



中央存款保險公司

Central Deposit Insurance Corporation

Annual Report **2009**



CDIC

Your Deposits are in Good Hands with CDIC



**Each deposit is an aspiration.
The Central Deposit Insurance Corporation
gives you peace of mind that you can rely on.**



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Message from the Chairman and the President



Chairman

A handwritten signature in black ink that reads "Fred S. C. Chen". The signature is fluid and cursive.

Fred S. C. Chen



President

A handwritten signature in black ink that reads "Howard N. H. Wang". The signature is in a cursive style.

Howard N. H. Wang

Safeguarding Deposits

Stabilizing Financial System

Message from the Chairman and President

Since its establishment in September 1985, the Central Deposit Insurance Corporation (CDIC) has shouldered responsibility for safeguarding the rights and interests of depositors, maintaining the confidence of the general public in the financial system, and enhancing the stability of financial markets. With these three major objectives in mind, it has actively cooperated with the government's financial reform policies, has participated in the planning and implementation of each aspect of the financial safety net, and in conjunction with the Executive Yuan's Financial Restructuring Fund and the deposit insurance mechanism, has carefully drawn up plans to enable 56 failed financial institutions to withdraw from the market without incident. The total amount of deposits that have been insured is approximately NT\$910 billion, there being in excess of 5 million depositors. The CDIC has been able to save about NT\$30 billion in handling costs, and has helped lower the non-performing loan ratio for the whole body of financial institutions in Taiwan markedly from a peak of 11.74% in March 2002 to 1.35% in October 2009, thereby helping to straighten out financial markets, improve the quality of financial institutions and stabilize financial order. The CDIC has also bolstered the general public's confidence in the government and in the ability of the CDIC to handle financial crises.

The deposit insurance system's principal duty is to protect the small depositors. However, during the second half of 2007, the monumental changes in international financial conditions, with their serious repercussions on the global economy, resulted in every country being affected by the crisis. Many countries consequently either increased their deposit insurance coverage or else provided a temporary guarantee of full coverage. This showed that the important role played by the deposit insurance system in stabilizing financial conditions had been increasingly recognized and given credibility by the governments of different countries. In order to stabilize its financial system and strengthen the confidence of depositors, in October 2008 the Taiwan government announced that deposits would be insured in their entirety until the end of December 2009. Subsequently, in October 2009, after carefully deliberating over domestic economic and financial conditions and a number of financial institutions whose deposit structures needed to be improved, as well as the terms imposed by nearby countries on the implementation of full coverage, the government announced that the period of full coverage would be extended until December 31, 2010. This policy has had the beneficial effect of stabilizing financial markets and strengthening the confidence of depositors. It has also had the function of nurturing a gradual improvement in economic conditions.

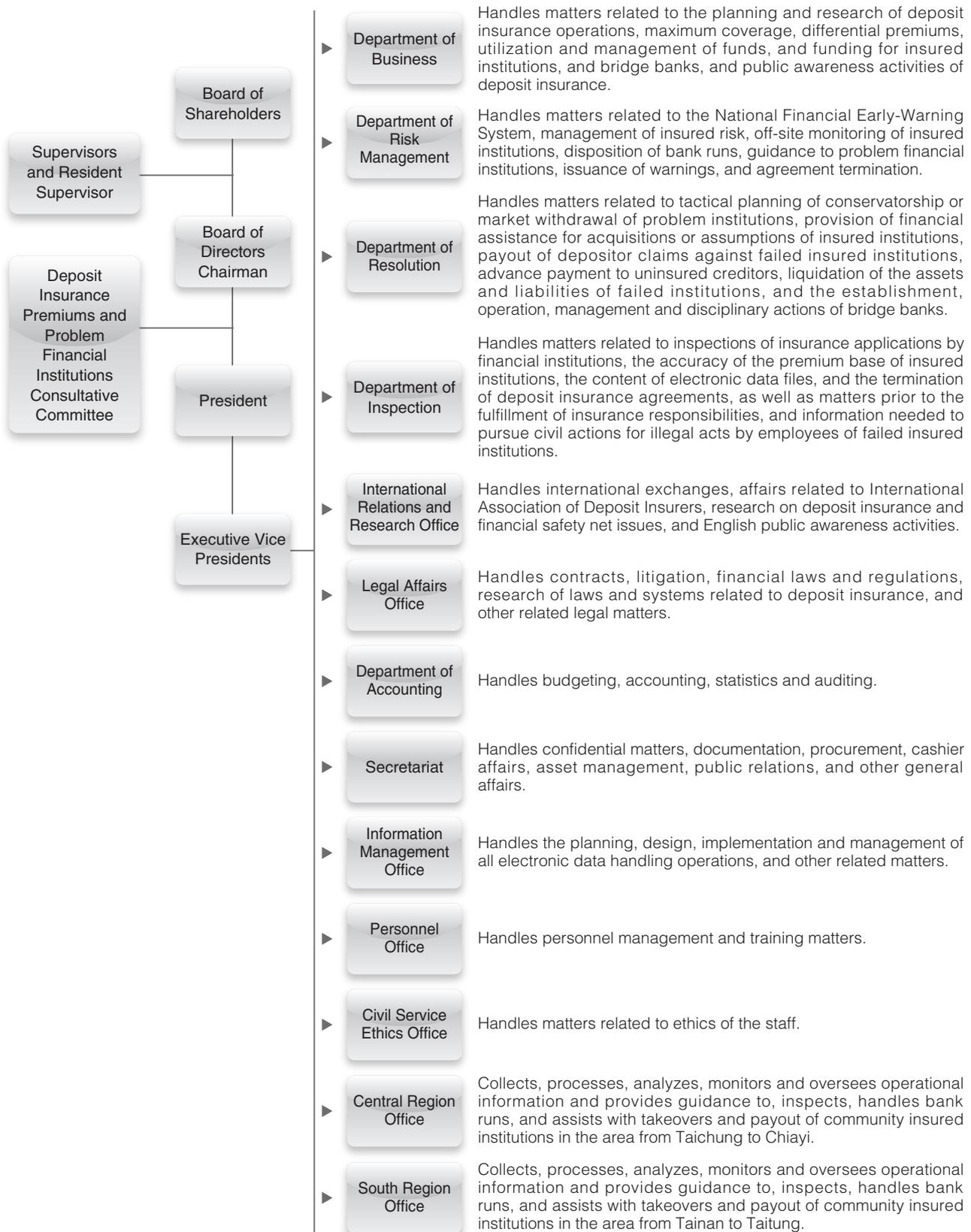
Although the implementation of full coverage on a temporary basis has the effect of stabilizing financial conditions, in order to limit the resulting moral hazard and lower the costs of handling problem financial institutions, the CDIC as one of the important players in the financial safety net has not only in line with government policies adopted relevant supervisory measures, as well as availing itself of the financial early-warning system and the off-site monitoring mechanism to effectively control underwriting risk and limit the occurrence of abnormal situations, but it has also continued to conduct special inspections and on-site examinations of financial institutions applying to participate in deposit insurance to safeguard the rights and interests of depositors and reduce the CDIC's underwriting risk.

To enable the full coverage of deposits to smoothly revert to limited coverage when the temporary blanket guarantee period comes to an end, besides making every effort to formulate a set of response measures as early as possible, so that depositors can have a full understanding of the changes in advance, and urging institutions with operating deficiencies to speed up their structural adjustments to prepare themselves for the changes in coverage, the CDIC will research further amendments to the *Deposit Insurance Act*, will attach added importance to enlarging the scope of coverage, and will strengthen risk controls and the mechanisms for handling problem financial institutions to enhance its ability to respond to financial crises in the future.

In order to promote international cooperation and raise its international profile, the CDIC will continue to encourage cooperation and exchanges with other deposit insurance corporations and international financial supervisory institutions, and will actively participate in various capacities and training activities in the International Association of Deposit Insurers (IADI). To strengthen research and development, the CDIC will continue to gather information on international financial supervision and deposit insurance, to serve as reference for the local members of the financial safety net.

Looking back over the past year, thanks to the support and encouragement of all sectors and the concerted efforts of our staff, the CDIC has been able to smoothly carry out its operations. For this, we extend our sincere appreciation to all of you. In the future, the CDIC will continue to hold fast to such an attitude as it seeks to bring the deposit insurance mechanism into full play, thereby ensuring financial stability. In this endeavor, we solicit your ongoing support and guidance.

Organization and Duties





← From left to right :

Executive Vice President / W.H. Lai
 Advisor / Ming-Ho Hsu
 Director, Department of Accounting / Hwei-Ling Liu
 Department of Business / Allen Chen
 Advisor / Cyuan-Yuan Yang
 Director, Personnel Office / Hong-Dei Huang

From left to right : →

Executive Vice President / L.C. Pan
 Director, Information Management Office / Shui-Dong Huang
 Director, Department of Risk Management / William Su
 Director, Civil Service Ethics Office / Ing-Cyuan Hu
 Director, Secretariat / Tsu-I Yeh



← From left to right :

Director, Department of Inspection / Yao-Kun Chen
 Director, South Region Office / Yong-Huei Peng
 Director, International Relations and Research Office / Yvonne Fan
 Director, Central Region Office / Ruby Hou
 Director, Department of Resolution / Annie Jen
 Director, Legal Affairs Office / Grace M.C. Lee
 Executive Vice President / Robert L.I. Chen



Board of Directors, Supervisors and Senior Executives

Board of Directors		Supervisors	
Chairman	Fred S.C. Chen (Representative of the Ministry of Finance)	Resident Supervisors	Tsai-Chiu Hsu (Representative of the Central Bank)
Directors	Howard N.H. Wang (Representative of the Central Bank)	Supervisors	Cheng-Shang Chang (Representative of the Ministry of Finance)
	David C.Y. Sun (Representative of the Central Bank)		Ta-Tsong Lin (Representative of the Ministry of Finance)
	Wei-Ching Lue (Representative of the Ministry of Finance)		
	Chih-Yuan Chen (Representative of the Ministry of Finance)		
	Ling-Yang Wu (Representative of the Ministry of Finance)		
	Lu Ye (Representative of the Ministry of Finance)		

Full deposit coverage is being extended to December 31, 2010.



Business Operation

Each deposit is an aspiration.

We safeguard your deposits and give you the strength to achieve your aspirations.

Business Operations

The 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, 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 2009:

1. Deposit Insurance

(1) Membership and Scope of Coverage

The deposit insurance system was revised under the January 2007 amendments to the *Deposit Insurance Act*. All financial institutions established after the implementation of the new system shall apply to the CDIC to participate in deposit insurance and become insured institutions upon review and approval by the CDIC, although the insured status of financial institutions insured before implementation of the new system is not affected by this change. Currently the only exception is the Taipei branch of Deutsche Bank, which is covered under the German deposit insurance scheme and is therefore legally exempted from the Taiwan system. In 2009, the Taipei branch of one foreign bank and 9 farmers' associations with newly-established credit departments applied to the CDIC to join the deposit insurance system; their applications are still being reviewed to determine whether they are suitably qualified to become insured institutions.

The government has constantly promoted financial consolidation in recent years as a means of improving Taiwan's financial market efficiency and international competitiveness. During 2009, the number of insured institutions continued to decline. As one insured institution was taken over by another insured institution, the number of insured institutions was reduced from 384 at the beginning of the year to 383 at the end of the year.

(2) Implementation of the Risk-based Premium System

With the approval of the Ministry of Finance (MOF), the CDIC has formally implemented a risk-based premium rate system since July 1, 1999, in response to the shift to the mandatory system of deposit insurance and to adequately reflect the different operating risks of insured institutions. To ensure the sufficiency of the Deposit Insurance Payout Special Reserve (hereinafter also referred to as the "Deposit Insurance Fund"), the CDIC received approval from the MOF to raise its three-tiered deposit insurance premium rates from the original 0.015%, 0.0175%, and 0.02% to 0.05%, 0.055%, and 0.06%, respectively, on January 1, 2000.

Risk-based Premium Rates by Institution Types

As of December 31, 2009 Unit: %



★ Domestic Banks include the Agricultural Bank of Taiwan but exclude Chunghwa Post Co., Ltd.



The January 2007 amendments to the *Deposit Insurance Act* expanded the premium assessment base from insured deposits to total insurable deposits. To prevent this change from increasing the premium burden on insured institutions, the CDIC received approval from the Financial Supervisory Commission (FSC) to adopt a risk-based premium for insured deposits of the premium assessment base from July 1, 2007, while a lower flat premium rate was adopted for deposits exceeding the maximum insurance coverage, as such deposits are not protected by deposit insurance. Furthermore, in order to more effectively assist insured institutions in reducing their operating risk, the number of premium rates was expanded to five tiers from the original three tiers. The annual deposit insurance premium rates following the adjustment are as follows:

- The premiums for general financial institutions (including domestic banks, local branches of foreign banks, trust and investment companies, and credit cooperatives) are divided into five-tiered differential premium rates of 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%, respectively, and a flat premium rate of 0.0025%. From January 1, 2010, the flat premium rate will be raised to 0.005%.
- The premiums for the credit departments of farmers' and fishermen's associations are divided into five-tiered differential premium rates of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%, respectively, and a flat premium rate of 0.0025%.

The first tier of the premium rate is currently applied to about 42.9% of all insured institutions, the second tier to 23.0%, the third tier to 20.2%, the fourth tier to 6.5%, and the fifth tier to 7.4%.

(3) Protection of Depositors and Deposits in the Insured Institutions

To enhance the protection of small depositors, on July 1, 2007, the CDIC was granted approval by the competent authority, the Financial Supervisory Commission, in consultation with the Ministry of Finance and the Central Bank, to raise the maximum coverage for each depositor from NT\$1 million to NT\$1.5 million per insured institution. In view of the instability in international financial markets, the government moved to stabilize Taiwan's financial system and reinforce depositors' confidence by announcing, in October 2008, that the deposits of all depositors in all institutions participating in deposit insurance would receive full coverage up to December 31, 2009, and would not be subject to the above maximum amounts. Later, after taking into consideration the fact that global and domestic economic and financial conditions had not yet completely stabilized, and in order to ensure that financial markets did actually stabilize, on September 28, 2009 the Executive Yuan in principle agreed to extend the period of temporary blanket guarantee. In addition, in accordance with the *Measures to Support the Blanket Guarantee of All Bank Deposits* as announced jointly by the Financial Supervisory Commission, the Ministry of Finance and the Central Bank on October 8, the period of full coverage was extended by a year to December 31, 2010. The above *Measures* stipulated that during the extended period the scope of full coverage would remain unchanged, and that a special premium on interbank call loans would continue to be calculated in the same manner as they already had been during 2009.

(4) Raising Public Awareness of the Deposit Insurance System

To raise public knowledge about deposit insurance, the CDIC carried out publicity work via television, newspapers and magazines, the Internet, public transportation vehicles and other media. In addition, it sought to disseminate information through financial education and other activities in the public interest to strengthen the awareness of the general public about its rights and to achieve the goal of stabilizing financial order.



2. Risk Management

(1) 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 for making relevant regulatory policies. In addition, it also made necessary adjustments and revisions to the system to meet changing financial conditions and supervision needs. Major operations and achievements concerning Early-Warning operations in 2009 are summarized as follows:

- a. In order to promote information sharing among financial safety net participants and thereby enhance regulatory effectiveness, the CDIC regularly submits to the competent authorities the results of examination assessments, as well as a Quarterly Analysis Report of Community Financial Institutions, a Report on the Percentile Ranking of Data of Financial Institutions and a Table of Major Financial Operations of Credit Cooperatives. Such information facilitates the timely monitoring of the financial and business status of financial institutions, the timely correction of business deficiencies, and the improvement of regulatory and control efficiency.
- b. In line with the government's policy of disclosing information on financial institutions, the CDIC continued to publish on a quarterly basis summarized content from its "Quarterly Analysis Report of Community Financial Institutions" in its Deposit Insurance Quarterly Bulletin and on the CDIC website so that the public can access complete information of the financial condition and related indexes of financial institutions. Furthermore, the CDIC website provides links to the websites of relevant competent authorities so the public can easily obtain financial information recently announced by insured institutions via their websites, thereby strengthening market discipline.
- c. In order to improve its grasp of information on the operations of financial holding companies and monitor the overall operational risk of such companies, the CDIC produced the "Financial Holding Company Quarterly Report." The report serves as a reference for the CDIC in controlling the overall operational risk of insured institutions and their affiliated financial holding groups.
- d. The CDIC coordinated with the Bureau of Agricultural Finance (BOAF) under the Council of Agriculture on the establishment of the "Internet Reporting System." Through downloading relevant balance sheet and income statement data of the credit departments of farmers' and fishermen's associations, the Internet Reporting System has enhanced the efficient operation of the Financial Early-Warning System. In addition, in order to improve the quality of the reporting of the credit departments of farmers' and fishermen's associations, and deal with the deficiencies in the reporting of information by the credit departments of farmers' and fishermen's associations through the Internet, the information has been forwarded to the competent authority for its guidance in making further improvements of these associations.
- e. The transmission and output of the call report ranking system for Taiwan's domestic banks were revised in coordination with the FSC's single-window reporting system.
- f. In conjunction with the revision of related legal ratios by the competent authority, the CDIC continuously revised the standards and definitions of legal ratios in the system so as to respond in a timely manner to the financial conditions and regulatory compliance of insured institutions.
- g. In order to enhance the early-warning function of the call report ranking system, based on the data reported by financial institutions in recent years, the CDIC has once again selected ranking indicators and has looked at ways to overhaul the call report ranking system and thereby effectively reflect the true state of the financial institutions' operations.

- h.** In light of the changes taking place in the domestic and global financial environment, the CDIC collected various types of data on insured institutions and analyzed their potential influence on the CDIC insured risk. These data included, for example, investment in securitized and structured products, cash and credit card business, real-estate loans, and small and medium enterprise loans.
- i.** In line with the government's announcement of a blanket guarantee of deposits, the CDIC instituted the "Rate Standards for Punitive Fees Collected on Interbank Call Loans Between Insured Institutions During the Period of Blanket Guarantee of Deposits" to serve as a basis for the collection of punitive fees from insured institutions that violate the law or that have weak corporate governance or internal controls.

(2) Implementation of an Account Officer Analysis System

The CDIC implemented an account officer analysis system to grasp the operating status of insured institutions and facilitate the adoption of appropriate measures for individual insured institutions so as to control insured risk and implement a risk-prevention management system. The key operations of the system are as follows:

- a.** The CDIC conducted regular analysis of the operating status of insured institutions in order to expose, in a timely manner, the major operational strategies of insured institutions and any potential insured risk, which serves as an important reference for the adoption of related disposition measures.
- b.** Specific files on significant unexpected events, as well as on the operational data and special warning signal items of insured institutions were established to assist in the timely control of insured risk.
- c.** The CDIC properly handled public complaints and tip-offs in accordance with regulations. Cases involving the authority or duties of the competent authority were transferred to such authority for handling.
- d.** Internet transmission surveillance systems between the CDIC and financial institutions are used for the timely acquisition of warnings about abnormal changes in the operations of financial institutions. The CDIC sent formal letters to financial institutions to request improvement or suggest that the competent authority revise financial oversight policies and encouraged insured institutions to make improvements in accordance with the regulations so as to effectively increase the efficacy of financial supervision and reduce insured risk.
- e.** The CDIC carried out off-site monitoring toward insured institutions with concentrations of business risk and made suggestions for improvement when appropriate.
- f.** In line with the blanket guarantee policy, the CDIC strengthened its oversight of the liability structures of insured institutions.

(3) Guidance to Insured Institutions

- a.** Inviting the responsible officers of insured institutions with high levels of risk for discussions
The CDIC requested that the responsible officers or relevant staff at those insured institutions with high levels of risk present statements on their respective institutions' financial and business conditions and put forward improvement plans to assist with the strengthening and upgrading of the institutions' operations.



- b. Dispatching personnel to provide guidance to the insured institutions or attend relevant important meetings
At the instruction of the competent authority, the CDIC dispatched personnel to attend board of director meetings, management board meetings, and other important meetings at some insured institutions to provide assistance and guidance on important policy issues, and also to assist such insured institutions to merge or to complete the process of reducing or increasing their capital. In addition, the CDIC dispatched personnel to attend relevant guidance meetings convened by the competent authority to facilitate close coordination with the competent authority in strengthening operational guidance to insured institutions.
- c. Dispatching personnel to visit insured institutions
The CDIC dispatched personnel to pay visits to insured institutions to provide timely related suggestions as a reference for the institution in handling operational problems, thereby facilitating the institution's return to sound business operations.

(4) Enhancing Information Sharing and Coordination Mechanisms with Supervisory and Regulatory Agencies

- a. The CDIC regularly attended meetings of the Financial Supervisory Joint Committee in order to strengthen the sharing of information with each financial supervisory authority as well as to cooperate and liaise with them in handling insured institutions experiencing operational difficulties.
- b. In coordination with the operation of "The Single Window for Reporting of Financial Supervisory Information System" implemented by the Examination Bureau of the Financial Supervisory Commission, the CDIC sent specialists to take charge of additions to and revisions of the relevant tables and reports, thus making the supervisory information sharing mechanism more complete.
- c. Visiting relevant organizations providing supervision and guidance to exchange experiences on guidance
To strengthen coordination and facilitate the exchange of opinions with the competent authorities of local governments with a view to offering guidance to community financial institutions, the CDIC dispatched personnel to visit the competent authorities of local governments and the staff of assisting units. The sharing of experience and full communication of opinions about guidance were helpful to the stable operation of community insured institutions.

(5) Holding of Seminars on Insured Institution's Operating Policies and Management to Enhance Risk Management Concepts

The senior managers of insured banks, credit cooperative associations and farmers' and fishermen's associations, as well as the directors of their credit departments, were invited to participate in four Insured Institutions' Operating Policies and Management Seminars organized by the CDIC. Scholars and experts were invited to address the seminars on the topic of "The U.S.-European Financial Crisis and the Risk Management of Financial Institutions" in order to instill concepts of risk management as these insured institutions respond to the impact of the financial crisis.



3. Resolution of Problem Institutions

On instructions from the competent authority, the CDIC assumed the conservatorship of Chinfon Bank as of September 26, 2008, and was commissioned by the Executive Yuan's Financial Restructuring Fund to sell the bank's assets, liabilities and businesses by tender. Chinfon Bank's "Bad Bank" was divided into four tranches, for which the respective sales all proceeded smoothly in March 2009. As for its "Good Bank," after an attempt to sell the assets by public tender failed to proceed and attempts to negotiate a price with the Bank of Taiwan did not materialize, the Good Bank was broken up into four parts, namely Tranche A and Tranche B consisting of local branches, as well as the bank's Vietnam branch and credit card business, and they were all sold in October 2009. In addition, the CDIC has remain to be the conservator for a total of 9 financial institutions with operational deficiencies including Chung Shing Bank, as it continued to handle the remaining assets and deal with unresolved litigation.

4. Disposition of Problem Financial Institutions Under Commission by the Financial Restructuring Fund

(1) Status of Reimbursement by the Financial Restructuring Fund

From the establishment of the Financial Restructuring Fund in July 2001 up to December 31, 2009, the CDIC successfully enabled a total of 55 financial institutions with unsound operations (not including Chinfon Bank which is expected to be settled on April 3, 2010) to withdraw from the market. These 55 institutions comprised 38 credit departments of farmers' and fishermen's associations, 9 credit cooperatives, 6 banks and 2 trust and investment companies. However, because during this period the funds remaining in the Financial Restructuring Fund were insufficient to deal with the supervision of the financial institutions with unsound operations, in order to maintain financial stability, the Executive Yuan's Financial Supervisory Commission drew up the "Mechanism for the Combined Use of the Financial Restructuring Fund and the Deposit Insurance Payout Special Reserves" program, which was approved by the Executive Yuan. This program, in accordance with the proviso of Article 28, Paragraph 2 of the *Deposit Insurance Act*, treats 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 under the supervision of the Financial Restructuring Fund as provided by the Fund's regulations. At the end of December 2009, the total reimbursements made according to law by the Financial Restructuring Fund amounted to NT\$206.4 billion. In addition, the deposit insurance payout reserves were used by the CDIC to make reimbursements amounting to approximately NT\$69.2 billion for the Enterprise Bank of Hualien and four other unsound financial institutions.

(2) Operations Commissioned to the CDIC

a. Handling the sale by tender of Chinfon Bank

In order to speed up the handling of the sale by tender of the assets, liabilities and businesses of Chinfon Bank, the CDIC pursuant to the provisions of the *Banking Act* and with the approval of the competent authority and the Financial Restructuring Fund's Management Committee handled the sale by tender of the assets, liabilities and businesses of Chinfon Bank's "Good Bank" as well as the sale by tender of the bank's bad debt, the "Bad Bank." Following the opening of the tenders on March 25, 2009 and the subsequent price negotiation procedure on March 26, the sale of all four tranches by tender proceeded smoothly. The

bid for the Tranche A was won by Mega Asset Management Company, the bids for the Tranche B and Tranche C by HC Second Asset Management Co., Ltd., and the bid for the tranche D by the Liang Jing Corporation, and the settlements for all of these were completed on June 29, 2009. In addition, after an attempt to sell the assets by public tender failed to proceed and attempts to negotiate a price with the Bank of Taiwan did not materialize, the Good Bank was broken up into four separate tranches for sale by tender. After the bidding process was restarted on October 27, 2009, all four bids were successfully processed. Yuanta Commercial Bank won the bid for local branch Tranche A at a bid price (expected payment) of NT\$19.3 billion; Far Eastern International Bank won the bid for local branch Tranche B at a bid price (expected payment) of NT\$19,103,000,000; Taipei Fubon Commercial Bank won the bid for the Vietnam branch at a bid price of NT\$2,526,800,000; and Taishin International Bank won the bid for the bank's credit card business at a bid price of NT\$4,098,000,000. Of these, the transition of the Vietnam branch and the credit card business are expected to be settled on March 6, 2010, and those for Tranche A and Tranche B on April 3, 2010.

b. Handling the sale of China United Trust and Investment Corp.

China United Trust and Investment Corp. was completely taken over by Cathay United Bank on December 29, 2007. After the assets that had not been included in the same tender were dealt with by the CDIC in 2008, there remained shares in the Taipei Financial Building Corporation with a net book value of NT\$2,222,051,000 and real estate with a net book value of NT\$5,019,509,000. The CDIC continued to act as conservator to manage and dispose of these assets.

(a) In 2009, the Taipei Financial Building Corporation had originally planned to increase its capital, but because the funds it was able to raise were insufficient, the proposed capital increase did not succeed.

(b) As for the 29 tenders remaining for real estate, to conform to market needs, these were further split for two times into 52 tenders. In 2009, a total of 15 of these tenders were disposed of with a net book value of NT\$1,018,364,000. This leaves the other 37 tenders with a net book value of NT\$4,001,145,000.

c. Disposition of Asia Trust and Investment Corp.

After Asia Trust and Investment Corp. was put up for sale by open tender, its net worth became positive. To speed up the process of disposing of the remaining assets and subsequently allocating the residual property among the subsequent shareholders, in accordance with the liquidation procedures set forth in the *Company Act* the CDIC made arrangements for Asia Trust's subsequent disposal, and in September 2009 forwarded its proposal to the competent authority for approval.

d. Handling the retained loans of The Chinese Bank

In order to follow up on the protection of credit rights and on the collection of debt in the case of The Chinese Bank's retained loans (primarily divided into loans to Rebar-related parties and repurchase loans), the CDIC formulated guidelines on related retained loan monitoring, loan collection, and delegated authority by grade to serve as a basis for implementation and standards for operation. A Debt Collection Review Committee was also set up to ensure the quality of loan collection. In the retained loans case, loans outstanding to 95 borrowers amounted to NT\$7.85 billion at the end of December 2009. This represented a reduction of NT\$1.12 billion from the settlement, mainly because of the recovery of related debt.

e. Terminating the trust-related businesses of the Kaohsiung Business Bank

The trust assets belonging to the trust-related businesses of the Kaohsiung Business Bank were in November 2008 returned in their entirety to the trustors, and with the agreement of the competent authority all of the trust-related businesses were terminated. In July 2009, NT\$50 million compensation reserve was returned to the Financial Restructuring Fund.

f. Continuing to deal with the unresolved litigation and other issues of closed institutions

The CDIC continued to deal with the remaining court cases, tax debts and arbitration issues of The Chinese Bank, the Enterprise Bank of Hualien, China United Trust and Investment Corp., and Asia Trust and Investment Corp. in its capacity as conservator of these institutions.

g. Payment of share compensation to the employees of Fengshan Credit Cooperative

According to the *Act for the Establishment and Administration of Financial Restructuring Fund* and a resolution of the Financial Restructuring Fund Management Committee, the task of issuing share compensation to the members of Fengshan Credit Cooperative was transferred to the CDIC. As of the end of 2009, such compensation had already been issued to 81% of the credit cooperative members and the amount paid accounted for 95% of the total amount of the share compensation.

(3) Legal Prosecution

The CDIC is entrusted with the disposition of unsound financial institutions 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 alleged illegal acts by the responsible persons and employees of those institutions to prosecutorial agencies for investigation. The CDIC also pursues civil actions for compensation against guilty parties to make up for compensation payments by the Financial Restructuring Fund and to serve the interest of social justice. At the end of December 2009 the CDIC had submitted 183 cases of alleged criminal activity to prosecutorial agencies for investigation, and 115 cases of civil compensation were being pursued.

5. Inspection

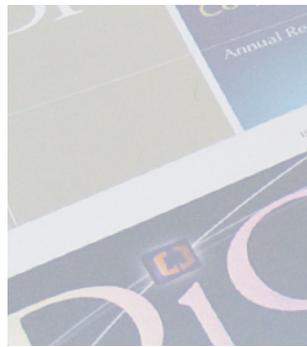
(1) Inspection Stipulated in Article 24 of the *Deposit Insurance Act*

Pursuant to Article 24 of the *Deposit Insurance Act*, the CDIC shall inspect the accuracy of the deposit premium 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 liabilities for illegal acts or omissions by employees of problem insured institutions. During 2009, the CDIC carried out the following:

- a.** The CDIC carried out inspections regarding the accuracy of the deposit premium assessment based on a total of 19 insured institutions. When deficiencies regarding the calculation of the premium were discovered, the institutions involved were all asked in writing to make improvements, in order to ensure the accuracy of the calculation of the deposit insurance premiums.
- b.** The CDIC carried out inspections on the content of the electronic data files established by a total of 46 insured institutions. In regard to any deficiencies discovered, 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) On-site Inspection of Institutions Applying to Join Deposit Insurance so as to Lower the CDIC's Insured Risk

In accordance with the provisions of Article 10 of the *Deposit Insurance Act* and Article 5 of the *Approval Standards for Financial Institutions Applying to Participate in Deposit Insurance* as promulgated by the Financial Supervisory Commission on August 2, 2007, in addition to carrying out a documentary examination of deposit insurance applicants the CDIC also sends personnel to carry out on-site inspection when necessary. By the end of December 2009, on-site inspection had been carried out for the re-establishment of credit departments by 4 farmers' associations and 1 local branch of a foreign bank. When deficiencies were discovered during on-site verification, they were reported to the competent authorities and the institutions involved were asked to carry out improvement so as to reduce underwriting risk.



6. Computerization

- (1) In line with the Ministry of Finance Financial Information Development Program, the CDIC completed its setting up of a “Banks’ Management Decision-Making Information System under the Ministry of Finance.”
- (2) The upgrading of the information application system program to the PowerBuilder V.11 version was completed, in order to enhance the service quality and efficiency of the information application system as a whole.
- (3) The “Insured Institution Electronic Data File Inspection System” was used for developing operational security needs, integrating the CDIC’s information application system portal, as well as establishing a mechanism for on-line control and the automatic updating of operating software.
- (4) The CDIC established a complete Internet security certificate mechanism to enhance the effectiveness of information security in the encryption data, identity recognition and Internet security protection.
- (5) The CDIC set up a hardware spam filtering system and a Web-based filter control system to strengthen information security.

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 overseas 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 the year are briefly described as follows:

(1) Studying Response Measures to the Extension of the Period of Full Deposit Insurance Coverage

To respond to the implementation of the decision in 2008 to extend the period of full deposit insurance coverage to December 31, 2009, the CDIC was instructed by the competent authority, the Executive Yuan’s Financial Supervisory Commission, to complete a research report entitled “Related Response Measures to the Extension of the Period of Full Deposit Insurance Coverage” for submission to the competent authority by April 3, 2009.

(2) Commissioned Research Projects

To respond to the extension of the period of full deposit insurance coverage, while at the same time protecting the rights and interests of the small depositors within the deposit insurance system and taking into consideration the function of stabilizing the financial system, the CDIC was in 2009 commissioned to engage in research projects that focused on the appropriateness of the current level of coverage, on the feasibility of adopting different levels of coverage for particular kinds of deposits, and on whether or not foreign currency deposits should currently be included within the scope of coverage. The findings were to also serve as reference for the CDIC’s future revisions of the *Deposit Insurance Act*.



(3) Performing Statistical Analysis on Adjusting the Maximum Coverage, Including Foreign Currency Deposits within the Scope of Coverage, and Their Effect on Protecting the Depositors

To evaluate the effect on the protection provided to the depositors by adjusting the amount of coverage and including foreign currency deposits, the CDIC asked insured institutions to provide relevant data on aggregated deposit accounts with balances in excess of NT\$1.5 million and NT\$3 million for statistical analysis purposes, in order to provide data to the CDIC for future research on deposit insurance-related matters.

(4) Survey of Deposit Insurance Knowledge Among General Public

To understand how much the public knows about the concept of deposit insurance, and the channels through which they gain information about deposit insurance and financial safety, the CDIC commissioned a professional institution to conduct a questionnaire survey to provide a reference in publicity work and the formulation of follow-up measures.

(5) Drafting “Regulations Governing the Superintendence of Banks” and “Regulations Governing the Conservatorship of Banks” Which Were Submitted to the Competent Authority for Reference

Following the announcement and implementation by Presidential decree of the partially amended *Banking Act* on December 30, 2008, the CDIC was instructed by the competent authority to submit draft “Regulations Governing the Superintendence of Banks” and “Regulations Governing the Conservatorship of Banks” pursuant to Article 44-2, Paragraph 5, Article 62, Paragraph 3 and Article 62-3, Paragraph 2 of the *Banking Act* which were later submitted to the competent authority for reference purposes.

(6) Holding the 15th and 16th Meetings of the CDIC Deposit Insurance Premiums and Problem Financial Institutions Consultative Committee

The 15th meeting discussed issues that included supporting measures related to the full coverage of deposits in Taiwan as well as amendments to laws governing the resolution of banks. The 16th meeting was concerned with how the deposit insurance premium should be adjusted if it is to mitigate deferred losses on general insurance payoff reserve account and speed up the accumulation of the balances on such account to achieve the 2% target ratio. Those consulted put forward many valuable opinions that can serve as valuable reference in planning the future direction of Taiwan’s deposit insurance system.

(7) International Research

- a. The CDIC chaired the “Guidance for Public Awareness of Deposit Insurance Systems” research project, the findings of which were formally made public by IADI in May 2009. In addition, the CDIC participated in an IADI study entitled “Guidance for Funding of Deposit Insurance Systems” that was formally announced by IADI at the same time.
- b. The CDIC assisted in promoting the Core Principles for Effective Deposit Insurance Systems drawn up by IADI and the Basel Committee on Banking Supervision (BCBS), which were formally made public in a joint declaration by the above two international organizations on June 18, 2009. These Core Principles provide members of the global financial safety net with criteria that comply with effective deposit insurance systems and actual practices.



- c. The CDIC concurrently promoted a further 15 IADI projects, of which the CDIC took the leading role in 2 of them (Public Policy Objectives of the Deposit Insurance Systems and Funding Mechanisms of Deposit Insurance Systems in the Asia-Pacific Region), participated in 8, and assisted in the promotion of the remaining 5.

(8) Research Projects and Summary Translation Reports

- a. The CDIC completed a translation project on the “Core Principles for Effective Deposit Insurance Systems” jointly published by IADI and the BCBS, as well as three international guidelines released by IADI in 2009, namely, the “Guidance for Public Awareness of Deposit Insurance Systems,” “Guidance for Governance of Deposit Insurance Systems,” and “Guidance for Funding of Deposit Insurance Systems.” The Chinese translations were published in the CDIC’s Deposit Insurance Quarterly Bulletin for public reference.
- b. The CDIC completed a 2009 Ministry of Finance research report entitled: “Discussing the Future Role of the Deposit Insurance System in the Financial Safety Net in Light of the Global Financial Crisis.”
- c. The CDIC gathered data on the measures taken by various countries and international organizations to respond to the 2008 financial tsunami and prepared two research reports entitled “Response Measures of Major Countries to the Global Financial Turmoil” and “Response Measures of Major Countries to the Global Financial Turmoil – Recent Developments” (from March to August 2009), and forwarded them to relevant authorities within Taiwan’s financial safety net for reference.
- d. Various research reports and summary translation projects were completed during the year on important international financial and economic information, and included the following: “The U.S. Economic Revitalization Plan,” “The Reform of the U.K.’s Banking Act,” “Germany’s Financial Markets Stabilization Law,” “The U.S.’s Financial Stability Plan,” “Summary of a Discussion Report on the U.K.’s Financial Supervisory Authority’s Financial Supervision in Response to the Global Financial Crisis,” “The U.K.’s Asset Purchase and Protection Program,” “Executive Summary of the U.S. and U.K. Financial Reforms,” and “U.S. Senate and Congress Financial Reform Proposals.”
- e. The CDIC responded to the questionnaire jointly prepared by other deposit insurance institutions and international organizations such as the IMF, IADI and the European Forum of Deposit Insurers (EFDI) on “Exit Strategies from Blanket Guarantee or Other Temporary Deposit Insurance Arrangement,” as well as the deposit insurance-related questionnaires sent by the U.S., Kazakhstan, Indonesia, the Philippines and Thailand.
- f. The CDIC participated in various IADI training programs, activities and conferences, as well as conferences organized by other international financial supervisory organizations, and completed related reports.

(9) Publication of the Deposit Insurance Quarterly Bulletin

The 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 case studies on successful and problem financial institutions both in Taiwan and abroad. The Quarterly Bulletin is distributed to relevant agencies, financial institutions, universities and colleges, legislators, and libraries and cultural centers for reference purposes.



(10) Publication of Deposit Insurance Reports

The CDIC personnel prepare research reports on overseas trips which are compiled into publications for the reference of relevant government agencies, financial institutions, academic organizations, experts and scholars. In 2009, the deposit insurance reports published included the following:

- a. How to Strengthen Financial Consumer Protection through the Deposit Insurance System.
- b. Response Measures of Major Countries to the Global Financial Turmoil.
- c. The CDIC participated in the 7th International Conference of the IADI in 2008.

8. International Exchanges

To strengthen international cooperation and enhance its international visibility, the CDIC continued to promote cooperative exchanges among deposit insurance organizations and international financial supervisory bodies. In 2009, it continued to participate in IADI meetings, training activities and international conferences, as well as hosting international exchange activities, the major ones being as follows:

(1) Participating in IADI Meetings, Training Activities and International Conferences

- a. The CDIC in February and July participated in the routine meetings of Executive Council and the Research and Guidance Committee convened by IADI in Basel, Switzerland.
- b. The CDIC participated in IADI's 7th annual meeting of the Asian Regional Committee that took place in late May 2009 in Almaty, Kazakhstan. The CDIC President Howard N.H. Wang was invited to share on Taiwan's experiences during the conference on "The Primary Responsibilities of the Deposit Insurer in the Case of Bank Failure."
- c. The CDIC participated in the steering group meeting held by IADI and the EFDI in Paris, France in late June and shared on the experiences of Taiwan.
- d. The CDIC participated in IADI's 8th Annual General Meeting and Annual Conference held in late September in Basel, Switzerland, and was asked to deliver a speech at the Conference.
- e. The CDIC participated in "The Deposit Insurance Conference in the MENA Region: Enhancing Confidence" hosted by IADI's Middle East and North Africa Regional Committee and held in mid-November in Amman, Jordan.
- f. The CDIC participated in IADI Executive Training Programs held in April and November in Washington, D.C. and Kuala Lumpur, Malaysia entitled "Claims Management: Reimbursement to Insured Depositors."



(2) Hosting International Conferences

To give domestic bankers a deeper understanding of current conditions in international financial markets and trends in financial supervision, as well as strengthen awareness of risk management, the CDIC hosted the “International Seminar on Lessons and Implications in Managing the Global Financial Crisis” at the Taiwan Academy of Banking and Finance on October 22 and 23. Distinguished international financial experts from the Bank for International Settlements, the IADI, the U.S.’s Federal Deposit Insurance Corporation, the Deposit Insurance Corporation of Japan (DICJ) and the U.S. consulting firm Oliver Wyman as well as local financial experts and scholars were invited to attend and to share their thoughts on trends in international financial supervision, and to offer suggestions to domestic financial supervisory agencies from the international perspectives of different countries. Those attending the meeting included senior executives of each of the members of Taiwan’s financial safety net, domestic banks and the Taiwan branches of foreign banks, as well as representatives of financial supervisory authorities and deposit insurance institutions in the Asian region. In all, some 160 people from 10 countries attended the conference.

(3) Renewing the Memorandum of Understanding with the Deposit Insurance of Vietnam (DIV)

The CDIC and the DIV held a Memorandum of Understanding signing ceremony on December 11, 2009 in Hanoi, Vietnam. The CDIC Chairman, Mr. Fred S.C. Chen, and the Chairman of the DIV, Mr. Mai Minh De, signed the Memorandum for the two sides, thereby continuing their formal bilateral cooperative relationship.

(4) Other International Exchange Activities

- a. Receiving visits from executives of the deposit insurance organizations and financial supervisory institutions of other countries

The CDIC received visits from ranking executives and representatives of the Nigeria Deposit Insurance Corporation (NDIC), State Bank of Vietnam, National Deposit Insurance Fund of Hungary (NDIF) and Fitch Ratings.

- b. The CDIC sent people to attend conferences hosted by international financial supervisory organizations and deposit insurance institutions

The CDIC sent people to participate in the “5th Round Table Meeting” hosted by the DICJ, the “How to Add Value with COSO’s Internal Control and the Enterprise Risk Management Frameworks” Training Conference hosted by the Malaysia Deposit Insurance Corporation (MDIC), the 45th Annual Conference on Bank Structure and Competition hosted by the Federal Reserve Bank of Chicago, the Conference on the Important Role Played by Deposit Insurance Institutions in the Financial Safety Net jointly hosted by Malaysia and the South East Asian Central Banks Research and Training Centre (SEACEN), the 5th Public-Private Dialogue for Asia-Pacific Region and 11th SEACEN Conference of Directors of Supervision of Asia-Pacific Economies in Thailand, and was invited to address in some of these meetings.

- c. Visiting the deposit insurance and financial supervisory agencies of various countries to promote cooperation and exchange experiences

The CDIC’s visits in 2009 to overseas agencies included those to the BCBS, the IADI, the NDIF, the DICJ, the MDIC and the DIV.



9. Human Resources

(1) Employee Structure

Year	No. of Employees	Avg. Age of Employees	Educational Attainment of Employees		
			Graduate School	College	Other
2009	157	45	31	123	3
2008	158	44	30	125	3
2007	157	44	29	125	3
2006	158	43	29	125	4
2005	158	42	29	125	4
2004	162	41	29	129	4

Department breakdown of the CDIC staff for the year 2009:

Dept. of Risk Management (26), Dept. of Resolution (24), Dept. of Inspection (12), Dept. of Business (16), International Relations and Research Office (8), Legal Affairs Office (6), Dept. of Accounting (10), Secretariat (19), Personnel Office (5), Information Management Office (12), Civil Service Ethics Office (1), Central Region Office (8), South Region Office (10)

(2) Contract Employees

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

(3) Personnel Training

In order to upgrade staff quality and enhance employees' professional knowledge, the CDIC arranged the following training programs in 2009:

- a. Personnel were sent to participate in intensive training programs at the Taiwan Academy of Banking and Finance, the Institute for Information Industry, and the Training Program for Government Personnel.
- b. The CDIC organized monthly professional business seminars, with lectures by the outstanding senior CDIC personnel and outside experts and supporting case studies.
- c. The CDIC personnel were sent overseas for study, or for participation in international conferences, in order to strengthen research in subjects related to deposit insurance.
- d. In order to strengthen the international meeting hosting and presentation ability of the CDIC executives, the CDIC held English classes on international conference and advisory operations communication skills. English and Japanese classes were also offered once or twice a week to upgrade the proficiency of the CDIC personnel in these languages.

Speeding up the Accumulation of the Deposit Insurance Fund
Strengthening the Deposit Insurance Function



Financial Statements and
Independent Auditor's Report

Financial Statements and Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Central Deposit Insurance Corporation

NO.121498EA

We have audited the accompanying balance sheets of the Central Deposit Insurance Corporation as of December 31, 2009 and 2008, and the related statements of income, changes in stockholders' equity, and cash flows for the years 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, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with the law and with generally accepted accounting principles in the Republic of China applied on a consistent basis.

Baker Tilly Clock & Co



Yung-Chi Lai, CPA



February 11, 2010



DECEMBER 31,
(Expressed in New Taiwan Dollars)

ASSETS	NOTES	2009		2008	
		Amount	%	Amount	%
CURRENT ASSETS		\$ 13,708,534	20	\$ 14,726,770	21
Cash and Cash Equivalents	4	12,157,742	18	12,864,894	19
Held-to-Maturity Financial Assets	2, 5	1,351,619	2	1,555,058	2
Receivables	6	184,207	—	273,264	—
Prepayments		13,721	—	13,411	—
Other Current Assets		1,245	—	20,143	—
FIXED ASSETS-NET	2, 7	522,563	1	528,849	1
Cost		611,127	1	606,333	1
Land		228,833	—	228,833	—
Buildings		265,486	1	265,486	1
Machinery and Equipment		81,604	—	77,683	—
Transportation Equipment		11,011	—	11,805	—
Other Equipment		24,193	—	22,526	—
Revaluation Increment		66,149	—	66,149	—
Less Accumulated Depreciation		154,713	—	143,633	—
Buildings		78,868	—	74,133	—
Machinery and Equipment		53,376	—	48,466	—
Transportation Equipment		7,806	—	7,663	—
Other Equipment		14,663	—	13,371	—
INTANGIBLE ASSETS	2, 8	3,793	—	5,604	—
OTHER ASSETS		52,657,397	79	53,819,297	78
Guarantee Deposits Paid		511	—	511	—
Temporary Payments and The Account to be Carried Over		2,485	—	2,485	—
Deferral on General Financial Deposit Insurance Payout Losses	2, 9	52,654,401	79	53,816,301	78
TOTAL ASSETS		\$ 66,892,287	100	\$ 69,080,520	100

The accompanying notes are an integral part of the financial statements.



FINANCE CORPORATION STATEMENTS

2009 and 2008
(in Tawon Thousand Dollars)

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTES	2009		2008	
		Amount	%	Amount	%
CURRENT LIABILITIES		\$ 494,361	1	\$ 884,232	1
Marketable Securities Sold Under Repurchase Agreement	2, 10	397,361	1	718,492	1
Payables	11	97,000	—	165,740	—
LONG-TERM LIABILITIES		52,725,551	79	54,625,551	79
Long-term Loans	12	52,700,000	79	54,600,000	79
Reserve for Land Revaluation Increment Tax		25,551	—	25,551	—
OTHER LIABILITIES		2,395,346	3	2,293,708	4
General Financial Deposit Insurance Payout Special Reserves	13	—	—	—	—
Agricultural Financial Deposit Insurance Payout Special Reserves	13	2,395,097	3	2,293,146	4
Guarantee Deposits Received		249	—	562	—
TOTAL LIABILITIES		55,615,258	83	57,803,491	84
Capital Stock	14	10,000,000	15	10,000,000	14
Capital Surplus					
Donated Assets Received		265	—	265	—
Retained Earnings		1,236,166	2	1,236,166	2
Legal Reserve		235,700	—	235,700	—
Special Reserve		1,000,466	2	1,000,466	2
Others					
Unrealized Incremental Value from Revaluation		40,598	—	40,598	—
TOTAL STOCKHOLDERS' EQUITY		11,277,029	17	11,277,029	16
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$ 66,892,287	100	\$ 69,080,520	100

CENTRAL DEPOSIT INSURANCE CORPORATION
STATEMENTS OF INCOME



FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(Expressed in New Taiwan Thousand Dollars)

DESCRIPTION	NOTES	2009		2008	
		Amount	%	Amount	%
OPERATING INCOME		\$ 4,749,045	100	\$ 4,803,575	100
Interest Revenue		226,843	5	428,724	9
Premiums Revenue		4,474,839	94	4,367,523	91
Special Premium Revenue		47,363	1	7,328	—
OPERATING COSTS		4,259,706	90	4,314,101	90
Handling Fees		84	—	133	—
Insurance Expenses		52	—	83	—
Interest Expenses		1,155	—	14,744	—
Insurance Payout Reserve Provisions		1,608,415	34	1,649,141	35
Financial Restructuring Fund Expenses		2,650,000	56	2,650,000	55
GROSS PROFIT		489,339	10	489,474	10
OPERATING EXPENSES		488,327	10	485,528	10
Transaction Expenses		426,569	9	423,719	9
General & Administrative Expenses		56,684	1	56,394	1
Other Operating Expenses		5,074	—	5,415	—
OPERATING INCOME		1,012	—	3,946	—
NON-OPERATING INCOME		3,009	—	1,197	—
Indemnity Income		27	—	1	—
Other Income		2,982	—	1,196	—
NON-OPERATING EXPENSES		4,021	—	5,143	—
Loss on Disposal of Assets		422	—	1,625	—
Other Expenses		3,599	—	3,518	—
INCOME BEFORE INCOME TAX		—	—	—	—
INCOME TAX	2, 15	—	—	—	—
NET INCOME		\$ —	—	\$ —	—
EARNINGS PER SHARE		\$ —	—	\$ —	—

The accompanying notes are an integral part of the financial statements.


CENTRAL DEPOSIT INSURANCE CORPORATION
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

(Expressed in New Taiwan Thousand Dollars)

DESCRIPTION	CAPITAL STOCK	CAPITAL SURPLUS	RETAINED EARNINGS		UNREALIZED INCREMENTAL VALUE FROM REVALUATION	TOTAL
			Legal Reserve	Special Reserve		
BALANCE, JANUARY 1, 2008	\$ 10,000,000	\$ 265	\$ 235,700	\$ 1,000,466	\$ 40,598	\$ 11,277,029
BALANCE, DECEMBER 31, 2008	\$ 10,000,000	\$ 265	\$ 235,700	\$ 1,000,466	\$ 40,598	\$ 11,277,029
BALANCE, DECEMBER 31, 2009	\$ 10,000,000	\$ 265	\$ 235,700	\$ 1,000,466	\$ 40,598	\$ 11,277,029

The accompanying notes are an integral part of the financial statements.



CENTRAL DEPOSIT INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS



FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(Expressed in New Taiwan Thousand Dollars)

DESCRIPTION	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ —	\$ —
Adjustments		
Depreciation	13,023	13,065
Amortization	2,299	1,108
Insurance Payout Reserve Provisions	1,608,415	1,649,141
Net Loss on Disposal of Fixed Assets	422	1,625
Changes in Assets and Liabilities:		
Receivables	89,057	82,640
Prepayments	(310)	(750)
Other Current Assets	18,898	(16,277)
Marketable Securities Sold Under Repurchase Agreement	(321,131)	(326,508)
Payables	(68,740)	(93,435)
Net Cash Inflow from Operating Activities	1,341,933	1,310,609
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in Held-to-Maturity Financial Assets	203,439	966,211
Intangible Assets Increase	(488)	(4,558)
Decrease in Temporary Payments and The Account to be Carried Over	—	15
Acquisition of Fixed Assets	(7,179)	(11,490)
Proceeds from Disposal of Fixed Assets	20	16
Decrease (Increase) in Deferral on General Financial Deposit Insurance Payout Losses	1,161,900	(53,294,652)
Net Cash Inflow (Outflow) from Investing Activities	1,357,692	(52,344,458)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) Increase in Long-term Loans	(1,900,000)	54,600,000
Decrease in Guarantee Deposits Received	(313)	(318)
Decrease in General Financial Deposit Insurance Payout Special Reserves	(1,506,464)	(1,536,276)
Net Cash (Outflow) Inflow from Financing Activities	(3,406,777)	53,063,406
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(707,152)	2,029,557
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	12,864,894	10,835,337
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 12,157,742	\$ 12,864,894

The accompanying notes are an integral part of the financial statements.

CENTRAL DEPOSIT INSURANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 and 2008

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

1. GENERAL

The 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 of which the 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 purchased. 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. The Ministry of Finance and the Central Bank are the major shareholders of the Corporation. As of December 31, 2009, the ratio of their shareholding was 99.9995%. The Corporation's major businesses range from handling deposit insurance, managing deposit insurance risk, 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 Taiwan branches of foreign banks, credit cooperatives, credit departments of farmers' and fishermen's associations, and the postal savings bank.

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 *Unified Accounting System Regulations for Departments and Bureaus of Ministry of Finance* as approved by Directorate General of Budget, Accounting & Statistics, 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 settlement of accounts are 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 account books as of the end of 2008 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 2009 was subject to the balance at the end of 2008, which has been audited by the Ministry of Audit, Control Yuan.

(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. Financial assets held to maturity are measured at amortized cost.

- c. According to the *Deposit Insurance Act*, the funds of the Corporation, except for the allowance for regular expenses, fulfillment of insurance responsibilities provided 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 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 of combined use of Financial Restructuring Funds and deposit insurance payout special reserve” 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 CDIC, 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 deals with its employees’ retirement, consolation and demobilization in accordance with 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 Standard Act* based on the length of an employee’s service in the Corporation which is calculated based on the applicable *Labor Standards Act* 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 special 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.

As for project contract employees, in order to comply with the enforcement of the *Labor Pension Act* (hereinafter referred to as the “New System”), 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. 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 CDIC, after deducting costs, expenses and losses, shall be fully appropriated for deposit insurance payout special reserves."

(9) Asset Impairment

The Corporation shall recognize devaluation loss of the owned assets when the environment has changed or a certain event occurs in order to reflect that retrievable value of the owned assets is less than book value. Retrievable value refers to net fair value or use value, whichever is higher, of assets. Net fair value refers to acquirable value of assets during a general transaction (disposal cost of assets has been deducted from the sales of assets). Use value refers to the present value of prospective cash flows expected to be generated from the assets. When the situation resulting in recognition of the accumulative impairment loss in the previous years does not exist any more or has improved, accumulative impairment loss can be reversed to the extent of the amount of such loss recognized in the previous year.

3. THE REASONS AND EFFECTS OF ACCOUNTING CHANGES

Since July 1, 2008, the Corporation has followed the new amendment of Statements of Financial Accounting Standards (SFAS) No. 34 "Accounting for the Financial Instruments" to handle its financial products. After evaluation, the adoption of the account standards does not affect the Corporation's 2008 financial statement.

4. CASH AND CASH EQUIVALENTS

	2009	2008
Petty Cash	\$ 350	\$ 350
Checking Deposits	27,391	8,544
Demand Deposits	1	–
Time Deposits	12,130,000	12,856,000
Total	\$ 12,157,742	\$ 12,864,894

5. HELD-TO-MATURITY FINANCIAL ASSETS

	2009	2008
Bonds	\$ 1,351,619	\$ 1,555,058

The interest rates at year ends of 2009 and 2008 is 1.41%~8% and 2.89%~8%, respectively.

6. RECEIVABLES

	2009	2008
Tax Refund Receivable	\$ 79,317	\$ 43,445
Interest Receivable	100,557	228,995
Others	4,333	824
Total	\$ 184,207	\$ 273,264

7. FIXED ASSETS

2009				
	Cost	Revaluation Increment	Accumulated Depreciation	Net
Land	\$ 228,833	\$ 66,149	\$ -	\$ 294,982
Buildings	265,486	-	78,868	186,618
Machinery and Equipment	81,604	-	53,376	28,228
Transportation Equipment	11,011	-	7,806	3,205
Other Equipment	24,193	-	14,663	9,530
Total	\$ 611,127	\$ 66,149	\$ 154,713	\$ 522,563

2008				
	Cost	Revaluation Increment	Accumulated Depreciation	Net
Land	\$ 228,833	\$ 66,149	\$ -	\$ 294,982
Buildings	265,486	-	74,133	191,353
Machinery and Equipment	77,683	-	48,466	29,217
Transportation Equipment	11,805	-	7,663	4,142
Other Equipment	22,526	-	13,371	9,155
Total	\$ 606,333	\$ 66,149	\$ 143,633	\$ 528,849

- (1) The fire insurance coverage on fixed assets as of December 31, 2009 and 2008 was \$229,180 thousand and \$234,343 thousand, respectively.
- (2) Depreciation for 2009 and 2008 was \$13,023 thousand and \$13,065 thousand, respectively.
- (3) 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. Long-term Liabilities — Reserve for Land Revaluation Increment Tax was \$25,551 thousand, and Others of Stockholders' Equity-Unrealized Incremental Value from Revaluation was \$40,598 thousand. In addition, the Corporation undertook land value re-evaluation pursuant to official letter No. Tai-Tsai-Jung(2)-Tzu-Ti 0920031415 from the Ministry of Finance with the purpose of transferring official letter No. Tai-Shen-Pu-Szu-Tzu-Ti 921710 from the Ministry of Audit. The Chung Cheng Branch of Taipei Tax Collection Office estimated that the land value increment tax was \$14,861 thousand based on the present land value released by government land administration authorities in 2003, which is less than the latest land re-evaluation of \$25,551 thousand in 1995. Moreover, since the Consumer Price Index rose for merely 6.2%, there were no need for adjustment on the book values of land and the details of such fact thereof were stated in official letter No. Tsun-Pao-Mi-Tzu-Ti 930000793 from the Corporation which has been submitted to the Ministry of Audit for reference.

8. INTANGIBLE ASSETS

2009				
	Jan. 1, 2009	Increase	Decrease	Dec. 31, 2009
Computer Software	\$ 5,604	\$ 488	\$ 2,299	\$ 3,793

2008				
	Jan. 1, 2008	Increase	Decrease	Dec. 31, 2008
Computer Software	\$ 2,154	\$ 4,558	\$ 1,108	\$ 5,604

9. DEFERRED ASSETS

	2009	2008
Deferral on general financial deposit insurance payout losses	\$ 52,654,401	\$ 53,816,301

Pursuant to 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 CDIC, 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.

10. MARKETABLE SECURITIES SOLD UNDER REPURCHASE AGREEMENT

	2009	2008
Marketable Securities Sold under Repurchase Agreement	\$ 397,361	\$ 718,492

The range of Bond Repurchase rates at year ends of 2009 and 2008 is 0.18%~0.20% and 0.50%~1.45%, respectively.

11. PAYABLES

	2009	2008
Interest Payable	\$ 17,852	\$ 89,883
Accrued Expenses	75,642	75,056
Advance Collections for Customers	3,506	801
Total	\$ 97,000	\$ 165,740

12. LONG-TERM LOANS

	2009	2008
Bank SinoPac	\$ –	\$ 5,000,000
Chinatrust Commercial Bank	6,500,000	5,500,000
Cathay United Bank	–	4,500,000
Far Eastern International Bank	1,000,000	–
Bank of Taiwan	16,400,000	15,000,000
Hua Nan Bank	2,700,000	10,000,000
Taishin Bank	–	500,000
Taiwan Cooperative Bank	26,100,000	5,140,000
First Bank	–	8,960,000
Total	\$ 52,700,000	\$ 54,600,000

(1) It is the credit loan, at the year ends of 2009 and 2008 finances the total specified amount respectively is 56.4 billion and 66.5 billion, and revolving credit is available within the amount. Repayment can be spread over time 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 2009 and 2008 is 0.29%~0.51% and 1.29%~2.01%.

13. 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 document Chu-hui-2-tzu No. 0960001098 issued by Directorate General of Budget, Accounting and Statistics, Executive Yuan on February 26, 2007, the “Insurance Payout Reserve” 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, 2009	\$ –	\$ 2,293,146	\$ 2,293,146
Reserve of The Current Period	1,506,464	101,951	1,608,415
Repeal of The Deferred Assets	(1,506,464)	–	(1,506,464)
December 31, 2009	\$ –	\$ 2,395,097	\$ 2,395,097

14. CAPITAL STOCK

	December 31, 2009 & 2008
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

15. INCOME TAX

(1) Income Tax Payable

	2009	2008
Current Tax Expense	\$ -	\$ -

(2) The corporation's income tax has been assessed till 2007 by the tax authority.

(3) Integrated Tax Related Information

	2009	2008
Shareholders' Imputation Credit Account Balance	\$ 144,736	\$ 144,736



Effectively Controlling Insured Risk
Safeguarding the Interests of Depositors
Maintaining Financial Stability



S statistics

Strengthening the off-site monitoring mechanism
Maintaining a firm grasp of insured institutions' information.

Correcting operating risk when appropriate
Stabilizing social and financial order.

Statistics

Table 1: Number of Insured Institutions for the Last Five Year

Unit: Number of institutions

Type of Institution	Year	2009	2008	2007	2006	2005
Domestic Banks		38	38	41	45	48
Credit Cooperatives		26	27	27	28	29
Credit Departments of Farmers' Associations		264	264	252	253	253
Credit Departments of Fishermen's Associations		25	25	25	25	25
Local Branches of Foreign Banks		30	30	31	32	35
Total		383	384	376	383	390

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

(2) The figures for domestic banks include the Agricultural Bank of Taiwan and Chunghwa Post Co. Ltd.

(3) The number of insured institutions was reduced by one in 2009, the main reason for this being that Ta Chong Commercial Bank took over the Kaohsiung Second Credit Cooperative.

Table 2: Ratio of Insured Deposits to Total Insurable Deposits for the Last Five Years

Unit: NT\$ million

Type of Institution	Year	2009	2008	Ratio of Insured Deposits to Total Insurable Deposits (%)		
				2007	2006	2005
Domestic Banks		Blanket Guarantee		48.7	42.2	42.8
Credit Cooperatives				61.1	51.1	52.1
Credit Departments of Farmers' Associations				69.8	59.9	60.5
Credit Departments of Fishermen's Associations				75.1	64.7	64.9
Local Branches of Foreign Banks				17.7	13.8	21.1
Total					49.3	42.7

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 guaranteed in their entirety, without being limited to the maximum coverage, up to December 31, 2010.

(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) Insured deposits refer to the total deposit amount of each depositor under the maximum coverage limit in an insured institution. On July 1, 2007, the maximum coverage was raised from NT\$1 million to NT\$1.5 million. The insured deposits for 2007 therefore refer to deposits under the NT\$1.5 million limit, while those for earlier years refer to deposits under the NT\$1 million limit.

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

Table 3: Insured Deposits, Premiums and Deposit Insurance Fund for the Last Ten Years

Unit: NT\$ million

Year	Insured Institutions					Premiums	Deposit Insurance Fund	Ratio of Deposit Insurance Fund to Insured Deposits %			
	Type	No. of Institutions	Total Insurable Deposits (a)	Insured Deposits (b)	Ratio of Insured Deposits to Total Insurable Deposits % (b)/(a)						
98	General	93	Blanket Guarantee (Note 1)			4,184	0	0			
	Agricultural	290				291	2,395	-			
97	General	94				4,067	0	0			
	Agricultural	290				301	2,293	-			
96	General	98				21,764,787	10,472,346	48.1	3,965	0	0
	Agricultural	278				1,298,495	900,009	69.3	365	2,189	0.24
95	All	383	22,670,064	9,686,080	42.7	4,109	15,125	0.16			
94	All	390	21,850,180	9,528,182	43.6	4,019	13,579	0.14			
93	All	396	20,444,435	9,018,811	44.1	3,909	12,154	0.13			
92	All	401	19,183,842	8,613,531	44.9	3,766	10,946	0.13			
91	All	405	18,339,760	8,273,608	45.1	3,597	9,662	0.12			
90	All	417	17,894,174	8,116,092	45.4	3,408	8,528	0.11			
89	All	456	16,900,795	7,701,342	45.6	3,321	4,840	0.06			

Notes: (1) The government announced in October 2008 that 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 receive full coverage, without being limited to the maximum coverage until December 31, 2009. This was later extended by one year to December 31, 2010.

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

(3) According to stipulations under Article 6 of the *Deposit Insurance Act*, the Deposit Insurance Fund was divided into two special reserves for general financial institutions and agricultural financial institutions from 2007.

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

(5) On July 1, 1999, the deposit insurance system shifted from a flat premium rate (0.015%) to a risk-based differential rate with the three rate levels of 0.015%, 0.0175%, and 0.02%. On January 1, 2000, the rate levels were adjusted to 0.05%, 0.055%, and 0.06%. On July 1, 2007, the premium assessment base shifted from insured deposits to total insurable deposits. For insured deposits, a risk-based premium was adopted, and for deposits exceeding the maximum insurance coverage a flat premium rate was adopted. The annual deposit insurance premium rates following the adjustment are as follows:

a. The premium for general financial institutions (including domestic banks, foreign bank branches in Taiwan, trust and investment companies, and credit cooperatives) is divided into five-tiered differential premium rates of 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%, respectively, and a flat premium rate of 0.0025%.

b. The premium for credit departments of farmers' and fishermen's associations is divided into five-tiered differential premium rates of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%, respectively, and a flat premium rate of 0.0025%.

(6) According to stipulations under Article 3 of the *Financial Restructuring Fund Statute*, the CDIC shall pay to the Financial Restructuring Fund any incremental insurance premium income covering a ten-year period from January 2002 onwards that arises 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 Fund was 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 Special Reserves" as approved by the Executive Yuan. In 2007, 2008 and 2009 the Deposit Insurance Fund for general financial institutions was 0.

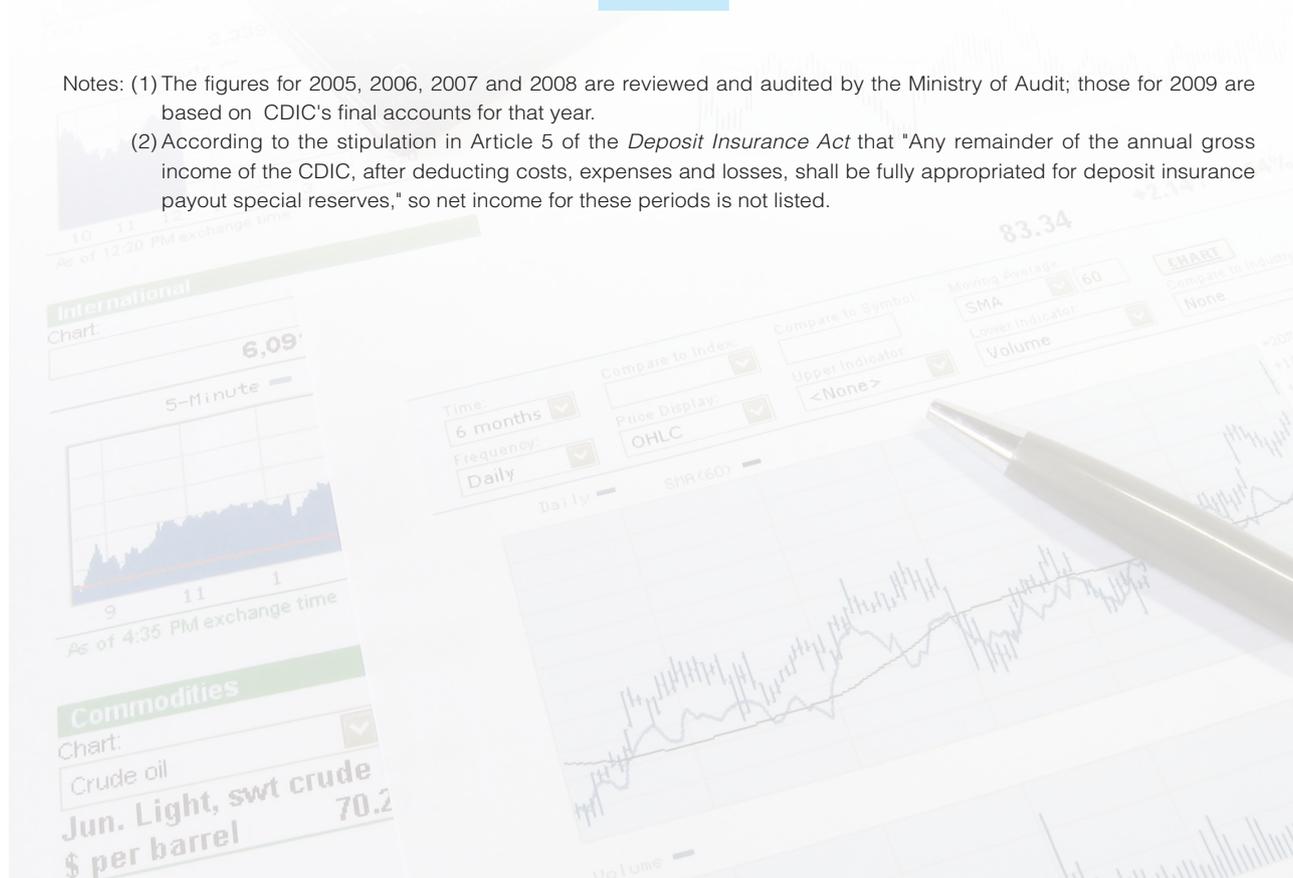
Table 4: Major Revenue and Expense Items for the Last Five Years

Unit: NT\$ million

Item	Year	2009	2008	2007	2006	2005
Operating Revenues		4,749	4,804	4,923	4,701	4,517
Interest Revenue		227	429	593	591	498
Premium Revenue		4,475	4,368	4,330	4,110	4,019
Special Premium Revenue		47	7			
Operating Costs and Expenses		4,748	4,800	4,920	4,697	4,509
Provision for Insurance Payout Special Reserves		1,608	1,649	1,773	1,546	1,425
Financial Restructuring Fund Expenses		2,650	2,650	2,650	2,684	2,617
Interest Expenses		1	15	16	18	15
Transaction Expenses		427	424	412	386	390
General & Administrative Expenses		57	56	58	57	54
Other Operating Expenses		5	5	5	5	7
Other Expenses		-	1	6	1	1
Net Operating Income		1	4	3	4	8
Net Non-Operating Income (Loss)		(1)	(4)	(3)	(4)	(8)
Net Income before Income Tax		-	-	-	-	-
Income Tax Expenses		-	-	-	-	-
Net Income		-	-	-	-	-

Notes: (1) The figures for 2005, 2006, 2007 and 2008 are reviewed and audited by the Ministry of Audit; those for 2009 are 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 of the CDIC, after deducting costs, expenses and losses, shall be fully appropriated for deposit insurance payout special reserves," so net income for these periods is not listed.



Appendix 1 Expansion and Improvement of Taiwan's Deposit Insurance System

	Year the CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985 ~ July 2001)	Changes (July 2001 ~ Jan. 2009)	Current System (Jan. 2009 ~)
Type of Participation	Voluntary	Changed to mandatory coverage in January 1999	Revised in January 2007 as follows: 1. All financial institutions legally approved to accept deposits must apply to the CDIC to join the deposit insurance system. 2. Such institutions may become insured institutions after examination and approval by the CDIC. 3. The second item does not apply to insured institutions that have joined the deposit insurance system prior to the enactment of the revised statute.	Same as left column
Capital	<ul style="list-style-type: none"> Legally prescribed capital NT\$2 billion Paid in capital NT\$800,050,000 	<ul style="list-style-type: none"> Legally prescribed capital raised to NT\$5 billion in July 1992 Prescribed capital raised to NT\$10 billion in November 1995 	Same as left column	Same as left column
Participating Institutions	<ul style="list-style-type: none"> Domestic banks (excluding Chunghwa Post Co., Ltd.) Small and medium business banks Trust and investment companies Credit cooperatives Credit departments of farmers' and fishermen's associations Foreign bank branches in Taiwan (even if their deposits are protected in their home countries) Other financial institutions designated by the Ministry of Finance 	<ul style="list-style-type: none"> Revised January 1999, to include the financial institutions listed on the left and Chunghwa Post Beginning January 1999, foreign bank branches whose deposits are protected in their home countries may not participate 	Same as left column (Note: Chunghwa Post was renamed Taiwan Post on February 9, 2007, but the name reverted back to Chunghwa Post on August 1, 2008)	Same as left column
Premium Assessment Base	Insured deposits (Total deposit liabilities minus uninsured deposit items and deposit amounts exceeding the maximum coverage)	Same as left column	Revised in January 2007 to: Total insurable deposits (Total deposit liabilities minus uninsured deposit items)	Same as left column
Insurance Premium	Flat rate of 0.05% of insured deposits	<ul style="list-style-type: none"> Still flat rate, but reduced to 0.04% in July 1987 Reduced to 0.015% in January 1988 Risk-based premium system adopted on July 1, 1999, and three rates instituted: 0.015%, 0.0175%, and 0.02% Three rates adjusted to 0.05%, 0.055% and 0.06% on January 1, 2000 	Revised in July 2007 to: <ul style="list-style-type: none"> A differential premium for insured deposits, and a flat premium rate for deposits exceeding the maximum insurance coverage. For banks, foreign bank branches in Taiwan, trust and investment companies, and credit cooperatives, the five-tiered differential premium rates are 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%; and the flat premium rate is 0.0025%. The flat premium rate will be adjusted to 0.005% from January 1, 2010. For the credit departments of farmers' and fishermen's associations, the differential premium rates are 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%; the flat premium rate is 0.0025%. 	Same as left column

	Year the CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985 ~ July 2001)	Changes (July 2001 ~ Jan. 2009)	Current System (Jan. 2009 ~)
Maximum Coverage	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> (Financial Restructuring Fund Statute) and established the Financial Restructuring Fund to dispose of unsound financial institutions. During the period of the Fund's operation, there was no maximum coverage limit on the deposits in unsound institutions under disposal or listed for disposal.)	<ol style="list-style-type: none"> 1. Increased to NT\$1.5 million on July 1, 2007. 2. To stabilize the financial system and strengthen the confidence of depositors, the government announced in October 2008 that, up until December 31, 2009, the deposits of depositors in insured institutions would be insured in their entirety by the CDIC and would not be subject to the maximum insured amount. 	Based on considerations that both global and domestic economic and financial conditions had not yet stabilized, the end of the period during which deposits would be covered in their entirety was extended by one year to December 31, 2010.
Scope of Coverage	Deposit principal and interest	From January 1999, limited to deposit principal	<ol style="list-style-type: none"> 1. Limited to principal as in left column. However, beginning in July 2001, the principal and interest of deposits in failed financial institutions disposed of by the Financial Restructuring Fund are both guaranteed. 2. The government in October 2008 announced that until December 31, 2009 the coverage of deposits under the temporary blanket guarantee would encompass both principal and interest. 	Both the principal and interest of the deposits of depositors in financial institutions were covered under the temporary blanket guarantee.
Items Covered	<ul style="list-style-type: none"> • Checking deposits • Demand deposits • Time deposits • Savings deposits • Trust funds • Other deposits that the competent authority has approved as insurable 	Same as left column	<ol style="list-style-type: none"> 1. Same as left column. (Beginning in July 2001, all deposits and non-deposit liabilities of insured institutions that were disposed of by the Financial Restructuring Fund are 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.) 2. Revised in January 2007 as: <ul style="list-style-type: none"> • Checking deposits • Demand deposits • Time deposits • Other deposits that the competent authority has approved as insurable 3. Revised in May 2008 as follows: <ul style="list-style-type: none"> • Checking deposits • Demand deposits • Time deposits • Deposits required by law to be deposited in certain financial institutions • Other deposits that the competent authority has approved as insurable 	The items that for a period were to be insured in their entirety are the same as those in No. 4 in the left column.

	Year the CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985 ~ July 2001)	Changes (July 2001 ~ Jan. 2009)	Current System (Jan. 2009 ~)
Items Covered			<p>4. The government in October 2008 announced that until December 31, 2009, the full amount of the deposits of depositors in insured institutions would be covered by the CDIC. According to the <i>Measures to Support the Blanket Guarantee of all Bank Deposits</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 full coverage encompasses the following:</p> <ul style="list-style-type: none"> • The principal and interest of deposits pursuant to Paragraphs 1 and 2 of Article 12 of the <i>Deposit Insurance Act</i>. • Interbank call loans. • 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 pay, and related taxes that shall be paid according to law. • Bank debentures issued on or before June 23, 2005. 	
Scope of Capital Utilization	Limited to the Central Bank	<p>The following revisions were effective in January 1999:</p> <ul style="list-style-type: none"> • Deposits at the Central Bank • Financial institutions approved by the competent authority and which provide government bonds as collateral 	<p>Revised in January 2007 as:</p> <ul style="list-style-type: none"> • Deposits at the Central Bank • Investments in government bonds • Utilization by methods approved by the CDIC Board of Directors 	Same as left column
Means of Fulfilling Insurance Obligation	<ul style="list-style-type: none"> • Cash payouts • Deposit transfers • Temporarily continued operation in the name of the CDIC 	<p>According to revisions enacted in January 1999, the provision of financial assistance to encourage merger or acquisition 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"> • Deletion of temporarily continued operation in the name of the CDIC. • In addition to providing financial assistance to encourage acquisition or assumption of insured institutions that have been ordered to close, personnel may be dispatched to assume conservatorship or acting management of the institution according to law. 	Same as left column
Advance Payment for Deposit and Non-deposit Liabilities in Excess of Maximum Coverage	None	<p>According to revisions made in January 1999, advance payment is allowed to resolve the needs of debtor liquidity at problem institutions, under the principle that no additional costs are incurred.</p>	Same as left column	Same as left column

	Year the CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985 ~ July 2001)	Changes (July 2001 ~ Jan. 2009)	Current System (Jan. 2009 ~)
Exemption from Invitation for Tender, Price Comparison, Price Negotiation, and the Provisions of Article 25~27 of the <i>Budget Act</i> When Disposing of Unsound and 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 the 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> .	Same as left column
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"> • Institutions under business guidance, superintendence, or conservatorship, may be extended loans or deposits. • Other financial institutions that merge with or acquire institutions that are under business guidance, superintendence, or conservatorship, or that have failed, may be assisted with loans, deposits, or the provision of funds and guarantees. 	Revised in January 2007 as follows: <ul style="list-style-type: none"> • 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 acting management of the institution. In such cases, the CDIC may provide loans, deposits or other financial assistance to the insured institution. • 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 insured institution or farmers' and fishermen's association credit department with a dominant share in the institution. • In cases where the competent authority has dispatched personnel to assume conservatorship or acting management over 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. 	Same as left column
Borrowing of Funds from Other Financial Institutions	None	Added in January 1999	Same as left column	Same as left column

	Year the CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985 ~ July 2001)	Changes (July 2001 ~ Jan. 2009)	Current System (Jan. 2009 ~)
Provision of Collateral When Applying to Central Bank for Accommodation	Full collateral must be provided.	Provisions added in January 1999 as follows: <ul style="list-style-type: none"> • That part for which the CDIC is unable to provide collateral will be guaranteed by the National Treasury. • 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. 	Revised in January 2007 to: Through a joint request by the competent authority with the Ministry of Finance and the Central Bank and approval by the Executive Yuan, the part for which collateral cannot be provided may be guaranteed by the National Treasury.	Same as left column
Penalty for Refusal to Participate in Deposit Insurance	None	Provision added in January 1999: A fine of double the amount of the insurance premium will 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 terminate its business permit.	Same as left column
Method of Allocation of the CDIC's Surplus	As stipulated in the <i>Company Act</i>	Same as left column	<ul style="list-style-type: none"> • Beginning July 2001, the entire amount of the surplus remaining after the accounts are closed is placed into the Deposit Insurance Payout Special Reserves for insurance payout. • Revised in January 2007 to: The entire amount of the surplus remaining from annual income after payment of costs and accounting for losses shall be appropriated into the Deposit Insurance Payout Special Reserves. 	Same as left column
Priority Repayment of Deposit Liabilities	None	Same as left column	Addition in May 2006: In handling compensation in the course of the disposal of insured institutions by market withdrawal or liquidation at the direction of the competent authority or the competent authority for agricultural finance in accordance with the <i>Deposit Insurance Act</i> , the CDIC shall give priority to the repayment of the insured institution's deposit liabilities over non-deposit liabilities.	Same as left column
Creation of Two Separate Deposit Insurance Payout Special Reserves	None	Same as left column	Addition in January 2007: <ul style="list-style-type: none"> • The special reserve fund was divided into separate deposit insurance payout special reserves for general financial institutions and agricultural financial institutions. • Both reserve funds have a target ratio of 2% of the amount of deposits covered. 	Same as left column

	Year the CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985 ~ July 2001)	Changes (July 2001 ~ Jan. 2009)	Current System (Jan. 2009 ~)
Examination of Insured Institutions	If the CDIC deems it necessary, and after obtaining the prior approval of the competent authority in consultation with the Central Bank, the CDIC may examine the business records and accounts of an insured institution.	Same as left column	Revised in January 2007 to: The CDIC may inspect an insured institution to confirm the accuracy of its deposit insurance premium base in accordance with the <i>Deposit Insurance Act</i> .	Same as left column
Exemption from Limits on Payout Cost	None	Same as 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 exempted.	Same as left column
Allowable Creditor Right Offsets before Payout	None	Same as left column	Addition in January 2007: Before handling claims, the CDIC may offset the creditor's rights of depositors in the problem institution.	Same as left column
Termination of Membership	If an insured institution violates the laws or regulations or the insurance agreement or engages in unsound business transactions, and fails to rectify such violations within the time-limit prescribed by the CDIC, the CDIC shall terminate its status as an insured institution and report such action to the competent authority for disposal.	Same as 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 central competent authority for agricultural finance to be recapitalized 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 deposit insurance payouts. In the aforementioned situations, the CDIC shall, after notifying the competent authority or central competent authority for agricultural finance, terminate the deposit insurance membership of the insured institution and make a public announcement.	Same as left column
Financial Products Must State Whether They Are Protected by Deposit Insurance	None	Same as left column	Added in January 2007	Same as left column

	Year the CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985 ~ July 2001)	Changes (July 2001 ~ Jan. 2009)	Current System (Jan. 2009 ~)
Depositor Protections Upon Termination of an Insured Institution's Insured Status	The CDIC will continue to protect the depositors' deposits up to the maximum coverage limit for one year from the day the deposit insurance contract is terminated.	Same as left column	Revised in January 2007 to: The CDIC will continue to protect the depositor's deposits up to the maximum coverage limit for six months from the day the deposit insurance contract is terminated.	Same as left column



Appendix 2 Major Economic and Financial Indicators for the Last Five Years

Economic & Financial Indicators	Year	2009	2008	2007	2006	2005
1. Economic Growth						
● Economic Growth Rate (GDP) (%)		-1.87	0.12	5.70	4.80	4.16
● Gross Domestic Product (GDP) (US\$ billion)		3,794	3,921	3,848	3,664	3,560
● Average Per Capita GDP (US\$)		16,442	17,116	16,855	16,111	15,714
2. Foreign Trade						
● Export Annual Growth Rate (%)		-20.31	3.63	10.1	12.9	8.8
● Import Annual Growth Rate (%)		-27.36	9.67	8.2	11.0	8.2
● Foreign Exchange Reserves at Year-end (US\$ billion)		3,482	2,917	2,703	2,661	2,533
3. Economic Indices (Year-end)						
● Monitoring Indicator		Yellow-red	Blue	Green	Blue	Green
● Score of Monitoring Indicator		37	9	29	16	27
● Leading Index		104.6	88.8	106.6	104.5	101.4
● Coincident Index		104.8	82.4	111.0	102.8	101.3
4. Population & Unemployment Rate						
● Population at Year-end (Million Persons)		2,312	2,304	2,296	2,288	2,277
● Avg. Unemployment Rate for Whole Year (%)		5.74	4.14	3.91	3.91	4.13
5. Inflation (Whole Year)						
● Consumer Price Index (CPI) Annual Change Rate (%)		-0.87	3.53	1.80	0.6	2.31
● Wholesale Price Index (WPI) Annual Change Rate (%)		-8.74	5.15	6.47	5.63	0.62
6. Interest and Exchange Rates (Year-end)						
● Central Bank Discount Rate (%)		1.25	2	3.375	2.75	2.25
● Central Bank Accommodations with Collateral Rate (%)		1.625	2.375	3.750	3.125	2.625
● Exchange Rate (NT\$/US\$)		32.03	32.86	32.443	32.596	32.850
7. Monetary Aggregates (Year-end)						
● M2 Annual Growth Rate (%)		5.99	7.00	0.93	5.27	6.55
● M1b Annual Growth Rate (%)		30.30	-0.81	-0.03	4.47	6.83
● M1a Annual Growth Rate (%)		24.14	2.08	2.82	2.91	7.39
8. Lending by Financial Institutions (Year-end)						
● Total Loans (NT\$ billion) ¹		186,035	184,616	180,080	176,231	171,984
● Non-Performing Loan Ratio (%) ²		1.14	1.52	1.79	2.08	2.19

Sources:

● Directorate-General of Budget, Accounting and Statistics, Executive Yuan website; ● Ministry of Finance website; ● Central Bank website; ● Council for Economic Planning and Development, Executive Yuan website; ● Financial Supervisory Commission, Executive Yuan website.

Notes: (1) The total loan amount includes all loans extended by the main offices and branches of domestic banks (including trust and investment companies), the local branches of foreign banks, 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 companies), the local branches of foreign banks, 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 companies 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.

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