa Post Co., Ltd.)</li> <li>◆ Small and medium business banks</li> <li>◆ Trust and investment corporations</li> <li>◆ Credit cooperatives</li> <li>◆ Credit departments of farmers' and fishermen's associations</li> <li>◆ Foreign bank branches in Taiwan (even if their deposits are protected in their home countries)</li> <li>◆ Other financial institutions designated by the Ministry of Finance</li> </ul>	<ul style="list-style-type: none"> <li>◆ Revised in January 1999, to include the financial institutions listed on the left and Chunghwa Post Co., Ltd.</li> <li>◆ Beginning in January 1999, foreign bank branches whose deposits are protected in their home countries may not participate</li> </ul>	Same as the left column (Note: Chunghwa Post Co., Ltd. was renamed Taiwan Post on February 9, 2007, but the name reverted back to Chunghwa Post Co., Ltd. on August 1, 2008)
Premium Assessment Base	<ul style="list-style-type: none"> <li>◆ Covered deposits</li> </ul>	Same as the left column	Revised in January 2007 to: Total eligible deposits.

	Year CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2011)																					
Insurance Premium	Flat rate: 0.05% of covered deposits	<ul style="list-style-type: none"> <li>Still flat rate, but reduced to 0.04% in July 1987</li> <li>Reduced to 0.015% in January 1988</li> <li>Risk-based premium system adopted on July 1, 1999, and three-tier rates instituted: 0.015%, 0.0175%, and 0.02%</li> <li>Three rates adjusted to 0.05%, 0.055% and 0.06% on January 1, 2000</li> </ul>	<p>Revised in July 2007 to:</p> <p>A risk-based premium rate for eligible deposits within the coverage limit and a flat rate for any amounts beyond this, as follows:</p> <table border="1"> <thead> <tr> <th>Financial Institutions</th> <th>Risk-based premium rates</th> <th>Flat premium rate</th> </tr> </thead> <tbody> <tr> <td>Domestic banks, foreign bank branches in Taiwan, trust and investment corporations, and credit cooperatives</td> <td>Five tiers of 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%</td> <td>Formerly 0.0025%, but from January 1, 2010 the flat premium rate was adjusted to 0.005%</td> </tr> <tr> <td>Credit departments of farmers' and fishermen's associations</td> <td>Five tiers of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%</td> <td>0.0025%</td> </tr> </tbody> </table> <p>Revised in November 2010 to:</p> <p>A risk-based premium rate for eligible deposits within the coverage limit and a flat rate for any amounts beyond this, effective from January 1, 2011 as follows:</p> <table border="1"> <thead> <tr> <th>Financial Institutions</th> <th>Risk-based premium rates</th> <th>Flat premium rate</th> </tr> </thead> <tbody> <tr> <td>Domestic banks, foreign bank branches in Taiwan</td> <td>Five tiers of 0.05%, 0.06%, 0.08%, 0.11%, and 0.15%</td> <td>0.005%</td> </tr> <tr> <td>Credit cooperatives</td> <td>Five tiers of 0.04%, 0.05%, 0.07%, 0.1%, and 0.14%</td> <td>0.005%</td> </tr> <tr> <td>Credit departments of farmers' and fishermen's associations</td> <td>Five tiers of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%</td> <td>0.0025%</td> </tr> </tbody> </table>	Financial Institutions	Risk-based premium rates	Flat premium rate	Domestic banks, foreign bank branches in Taiwan, trust and investment corporations, and credit cooperatives	Five tiers of 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%	Formerly 0.0025%, but from January 1, 2010 the flat premium rate was adjusted to 0.005%	Credit departments of farmers' and fishermen's associations	Five tiers of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%	0.0025%	Financial Institutions	Risk-based premium rates	Flat premium rate	Domestic banks, foreign bank branches in Taiwan	Five tiers of 0.05%, 0.06%, 0.08%, 0.11%, and 0.15%	0.005%	Credit cooperatives	Five tiers of 0.04%, 0.05%, 0.07%, 0.1%, and 0.14%	0.005%	Credit departments of farmers' and fishermen's associations	Five tiers of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%	0.0025%
Financial Institutions	Risk-based premium rates	Flat premium rate																						
Domestic banks, foreign bank branches in Taiwan, trust and investment corporations, and credit cooperatives	Five tiers of 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%	Formerly 0.0025%, but from January 1, 2010 the flat premium rate was adjusted to 0.005%																						
Credit departments of farmers' and fishermen's associations	Five tiers of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%	0.0025%																						
Financial Institutions	Risk-based premium rates	Flat premium rate																						
Domestic banks, foreign bank branches in Taiwan	Five tiers of 0.05%, 0.06%, 0.08%, 0.11%, and 0.15%	0.005%																						
Credit cooperatives	Five tiers of 0.04%, 0.05%, 0.07%, 0.1%, and 0.14%	0.005%																						
Credit departments of farmers' and fishermen's associations	Five tiers of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%	0.0025%																						

Appendix 3: Expansion and Improvement of Taiwan's Deposit Insurance System

	Year CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2011)
Coverage Limit	NT\$700,000	Increased to NT\$1 million on August 15, 1987. (In July 2001, the government passed the <i>Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund</i> and established the Financial Restructuring Fund to dispose of unsound financial institutions. During the period of the Fund's operation, there was no coverage limit on the deposits in unsound institutions under disposal or listed for disposal.)	<ol style="list-style-type: none"> <li>1. Increased to NT\$1.5 million on July 1, 2007.</li> <li>2. To stabilize the financial system and strengthen the confidence of depositors, the government announced in October 2008 that, until December 31, 2009, the deposits of depositors in insured institutions would be provided with temporary full coverage by the CDIC and would not be subject to the coverage limit.</li> <li>3. The government in October 2009 announced that the period of temporary full deposit insurance coverage would be extended one more year until December 31, 2010.</li> <li>4. On August 12, 2010, the Financial Supervisory Commission, the Ministry of Finance and the Central Bank of China jointly announced that from January 1, 2011 the coverage limit would be increased to NT\$3 million.</li> </ol>
Scope of Coverage	Deposit principal and interest	From January 1999, limited to deposit principal	<ol style="list-style-type: none"> <li>1. Limited to principal as in the left column. However, beginning in July 2001, the principal and interest of deposits in failed financial institutions disposed of by the Financial Restructuring Fund were both guaranteed.</li> <li>2. The government in October 2008 announced that until December 31, 2009 the coverage of deposits under the temporary full deposit insurance coverage would encompass both principal and interest.</li> <li>3. The government in October 2009 announced that the period of temporary full deposit insurance coverage would be extended a further year until December 31, 2010, and that the scope of coverage would be in accordance with point 2 above.</li> <li>4. On December 29, 2010, amendments to Articles 12 and 13 of the <i>Deposit Insurance Act</i> were promulgated by Presidential decree, whereby the scope of coverage was enlarged to encompass both foreign currency deposits and interest on deposits.</li> </ol>

	Year CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2011)
Items Covered	<ul style="list-style-type: none"> <li>◆ Checking deposits</li> <li>◆ Demand deposits</li> <li>◆ Time deposits</li> <li>◆ Savings deposits</li> <li>◆ Trust funds</li> <li>◆ Other deposits that the competent authority has approved as insurable</li> </ul>	Same as the left column	<p>1. Same as the left column. (Beginning in July 2001, all deposits and non-deposit liabilities of insured institutions that were disposed of by the Financial Restructuring Fund were guaranteed. In June 2005, after a revision of the <i>Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund</i> was implemented, the non-deposit liabilities of failed financial institutions were not eligible for compensation. However, those non-deposit liabilities that were incurred prior to the implementation of the revised <i>Statute</i> remained protected.)</p> <p>2. Revised in January 2007 as:</p> <ul style="list-style-type: none"> <li>◆ Checking deposits</li> <li>◆ Demand deposits</li> <li>◆ Time deposits</li> <li>◆ Other deposits that the competent authority has approved as insurable</li> </ul> <p>3. Revised in May 2008 as follows:</p> <ul style="list-style-type: none"> <li>◆ Checking deposits</li> <li>◆ Demand deposits</li> <li>◆ Time deposits</li> <li>◆ Deposits required by law to be deposited in certain financial institutions</li> <li>◆ Other deposits that the competent authority has approved as insurable</li> </ul> <p>4. The government in October 2008 announced that until December 31, 2009, the deposits of depositors in insured institutions would be provided with temporary full coverage by the CDIC. According to the <i>Measures to Support the Full Deposit Insurance Coverage</i> jointly promulgated by the Financial Supervisory Commission of the Executive Yuan, the Ministry of Finance and the Central Bank on October 28, 2008, the scope of the temporary full deposit insurance coverage encompasses the following:</p> <ul style="list-style-type: none"> <li>◆ The principal and interest of deposits pursuant to Paragraph 1 and 2 of Article 12 of the <i>Deposit Insurance Act</i></li> <li>◆ Interbank call loans</li> <li>◆ The payments during the period in which the CDIC acts as a conservator that are necessary to keep an insured institution operating as well as the pensions, severance fees, and related taxes that shall be paid according to law</li> <li>◆ Bank debentures issued on or before June 23, 2005</li> </ul>

Appendix 3: Expansion and Improvement of Taiwan's Deposit Insurance System

	Year CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2011)
			<p>5. The government in October 2009 announced that the period of temporary full deposit insurance coverage would be extended a further year until December 31, 2010, and that the items would be in accordance with point 4 above.</p> <p>6. On December 29, 2010, amendments to Articles 12 and 13 of the <i>Deposit Insurance Act</i> were promulgated by Presidential decree, whereby the following deposits within the territory of the Republic of China would be the targets of deposit insurance:</p> <ul style="list-style-type: none"> <li>◆ Checking deposits</li> <li>◆ Demand deposits</li> <li>◆ Time deposits</li> <li>◆ Deposits required by law to be deposited in certain financial institutions</li> <li>◆ Other deposits that the competent authority has approved as insurable</li> </ul> <p>The above deposits referred to as being within the territory of the Republic of China do not include the deposits accepted by offshore banking branches.</p>
Scope of Capital Utilization	Limited to deposits at the Central Bank	<p>The following revisions were effective in January 1999:</p> <ul style="list-style-type: none"> <li>◆ Deposits at the Central Bank</li> <li>◆ Deposits in financial institutions which are approved by the competent authority and which provide government bonds as collateral</li> </ul>	<p>Revised in January 2007 as:</p> <ul style="list-style-type: none"> <li>◆ Deposits at the Central Bank</li> <li>◆ Investments in government bonds</li> <li>◆ Utilization by methods approved by the CDIC Board of Directors</li> </ul>
Means of Fulfilling Insurance Obligation	<ul style="list-style-type: none"> <li>◆ Cash payouts</li> <li>◆ Deposit transfers</li> <li>◆ Temporarily continued operation in the name of the CDIC</li> </ul>	<p>According to revisions enacted in January 1999, the provision of financial assistance to encourage acquisitions or assumptions by other insured institutions was added to the three means listed to the left.</p>	<p>Revised in January 2007 to:</p> <ul style="list-style-type: none"> <li>◆ Deletion of temporarily continued operation in the name of the CDIC.</li> <li>◆ In addition to providing financial assistance to encourage acquisitions or assumptions of insured institutions that have been ordered to close, such financial assistance can also be provided to insured institutions being put under conservatorship or taken over the authorities according to law.</li> </ul>

	Year CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2011)
Advance Payment for Deposits and Non-deposit Liabilities in Excess of Coverage Limit	None	According to revisions made in January 1999, advance payment is allowed to resolve the needs of creditors' liquidity at problem institutions, under the principle that no additional costs are incurred.	Same as the left column
Exemption from Open Tender, Price Comparison, Price Negotiation, and the Provisions of Articles 25-27 of the <i>Budget Act</i> When Disposing of Problem Financial Institutions	None	Added in January 1999	Stipulations of the <i>Government Procurement Act</i> and Articles 25 to 27 of the <i>Budget Act</i> do not apply to CDIC in the performance of its insurance responsibility, provision of financial assistance, establishment of bridge banks, and handling of advance payments in accordance with the <i>Deposit Insurance Act</i> .
Recipient of Financial Assistance and Method of Assistance	Limited to loans or the purchases of assets to enable problem financial institutions to resume operation, when such resumption is deemed necessary.	The following revisions were effective in January 1999: <ul style="list-style-type: none"> <li>♦ Institutions under guidance, superintendence, or conservatorship, may be extended loans or deposits.</li> <li>♦ Other financial institutions that merge with or assume institutions that are under guidance, superintendence, or conservatorship, or that have failed, may be assisted with loans, deposits, or the provision of funds and guarantees.</li> </ul>	Revised in January 2007 as follows: <ul style="list-style-type: none"> <li>♦ If an insured institution has a seriously deficient net worth, or there is concern that it seriously threatens the credit order and financial stability, and the competent authority has determined a need for the institution's liquidation or market withdrawal, personnel may be dispatched prior to liquidation or market withdrawal to assume conservatorship or taking over the authorities of board of directors and supervisors of the institution. In such cases, the CDIC may provide loans, deposits or other financial assistance to the insured institution.</li> <li>♦ Before providing financial assistance, the CDIC shall request the full amount of collateral from the financial holding company of the insured institution or from any other insured institution that such financial holding company has dominant shares, or from any farmers' and fishermen's association possessing the said credit department.</li> <li>♦ In cases where the competent authority has dispatched personnel to assume conservatorship or taking over the authorities of board of directors and supervisors of an insured institution, the CDIC may encourage the acquisition or assumption of the institution by providing funds or arranging loans, deposits, or guarantees to other insured institutions or financial holding companies or by purchasing the subordinated bonds issued by the said insured institutions or financial holding companies.</li> </ul>

### Appendix 3: Expansion and Improvement of Taiwan's Deposit Insurance System

	Year CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2011)
Borrowing of Funds from Other Financial Institutions	None	Added in January 1999	Same as the left column
Provision of Collateral when Applying to the Central Bank for Accommodation	Full collateral must be provided.	Provisions added in January 1999 as follows: <ul style="list-style-type: none"> <li>◆ That part for which the CDIC is unable to provide collateral is to be guaranteed by the National Treasury.</li> <li>◆ When the secured portion exceeds the CDIC's net worth, the competent authority and the Central Bank must apply to the Executive Yuan for approval.</li> </ul>	Revised in January 2007 to: Through a joint request by the competent authority with the Ministry of Finance and the Central Bank and approved by the Executive Yuan, the part for which collateral cannot be provided may be guaranteed by the National Treasury.
Penalty for Refusal to Apply to Participate in Deposit Insurance	None	Provision added in January 1999: A fine of double the amount of the insurance premium for penalty is to be imposed.	Revised in January 2007 to: Depending on whether the institution is a general financial institution or agricultural financial institution, the CDIC shall report to the competent authority to order the financial institution to replace its persons in charge or to revoke its license.
Method of Allocation of the CDIC's Surplus	As stipulated in the <i>Company Act</i>	Same as the left column	<ul style="list-style-type: none"> <li>◆ Beginning July 2001, the entire amount of the surplus remaining after the accounts are closed is placed into the deposit insurance payout reserves for insurance payout.</li> <li>◆ Revised in January 2007 to: The entire amount of the surplus remaining from annual income after deducting costs, expenses and losses shall be deposited into the deposit insurance payout reserves.</li> </ul>
Priority Repayment of Deposit Liabilities	None	Same as the left column	Addition in May 2006: When an insured institution is disposed of by the CDIC with the stipulations of the <i>Deposit Insurance Act</i> by the competent authority or the central competent authority of the agricultural finance for the exit or liquidation upon clearing the debt, its deposit liabilities shall take precedence over non-deposit liabilities.
Establishment of Two Separate Deposit Insurance Payout Reserves	None	Same as the left column	Addition in January 2007: <ul style="list-style-type: none"> <li>◆ The reserves were divided into separate deposit insurance payout accounts for general financial institutions and agricultural financial institutions.</li> <li>◆ Both reserve funds have a target ratio of 2% of covered deposits.</li> </ul>

	Year CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2011)
Examination of Insured Institutions	If the CDIC deemed it necessary, and after obtaining the prior approval of the competent authority in consultation with the Central Bank, the CDIC could examine the business records and accounts of an insured institution.	Same as the left column	Revised in January 2007 to: The CDIC may inspect an insured institution to confirm the accuracy of its deposit insurance premium base and certain items in accordance with Article 24 of the <i>Deposit Insurance Act</i> .
Elimination of Limits on Payout Cost	None	Same as the left column	Addition in January 2007: When there is concern of a serious threat to credit order and financial stability, after obtaining the prior approval of the competent authority in consultation with the Ministry of Finance and the Central Bank and ratification by the Executive Yuan, the limit on payout cost may be eliminated.
Set-off	None	Same as the left column	Addition in January 2007: Before handling claims, the CDIC has the set-off rights.
Termination of Membership	If an insured institution violated the laws or regulations or the insurance agreement or engaged in unsound business transactions, and failed to rectify such violations within the time limit prescribed by the CDIC, the CDIC could terminate its status as an insured institution and report such action to the competent authority for disposal.	Same as the left column.	Revised in January 2007 to: The scope of reasons for termination of insured status is revised to also include the following: 1. It is ordered and required by the competent authority or the central competent authority of the agricultural finance to recapitalize or improve its financial or business condition, and fails to meet such requirements within the prescribed time-limit; or the time-limit is not due but the competent authority or the CDIC deems the said insured institution's condition non-improvable. 2. There is serious fraud or other illegal cases occurred at the said insured institution that might increase the compensation burden. In the afore-mentioned situations, the CDIC should, after notifying the competent authority or the central competent authority of the agricultural finance, terminate the deposit insurance membership of the insured institution and make a public announcement.
Financial Products must be Stated whether they are Protected by Deposit Insurance	None	Same as the left column	Added in January 2007
Depositor Protections Upon Termination of an Insured Institution's Insured Status	The CDIC would continue to protect the depositor's deposits up to the coverage limit for one year after the institution stopped participating in the deposit insurance system.	Same as the left column	Revised in January 2007 to: The CDIC will continue to protect the depositor's deposits up to the coverage limit for six months from the day the deposit insurance contract is terminated.

## Appendix 4: Major Economic and Financial Indicators for the Last Five Years

Economic & Financial Indicators / Year	2011	2010	2009	2008	2007
<b>1. Annual Economic Growth</b>					
* Economic Growth Rate (GDP) (%)	4.04	10.72	-1.81	0.73	5.98
* Gross Domestic Product (GDP) (US\$ billion)	466.9	430.1	377.5	400.1	393.1
* Average Per Capita GDP (US\$)	20,139	18,588	16,359	17,399	17,154
<b>2. Foreign Trade</b>					
※ Export Annual Growth Rate (%)	12.3	34.8	-20.30	3.6	10.1
※ Import Annual Growth Rate (%)	12.0	44.1	-27.50	9.7	8.2
○ Foreign Exchange Reserves at Year-end (US\$ billion)	385.5	382.0	348.2	291.7	270.3
<b>3. Economic Indices (Year-end)</b>					
◎ Monitoring Indicator	Blue	Yellow-red	Yellow-red	Blue	Green
◎ Score of Monitoring Indicator	14	34	37	9	29
◎ Leading Index	127.9	125.8	117.5	87.7	108.9
◎ Coincident Index	127.3	130.1	112.0	85.6	113.1
<b>4. Population &amp; Unemployment Rate</b>					
* Population & Unemployment Rate	2.322	2.316	2.312	2.304	2.296
* Avg. Unemployment Rate for Whole Year (%)	4.39	5.21	5.85	4.14	3.91
<b>5. Inflation (Whole Year)</b>					
* Consumer Price Index (CPI) Annual Change Rate (%)	1.42	0.96	-0.87	3.53	1.80
* Wholesale Price Index (WPI) Annual Change Rate (%)	4.32	5.46	-8.74	5.15	6.47
<b>6. Interest and Exchange Rates (Year-end)</b>					
○ Central Bank Discount Rate (%)	1.875	1.625	1.25	2	3.375
○ Central Bank Accommodations with Collateral Rate (%)	2.25	2	1.625	2.375	3.750
○ Exchange Rate (NT\$/US\$)	30.29	30.368	32.03	32.86	32.443
<b>7. Monetary Aggregates (Year-end)</b>					
○ M2 Annual Growth Rate (%)	4.84	5.44	5.78	7.21	0.84
○ M1b Annual Growth Rate (%)	3.26	9.00	28.92	-0.81	-0.03
○ M1a Annual Growth Rate (%)	5.73	9.16	21.79	2.08	2.82
<b>8. Lending by Financial Institutions (Year-end)</b>					
□ Total Loans (NT\$ billion) <sup>1</sup>	20,953	19,844.7	18,595.2	18,461.6	18,008
□ Non-Performing Loan Ratio (%) <sup>2</sup>	0.42	0.60	1.14	1.52	1.79

Sources:

\* Website of Directorate-General of Budget, Accounting and Statistics, Executive Yuan; ※ Website of Ministry of Finance; ○ Website of Central Bank; ◎ Website of Council for Economic Planning and Development, Executive Yuan; □ Website of Financial Supervisory Commission, Executive Yuan.

Notes: (1) The amount of total loans includes all loans extended by the head offices and branches of domestic banks (including trust and investment corporations), the local branches of foreign banks in Taiwan, credit cooperatives, and the credit departments of farmers' and fishermen's associations.

(2) The non-performing loan ratio (including loans under surveillance) for the years prior to 2005 includes all overdue loans for domestic banks (including trust and investment corporations), the local branches of foreign banks in Taiwan, credit cooperatives, and the credit departments of farmers' and fishermen's associations. Beginning in 2005, the non-performing loan ratio excludes the overdue loans of trust and investment corporations and credit departments of farmers' and fishermen's associations. From July 2005, an international standard was adopted for the calculation of the generalized non-performing loan ratio.

## Central Deposit Insurance Corporation Annual Report 2011

Published by Central Deposit Insurance Corporation  
Address: 11F, 3 Nanhai Rd., Taipei, 10066, Taiwan, R.O.C.  
Tel: 886-2-2397-1155  
<http://www.cdic.gov.tw>

Date Published May 2012

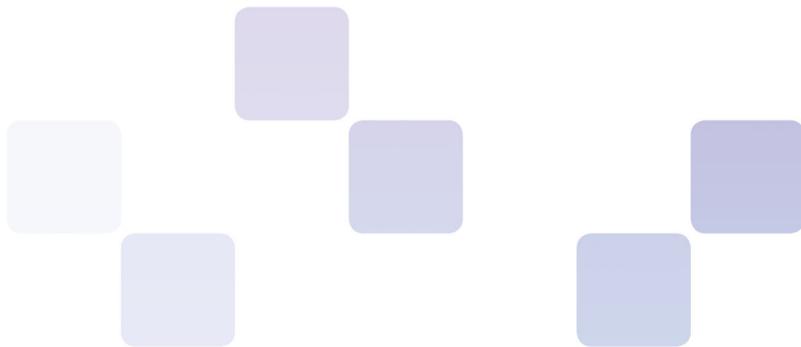
Price NT\$ 300

Designed by Miccu Multimedia Co., Ltd.  
Tel: 886-2-2585-4168

The publishing organization owns the copyright and is protected by the *Copyright Law*. Only third parties that are not-for-profit and that acknowledge the copyright owner may use the content of this publication.

GPN: 2007500043

ISSN: 1726-7366



## Central Deposit Insurance Corporation

### Central Deposit Insurance Corporation

11F, 3, Nanhai Rd., Taipei, 10066, Taiwan, R.O.C.  
Tel: 886-2-2397-1155  
Toll-free line: 0800-000-148  
Website: <http://www.cdic.gov.tw>  
E-mail: [cdic@cdic.gov.tw](mailto:cdic@cdic.gov.tw)

### Central Region Office

16F, 2-107, Wuquan Rd., West District, Taichung,  
40355, Taiwan, R.O.C.  
Tel: 886-4-2371-2756

### South Region Office

10F-5, 31, Haibian Rd., Lingya District, Kaohsiung,  
80248, Taiwan, R.O.C.  
Tel: 886-7-331-1226

