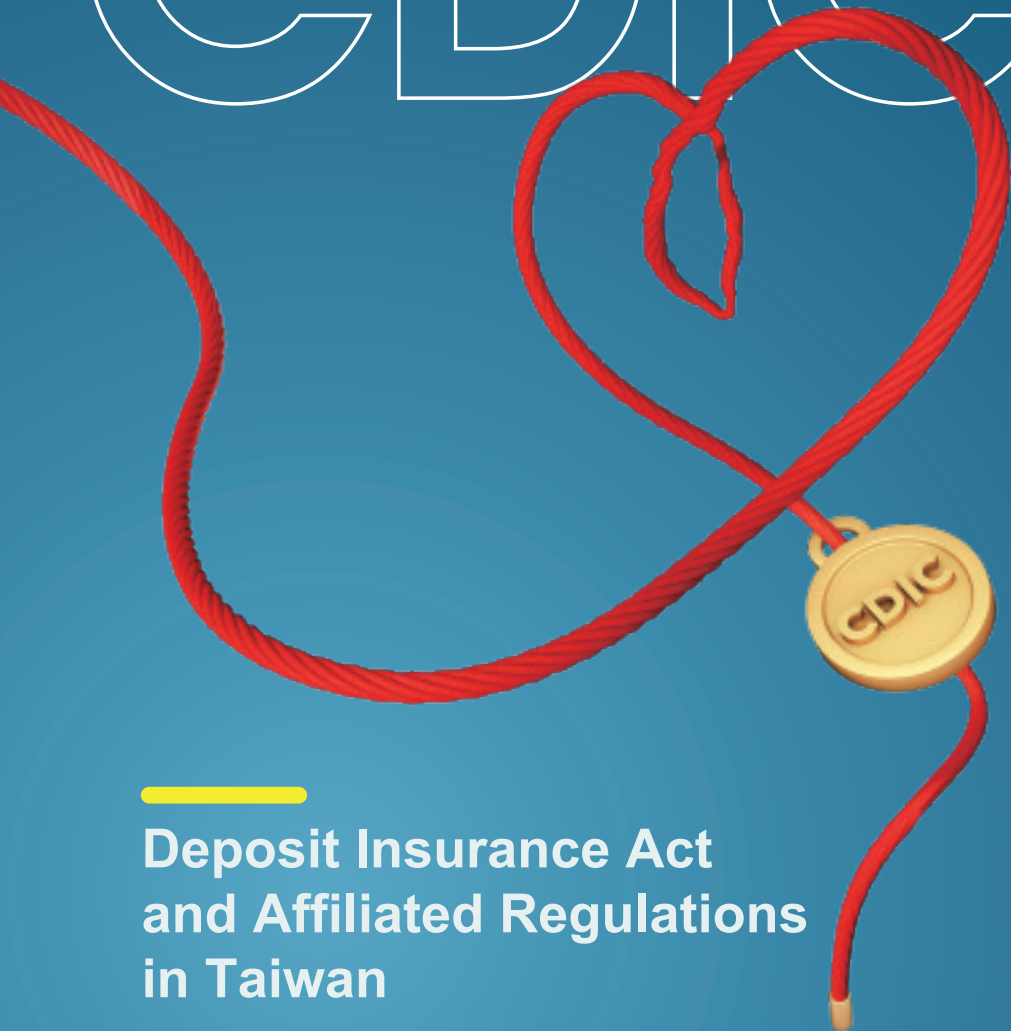


CDIC



Deposit Insurance Act and Affiliated Regulations in Taiwan



中央存款保險公司
Central Deposit Insurance Corporation



The Deposit Insurance Act and Affiliated Regulations have been prepared in Chinese and English version respectively. In the event of discrepancy in interpretation between the two versions, the Chinese version shall prevail.



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Deposit Insurance Act

- Full text including all 26 articles promulgated by the President on January 9, 1985
- As amended (Article 3, Article 8, Article 15, Article 16, Article 17, Article 20 & Article 23) and added (Article 15-1 & Article 15-2) and promulgated by the President on January 20, 1999
- As amended (Article 7 & Article 21) and added (Article 17-1) and promulgated by the President on July 9, 2001
- As added (Article 16-1) and promulgated by the President on May 17, 2006
- Full text including 52 Articles amended and promulgated by the President on January 18, 2007
- As amended (Article 12) and promulgated by the President on May 7, 2008
- As amended (Article 12 & Article 13) and promulgated by the President on December 29, 2010

▶ Chapter 1: General Principles

Article 1

The *Deposit Insurance Act* (hereinafter referred to as the "Act") is enacted to protect the rights and interests of depositors in financial institutions, to maintain credit order, and to enhance sound development of financial businesses.

Article 2

The term "competent authority", as used in the Act, means the Financial Supervisory Commission, the Executive Yuan.

Article 3

The Ministry of Finance in conjunction with the Central Bank shall establish the Central Deposit Insurance Corporation (hereinafter referred to as the "CDIC") to conduct the business of deposit insurance. The total capital shall be determined by the Executive Yuan.

Shares of the aforesaid capital shall be subscribed by the Ministry of Finance, the Central Bank and the insured financial institutions. The total capital subscribed by the Ministry of Finance and the Central Bank shall exceed 50% of the said capital.

Article 4

The CDIC shall be exempt from posting bond with the National Treasury.

Article 5

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.

Article 6

In conducting the business of deposit insurance of banks, credit cooperatives, and the postal savings and remittance institutions, the CDIC shall set up an account for the general financial deposit insurance payout special reserves.

In conducting the business of deposit insurance of agricultural financial institutions according to Article 8 of the *Agricultural Finance Act*, the CDIC shall set up an account for the agricultural financial deposit insurance payout special reserves.

The deposit insurance payout special reserves accounts mentioned in the preceding two Paragraphs shall be kept separately.

Article 7

The annual appropriated amount of the deposit insurance payout special reserves mentioned in Paragraph 1 and 2 of the preceding Article shall be calculated separately according to the ratios of the insurance premiums paid by general insured financial institutions and agricultural insured financial institutions.

The amount of the original deposit insurance payout special reserves, prior to the enforcement of the amendment to the Act, shall be calculated and recorded year by year according to the ratios mentioned in the preceding Paragraph.

Article 8

The funds of the CDIC, other than expenditure for normal operation, fulfillment of insurance responsibilities according to the Act, offering of financial assistance, setting up of bridge banks and making of advance payment, shall be invested in government bonds, deposited with the Central Bank or used in other methods approved by the board of directors of the CDIC.

Article 9

The CDIC shall be liable for any damage arising from an intent or negligent act of the persons-in-charge and employees of the CDIC acting within the scope of fulfillment of insurance responsibilities or bank failure resolutions according to the Act which infringes upon the right of any other person.

Should the damage referred to in the preceding Paragraph results from an act committed with intent or gross negligence of the persons-in-charge and employees of the CDIC, the CDIC shall have the right to claim for reimbursement from the responsible person.

▶ Chapter 2: Deposit Insurance and Insured Risk Control

Section 1: Deposit Insurance

Article 10

Financial institutions having been duly approved to accept deposits, postal savings or to be consigned to manage trust funds used for the purpose designated by the financial institutions with guaranteed principal and interest (hereinafter referred to collectively as "deposits") shall apply to the CDIC to participate in deposit insurance and become insured institutions upon review and approval by the CDIC. However, the provision set forth in the aforesaid does not apply to branches of foreign banks whose deposits are insured by the deposit insurance system in their home countries.

In the event that any financial institution fails to apply for participation in deposit insurance according to the aforementioned provision, the CDIC shall report to the competent authority or the central competent authority of the agricultural finance depending on whether such institution is a general financial institution or an agricultural financial institution to request the replacement of the persons-in-charge or revoke its license.

Provisions set forth in the preceding two Paragraphs do not apply to the insured institutions that have participated in deposit insurance prior to the enforcement of the amendment to the Act.

The standards for the documents to be submitted by the financial institutions when applying for the participation in deposit insurance and the verification of application qualification according to Paragraph 1 shall be drawn up by the CDIC and submitted to the competent authority for approval and promulgation.

Article 11

Financial institutions approved as insured institutions by the CDIC shall sign a deposit insurance agreement in writing with the CDIC.

In the event of any modification of the Act and other relevant laws and regulations, stipulations in the deposit insurance agreement relating to such laws and regulations shall also be modified accordingly.

Article 12

The term "deposit insurance" as used in the Act, shall mean an insurance whose insured subjects are the following underlying deposits within the territory of the Republic of China:

1. Checking deposits.
2. Demand deposits.
3. Time deposits.
4. Deposits required by law to be deposited in certain financial institutions.
5. Other deposits that the competent authority has approved as eligible deposits.

The deposits mentioned in the preceding Paragraph shall not include the following deposits:

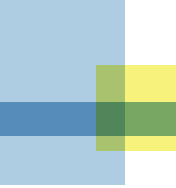
1. Negotiable certificate of deposits.
2. Amounts due to all levels of government agencies.
3. Amounts due to the Central Bank.
4. Amounts due to banks, postal institutions handling postal savings and remittance businesses, credit cooperatives, farmers' and fishermen's associations with credit departments, and the Agricultural Bank of Taiwan.
5. Other deposits that the competent authority has approved as ineligible deposits.

The deposits within the territory of the Republic of China mentioned in Paragraph 1 shall exclude deposits of offshore banking branches established by banks.

Article 13

The maximum insurance coverage limit that the CDIC offers to each depositor of any insured institution shall be determined by the competent authority along with the Ministry of Finance and the Central Bank.

The aforementioned maximum insurance coverage limit shall mean the maximum amount of deposit principal and its accrued interest until the final business day at the same insured institution being covered by deposit insurance. The CDIC shall use New Taiwan Dollars as the payout currency in fulfilling its insurance responsibilities.



For employee pension accounts opened by organizations, business entities or groups at insured institutions, if the account records and amount of each employee's pension may be clearly distinguished and provided by insured institutions, and insurance premiums for individual pension accounts are paid by insured institutions, the pension of such individual employee and other deposits thereof at the same insured institution shall be protected within the maximum coverage limit respectively and shall not be limited by the stipulations in the preceding two Paragraphs.

Article 14

The assessment base shall be calculated based on the total liabilities over underlying after subtracting the ineligible deposits mentioned in Paragraph 2 of Article 12 and shall be calculated once every semiannual period; the standard dates for calculating such base shall be determined by the CDIC.

Article 15

Insured institutions shall report the total amount of liabilities over the underlying deposits and assessment base to the CDIC and make payment of insurance premium within one month of the standard dates mentioned in the preceding Article; the payment methods shall be decided by the CDIC.

Article 16

The ratio of the remaining amount of each account of the insurance payout special reserves of the CDIC to the covered deposits under the maximum insurance coverage limit shall be targeted at 2%.

The deposit insurance premium rates may be differentiated based on the operational risks of the insured institutions, and may be adjusted according to the achievement of the target ratio mentioned in the preceding Paragraph.

The above-mentioned insurance premium rates shall be drawn up by the CDIC and submitted to the competent authority for its approval.

Article 17

Insured institutions shall indicate the fact, according to the forms and contents prescribed by the CDIC, that the deposits are insured at each of their business locations and indicate in their financial products whether such products are insured or uninsured by deposit insurance.

Article 18

Insured institutions shall not use the deposit insurance premium rate or relevant information thereof as advertisement.

Article 19

Prior to distribution of stock dividends and bonuses, as well as remuneration to the directors of the board and supervisors, insured institutions shall complete payment of the insurance premium to the CDIC.

Article 20

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 deterrence shall be written off from the insurance payout special reserves. Any further deficiencies shall be recorded in the deferred account and written off from the insurance payout special reserves in the subsequent years.

Article 21

In the event that an insured institution stops taking deposits, it shall notify the CDIC in writing to terminate the deposit insurance agreement.

Section 2: Insured Risk Control

Article 22

In the event where there are needs for the CDIC to collect and analyze the financial or business information relating to an insured institution for the purpose of insured risk control, the CDIC shall obtain such information through the information sharing mechanism established by the competent authority, the central competent authority of the agricultural finance, the Central Bank and the CDIC. In the event of insufficiency, the CDIC may require the insured institutions to submit additional information in an accurate manner.

The CDIC shall establish coordination mechanisms with the competent authority, the central competent authority of the agricultural finance and the Central Bank for the purpose of handling business crises of insured institutions or any major event affecting financial order.

Article 23

For the calculation of insurance premium and amount of payout in fulfilling insurance responsibilities, the insured institutions shall establish electronic data files of deposits and related items according to the file format and content stipulated by the CDIC.

The CDIC may request the insured institutions to provide the aforementioned electronic data files, if necessary.



Article 24

The CDIC may inspect the following items of an insured institution:

1. Accuracy of deposit assessment base and content of the electronic data files stipulated in Paragraph 1 of the preceding Article.
2. Any event causing the termination of the deposit insurance agreement.
3. Assets and liabilities of insured institutions prior to the fulfillment of insurance responsibilities.
4. Property information and information needed to pursue civil liabilities for illegal acts or omissions by employees of failed insured institutions and by those of problem insured institutions that receive financial assistance according to Paragraph 1 of Article 29.

When the CDIC undertakes inspection according to Subparagraph 3 or 4 of the aforesaid Paragraph, if an insured institution has made any improper funds transfers or property trades with its controlling financial holding companies, other subsidiaries thereof, or non-credit departments of farmers' or fishermen's associations with the potential to jeopardize the insurance payout special reserves, the CDIC may report to the competent authority or the central competent authority of the agricultural finance and undertake inspections, after obtaining their approval, of the said financial holding companies, the subsidiaries thereof, and the non-credit departments of farmers' and fishermen's associations.

In undertaking the inspection stipulated in Subparagraph 4 of Paragraph 1, the CDIC may obtain or review relevant property and household registration information from government authorities, financial institutions or securities' central depository agencies.

Article 25

If an insured institution violates the laws, regulations or deposit insurance agreements, or engages in unsound business operations, the CDIC may give a warning notice of terminating the deposit insurance agreement and require rectification within a stipulated timeframe.

Article 26

The CDIC shall notify the competent authority or the central competent authority of the agricultural finance and terminate its deposit insurance agreement and make announcements with respect thereof, in the event any one of the followings occurs to an insured institution:

1. Failure to take corrective actions within the stipulated timeframe after the CDIC gives a warning notice of termination of the deposit insurance agreement according to the preceding article.

2. Failure to make improvements upon being ordered by the competent authority or the central competent authority of the agricultural finance to undertake recapitalization or make improvements in financial conditions and business operations within a certain timeframe; or being assessed as being unable to make improvements by the aforementioned authorities or the CDIC prior to the deadline.
3. Occurrence of a major fraud or other illegal activities with the potential to increase deposit insurance payouts.

Article 27

In the event of termination of a deposit insurance agreement by the CDIC according to Article 21 or the preceding Article, the insured institution shall notify its depositors within one month of the date of termination and return the deposit insurance sign issued by the CDIC.

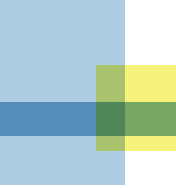
The total deposit balance of each of the abovementioned depositors on the date of termination of the deposit insurance agreement subtracting subsequent withdrawals shall, within the maximum insurance coverage limit, continue to be insured by the CDIC for one-half year after the termination date. The insured institution with a terminated deposit insurance agreement shall continue to make payment equivalent to the insurance premium to the CDIC.

Chapter 3: Fulfillment of Insurance Responsibilities

Article 28

When an insured institution is closed by the competent authority or the central competent authority of the agricultural finance, the CDIC shall fulfill its insurance responsibilities by any of the following methods:

1. Make payout by cash, remittance, transfer or other payment methods according to the books and records of the closed insured institution and the certificate of outstanding amount of deposits provided by depositors.
2. Consult with other insured institutions to make the same amount of deposits as the amount of payout for the depositors of the closed insured institution and make payment on behalf of the CDIC.
3. Provide other insured institutions or financial holding companies with funds, loans, deposits and guarantees, or purchase the subordinated debts issued by the said insured institutions or financial holding companies, in order to facilitate the



acquisition or assumption of all or part of businesses, assets and liabilities of the closed insured institutions.

The estimated cost to the CDIC when it adopts the methods in the Subparagraph 2 and 3 of the previous Paragraph shall be less than the estimated loss arising from the payout subject to Subparagraph 1. However, in the event that there is any potential that will significantly endanger credit order and financial stability, the aforementioned requirement shall not apply if the CDIC obtains consent of the competent authority in consultation with the Ministry of Finance and the Central Bank, and with the final approval of the Executive Yuan.

In the case of insufficiency of insurance payout special reserves for the general financial sector or that for the agricultural financial sector as a result of the CDIC's processing of matters under the proviso to the preceding Paragraph, the CDIC can charge special insurance premium from general financial insured institutions and agricultural financial insured institutions respectively. The special insurance premium rates and the collection period shall be drawn up by the CDIC and submitted to the competent authority for approval.

The operating procedures of the fulfillment of the insurance responsibilities according to the stipulations in Paragraph 1 shall be drawn up by the CDIC and submitted to the competent authority for approval.

Article 29

In the event that the competent authority or the central competent authority of the agricultural finance appoints any person to act as the conservator or to exercise the authorities of the board of directors and supervisors of an insured institution by law, the CDIC may apply the provisions in Subparagraph 3 of Paragraph 1 and Paragraph 2 of the previous Article against other insured institutions or financial holding companies.

The CDIC may provide an insured institution with loans, deposits or other financial assistance, when all the following conditions are met: when the said institution is critically under-capitalized, and the competent authorities deem it non-viable and shall be closed; the aforesaid institution is put under conservatorship or the authorities of its board of directors and supervisors are exercised by the competent authorities; the resolution will cause the situations as stipulated under the proviso to Paragraph 2 of the preceding Article. Its operating procedure shall be drawn up by the CDIC and submitted to the competent authority for approval.

When the CDIC provides the aforesaid loans, deposits or other financial assistance to the insured institution under conservatorship or the credit department of farmers' or fishermen's association whose board of directors and supervisors authorities

are exercised by the competent authority, it should request for the full amount of collateral from the financial holding company of the said institution, or any other insured institution that such financial holding company has dominant shares, or from any farmers' or fishermen's association possessing the said credit department.

Article 30

In situations as stipulated under the proviso to Paragraph 2 of Article 28 if the CDIC is unable to consult with other insured institutions or financial holding companies to acquire or assume the closed insured institution according to Subparagraph 3 of Paragraph 1 of the same Article, it may set up a bridge bank to assume all or part of the business, assets and liabilities of the closed insured institution. However, if the value of the assets of the closed insured institution is greater than that of its liabilities, the receiver shall distribute the remaining assets to its original shareholders according to liquidation procedures.

Article 31

In any action which the CDIC takes pursuant to the preceding three Articles or Paragraph 2 of Article 41, the CDIC may request the competent authority to negotiate with the Central Bank to receive its approval obtaining special financial accommodation within the range of collateralization.

If the aforesaid financial accommodation exceeds the value of the collateral provided by the CDIC, the competent authority may together with Ministry of Finance and the Central Bank submit to the Executive Yuan for its approval that the excess part shall be guaranteed by the National Treasury.

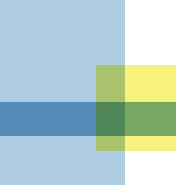
If the CDIC deems it necessary in case of emergency, and before applying to the Central Bank for special financial accommodation pursuant to the preceding Paragraph, the CDIC may borrow the funds from the other financial institutions.

Bankruptcy-related rules of the *Company Act* and *Bankruptcy Act* shall not apply when the CDIC processes matters stipulated in the preceding three Articles and Paragraph 2 of Article 41.

Article 32

A bridge bank is a legal entity and shall be set up upon approval by the competent authority and proceed with business registration. If the process of registration could not be done in a timely manner, it may be completed within fifteen days after the establishment.

The duration of a bridge bank shall not last for more than two years. However, the duration can be extended for one more year upon approval by the competent authority.



A bridge bank is an insured institution with no founding capital required. If necessary, the CDIC may provide working capital.

Article 33

A bridge bank shall establish a board of directors to decide and execute business matters. The board shall be composed of five to nine directors with one being the chairman.

The chairman of the board shall carry out duties in accordance with board resolutions and represent the bridge bank publicly.

A bridge bank shall have one supervisor responsible for the supervision of the assets and business thereof.

The appointment of the chairman, the directors of the board and the supervisor shall be assigned by the CDIC.

Article 34

A bridge bank may be exempted from Article 23, Paragraph 2 of Article 28, Article 32 to Article 33-5, Paragraph 2 of Article 36, Article 38 to Article 40, Article 44, Article 60, Article 72 to Article 76 of the *Banking Act*, when it continues operation within the scope of assumption on business, assets and liabilities of a closed insured institution. If necessary, it may also be exempted from Article 43 of the *Banking Act* and Article 25 of the *Central Bank of Republic of China Act* after the competent authority consults with the Central Bank and grants their approval.

Regulations regarding the establishment of a bridge bank and its business management and operation shall be drawn up by the CDIC and shall be submitted to the competent authority for approval and promulgation.

Article 35

The *Bankruptcy Act* shall not apply to a bridge bank.

Article 36

In the event of any loss results from the categorical assignment of the business, major assets and liabilities to other insured institutions or liquidation of a bridge bank, it shall be set off from the general financial insurance payout special reserves of the CDIC. If there is any insufficiency, it shall be recorded in the deferred account and shall be set off with the same reserves set aside in subsequent years on an annual basis. Earnings, if any, shall be recorded in the said reserves account.

Article 37

Where a bridge bank assumes the businesses, assets and liabilities of a close insured institution according to Article 30, it may, when applying for registration of changes of the real estate owned by the closed institution, and the movable properties that require registration and all encumbrances of the said institutions, directly process the registration by the certificate issued by the competent authority without paying registration fees. The land value increment tax borne by the original land owner is allowed to be deferred under the name of the land acquirer; the same applies when another insured institution categorically assumes the business, assets and liabilities of the bridge bank according to the stipulation in the preceding Article. However, at the time when the land with the said deferred tax is being transferred from the bridge bank or from the insured institution assuming the bridge bank, the land value increment tax allowed to be deferred at each transfer shall be paid on a priority over all other creditors' rights and mortgage right in the price received from disposition of the said land.

Article 38

The CDIC shall subrogate all rights of depositors and creditors against the insured institution to the extent of insurance payment in its own name, after taking any action as set forth in Article 28 to Article 30 and Paragraph 2 of Article 41.

When the CDIC takes any action as set forth in Article 28 to Article 30 and Paragraph 2 of Article 41, in case a financial holding company directly or indirectly causes its subsidiary insured institution to conduct any business which is contrary to normal business practices or not profitable, and thus causing the subsidiary insured institution to suffer damages, the CDIC may make compensation claims against such financial holding company on behalf of the said insured institution. The responsible people of the financial holding company shall be liable jointly and severally, with the financial holding company for such damages.

If a farmers' or fishermen's association transfers the properties owned by its credit department to other departments gratuitously or at an unreasonable price, or directly or indirectly causes its credit department to undertake unprofitable businesses, the CDIC may make compensation claims against the farmers' or fishermen's association to the extent of its insurance payment. The responsible people of the farmers' or fishermen's association shall be liable jointly and severally, with the farmers' or fishermen's association for such damages.



Article 39

Any action brought by the CDIC under this Act arising out of the transaction in Article 28 to Article 30 and Paragraph 2 of Article 41, may be exempted from the *Government Procurement Act* and Article 25 to Article 27 of the *Budget Act*.

Article 40

Any insured institution publicly traded according to the *Securities and Exchange Act* that is disposed by the CDIC in accordance with Subparagraph 2 and 3 of Paragraph 1 of Article 28, or Paragraph 1 of Article 29, shall make a public announcement and declaration as stipulated by Paragraph 2 of Article 36 of the *Securities and Exchange Act* and shall use the date of signing the contract as the date of the fact occurrence.

Article 41

Upon the issue of an order of the competent authority or the central competent authority of the agricultural finance to close an insured institution, the CDIC shall be appointed as the receiver to commence the winding-up procedure, and the winding-up procedure shall apply to the related winding-up articles stipulated by the *Banking Act*.

To meet the liquidity needs of the creditors of the closed insured institution, the CDIC may, without increasing the costs incurred by the CDIC in taking any action under Paragraph 1 of Article 28, make advance payment against claims filed by the depositors beyond the maximum insurance coverage limit and by non-deposit creditors based on the anticipated reimbursement ratio derived from an evaluation of the values of assets of the closed insured institution. The aforesaid sums of the advance payment shall be counted item-by-item on the basis of the recovery order of the advance payment claims, and deducted first from the amount finally realized from the liquidation and repaid to the CDIC.

The regulations for calculating and operating the aforesaid advance payment in respect of the depositors beyond the maximum insurance coverage limit and non-deposit creditors based on the anticipated reimbursement ratio shall be drawn up by the CDIC and be submitted to the competent authority for approval.

Article 42

When an insured institution is disposed of by the CDIC with the stipulations of the Act by the competent authority or the central competent authority of the agricultural finance for the exit of market or liquidation upon clearing off the debt, its deposit liabilities shall take precedence over non-deposit liabilities.

The aforementioned deposit liabilities shall mean the deposits stated in Article 12 of the Act; non-deposit liabilities shall mean liabilities other than the deposit liabilities of the insured institution.

Article 43

Before handling any payout, the CDIC may offset the claims of depositors of a closed insured institution according to the following order of liabilities:

1. Liabilities created by deposits pledged as collateral of the closed insured institution.
2. Liabilities reaching due or deemed to be due according to the applicable agreements, or liabilities fit to be offset in accordance with other laws and regulations.

When the CDIC handling the offset according to Subparagraph 2 of the preceding Paragraph, the offset shall be handled according to the applicable agreements or laws and regulations. However, in the event that there is lack of such agreements or laws and regulations, the depositor's claim other than that insured by the CDIC shall be the offset against the debt first; where there is insufficiency, the insured deposit shall then be used for offset.

Article 44

The amount of payout the CDIC liable for each depositor shall be the outstanding of deposits after the offset in accordance with the preceding Article up to the limit of the maximum insurance coverage limit.

The amount of deposits in joint accounts owned by two or more individuals shall be calculated according to the deposit agreement executed by the joint individuals and the closed insured institution. For any individual without such an agreement, the deposits should share equally among joint depositors. The amount of payout should be calculated by aggregating the deposits of the said joint individuals and those in the accounts opened by each of them in his or her own name.

Article 45

In the event the amount of payout mentioned in Paragraph 1 of the preceding Article is under any of the following situations, it shall be temporarily withheld until the elimination of the causes for the withholding:

1. Deposits being seized by court order.
2. Deposits being mortgaged to a third party.
3. Depositors having already been served notice of bankruptcy with a bankruptcy trustee not yet being selected or in the event of depositor's death with the inheritance registration not yet being completed.
4. Other instances where payments may be withheld in accordance with related laws.



▶ Chapter 4: Penal Provisions

Article 46

Should any of the following events occur in an insured institution, the CDIC shall report it to the competent authority to penalize the insured institution with a fine of not less than NT\$ 1,000,000 and not more than NT\$ 5,000,000.

1. Failure to comply with Article 19 but distribute remuneration, stock dividends or bonuses before completing payment of insurance premium.
2. Failure to establish electronic data files or provide the electronic data or files to the CDIC according to Paragraph 1 of Article 22 or Article 23, or provide data or files with serious counterfeit.
3. Evading, hindering or refusing an inspection conducted by the CDIC stipulated in Paragraph 1 or Paragraph 2 of Article 24.

Upon the imposition of a penalty in the form of a fine under the preceding Paragraph, the competent authority may issue a corrective order within the stipulated timeframe and may further impose an additional fine of one to five times of the original penalty for the same facts or actions if the said insured institution fails to comply with such order.

Article 47

Should any of the following events occur in an insured institution, the CDIC shall report it to the competent authority to penalize the insured institution with a fine of not less than NT\$ 500,000 and not more than NT\$ 2,500,000.

1. Failure to provide the total amount of liabilities over the underlying deposits and assessment base set forth in Article 15.
2. Failure to indicate the fact of being insured by deposit insurance or in the financial products whether the products are insured or uninsured by deposit insurance set forth in Article 17.
3. Failure to avoid using the deposit insurance premium rate or relevant information thereof as advertisement set forth in Article 18.
4. Failure to fulfill the notice obligation for the termination of deposit insurance agreement set forth in Article 21 or Paragraph 1 of Article 27.

Upon the imposition of a penalty in the form of a fine under the preceding Paragraph, the competent authority may issue a corrective order within the stipulated timeframe and may further impose an additional fine of one to five times of the original penalty for the same facts or actions if the said insured institution fails to comply with such order.

▶ Chapter 5: Supplementary Provisions

Article 48

For business needs, the CDIC may be allowed to hire lawyers, accountants, financial analysts, appraisers and senior staff specialized in financial credit reference, extending credit, financial legal affairs, information technology, financial merger and acquisition, disposition of non-performing loans, real estate appraisal, evaluation of assets and liabilities, corporate restructuring and international affairs. The number of such staff cannot exceed 25% of the total budgetary number of staff.

Article 49

After the termination for the Executive Yuan's Financial Restructuring Fund (hereinafter referred to as the Fund) disposing failed financial institutions since July 10, 2005, the Fund may continuously entrust the CDIC with handling the following matters:

1. The payout, assumption and sale by tender of financial institutions already under disposal by the Fund.
2. Collection of the taxes and insurance premium income set forth in Article 4 of the *Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund*.
3. Disposal of outstanding assets and liabilities of the Fund.
4. Lawsuit cases and matters in relation to the Fund.

Article 50

The CDIC shall stipulate its Articles of Incorporation in accordance with the Act and other relevant laws and regulations and shall submit it to the competent authority for implementation after approval.

Article 51

The Enforcement Regulations of this Act shall be prescribed by the competent authority.

Article 52

The Act shall become effective from the date of promulgation.

2

Enforcement Regulations of the Deposit Insurance Act

- Full text including all 8 articles promulgated by the Executive Yuan on August 12, 1985
- As amended (Article 4) and promulgated by the Executive Yuan on July 29, 1991
- As amended (Article 4) and promulgated by the Executive Yuan on November 8, 1995
- Full text including all 10 articles amended and promulgated by the Executive Yuan on May 5, 1999
- Full text including all 16 articles amended and promulgated by the Financial Supervisory Commission, Executive Yuan on December 11, 2007
- As amended (Article 5), added (Article 5-1, 5-2), deleted (Article 15) and promulgated by the Financial Supervisory Commission, Executive Yuan on January 19, 2012

Article 1

These regulations are enacted pursuant to Article 51 of the *Deposit Insurance Act* (hereinafter referred to as "the Act").

Article 2

The fiscal year of the Central Deposit Insurance Corporation (hereinafter simply referred to as the "CDIC") shall be based on the government's fiscal year.

Article 3

The year by year as referred to in Paragraph 2 of Article 7 of the Act shall refer to the government's fiscal years in which the insurance payout special reserves were appropriated prior to the implementation of the amendments to the Act on January 18, 2007.

Article 4


The deposit insurance agreement in writing that financial institutions shall sign with the CDIC pursuant to Paragraph 1 of Article 11 of the Act shall record the following items:

1. The parties to the agreement.
2. The items covered by deposit insurance and the eligible items.
3. The calculation, reporting and payment of the deposit insurance premium.
4. Indicating the fact of being insured by deposit insurance.
5. Duty shall be fulfilled by the insured institution.
6. The items that the CDIC may inspect to the insured institutions.
7. Reasons for changes in or the termination of the agreement.
8. Obtaining rights of subrogation after payouts and the liquidation of a closed insured institution.
9. The method by which disputes are resolved.
10. The applicability of items not stipulated in the agreement and the handling of revised laws and regulations.
11. Other items within the laws and regulations prescribed by the competent authority that should be recorded.

Article 5

For deposits within the territory of the Republic of China referred to in Paragraph 1 of Article 12 of this Act that are not denominated in New Taiwan Dollars, when calculating the deposit insurance assessment base, the calculation shall be performed after converting those deposits into New Taiwan Dollars based on the closing exchange rate on the standard dates when the accounts of the insured institution are settled. In the fulfillment of the CDIC's insurance responsibilities, the calculation under the payout process shall take place after converting the amounts into New Taiwan Dollars at the closing exchange rate on the last business day of the closed insured institution.

The deposits due to all levels of government agencies as referred to in Subparagraph 2 of Paragraph 2 of Article 12 of this Act refer to all levels of treasury deposits that insured institutions act as agents for.



The deposits due to banks, postal institutions handling postal savings and remittance businesses, credit cooperatives, farmers' and fishermen's associations with credit departments and the Agricultural Bank of Taiwan as referred to in Subparagraph 4 of Paragraph 2 of Article 12 of the Act shall not include the funds obtained by these institutions from handling trust business and saved in their own institutions or other institutions as deposits.

Article 5-1

Each depositor as referred to in Paragraph 1 of Article 13 of this Act refers to the following kinds of depositors who hold or have opened accounts in their names:

1. Natural person.
2. Legal entity.
3. Sole proprietorship.
4. Partnership.
5. Inheritee.
6. Bankruptcy or liquidation estate.
7. Unincorporated group or organization.
8. Various levels of government or their subsidiaries.
9. Trust estate.
10. Cardholder for each electronic stored value card issued by insured institutions.

For each depositor as referred to in Subparagraph 1 to 8 and 10 of the above Paragraph, the deposits in the same insured institution should be aggregated. For a depositor with a branch office, the deposits of the branch office should be aggregated with those of the head office.

As for Subparagraph 9 of Paragraph 1, it should be aggregated separately according to each individual account. However, deposits that belong to the same trust estate and that are held within the same insured institution should be aggregated.

Article 5-2

The employee pension accounts stipulated in Paragraph 3 of Article 13 of the Act refer to the employee pension accounts or the retirement pay and severance pay deposit accounts with the attributes of pension deposits that organizations, business entities or groups open for their employees in the insured institutions.

The employee pension accounts as referred to in the above Paragraph include the pension accounts opened by the insured institutions for their employees in their own institutions or other insured institutions.

Article 6

The so-called covered deposits in Paragraph 1 of Article 16 of the Act refer to the total amount of deposits of each depositor within the maximum insured coverage limit; the target ratio so set is calculated with June 30 and December 31 of each year as the standard dates.

Article 7

When the CDIC applies to the financial accommodation upon the fulfillment of its insurance responsibilities, the provision of financial assistance, the establishment of a bridge bank or the processing of advance payments, the interest on its financing shall, pursuant to Article 20 of the Act, be written off from the insurance payout special reserves it belongs to. Any further deficiencies shall be recorded in the deferral account and written off from the insurance payout special reserves in subsequent years.

Article 8

Insured institutions shall on the day that they stop taking deposits, pursuant to Article 21 of the Act, notify the CDIC in writing.

Article 9

When handling the stipulations in the Act regarding inspections, the termination of deposit insurance, fulfillment of its insurance responsibility and liquidation matters, the CDIC shall, when necessary, entrust these items to professionals and technical personnel for their assistance in handling them.

Article 10

During the period in which the depositors in an insured institution whose deposit insurance agreement has been terminated continue to be insured by deposit insurance pursuant to Paragraph 2 of Article 27 of the Act, the insured institution shall still apply to the regulations pertaining to insured institutions within the Act.

Article 11

The so-called deposits that continue to be insured as in Paragraph 2 of Article 27 of the Act refer to the aggregated amount on the day with the lowest balance of those individual deposit accounts which are covered by deposit insurance within the maximum insurance coverage limit during a period of one-half year after the date on which the deposit insurance agreement was terminated.

The aggregated amount in the above paragraph for each individual account is the outstanding balances at the close of each business day.



Article 12

The items stipulated in Subparagraphs 1 and 2 of Paragraph 1 of Article 28 of the Act shall, from the following day after the insured institution is closed, be swiftly dealt with.

Article 13

When the CDIC pursuant to Paragraph 1 of Article 29 of the Act provides financial assistance to encourage acquisitions or assumptions, if it has not been assigned to serve as the conservator or the delegated authority, the conservator or the delegated authority of the insured institutions shall provide the CDIC with a tender strategy and appraisal data.

Should the conservator or the delegated authority in the previous Paragraph put forward a tender, and there is a situation for the CDIC to provide funds, it shall first consult the matter with the CDIC and obtain its agreement.

Article 14

When the CDIC pursuant to Article 30 of the Act sets up a bridge bank to assume the business, assets and liabilities of a closed insured institution, if it is deemed necessary to provide it with working capital, the CDIC may pursuant to Paragraph 1 of Article 31 of the Act apply for special financial accommodation.

Article 15

(Deleted)

Article 16

These regulations shall become effective from the date of promulgation.



3

Approval Standards for Financial Institutions Applying to Participate in Deposit Insurance

- Full text including all 8 articles promulgated by Order Chin-Kuan-Yin (3) No. 09630003720 of Financial Supervisory Commission, Executive Yuan on August 2, 2007
- As amended (Article 2-1) by Order Chin-Kuan-Yin (3) No. 09630006190 of Financial Supervisory Commission, Executive Yuan on December 25, 2007
- As amended (Article 4) by Order Chin-Kuan-Yin-Fa No. 10110007960 of Financial Supervisory Commission on December 28, 2012

Article 1

These Standards are duly enacted in accordance with Paragraph 4 of Article 10 of the *Deposit Insurance Act* (hereinafter referred to as the "Act").

Article 2

All financial institutions that have been duly approved to accept deposits, postal savings or to be consigned to manage trust funds used for the purpose designated by the financial institutions (hereinafter referred to collectively as "deposits") should within 6 months of the commencement of operations apply to the Central Deposit Insurance Corporation (hereinafter referred to as the "CDIC") to participate in deposit insurance.

For financial institutions that have not applied to participate in deposit insurance within the prescribed time limit according to the previous Paragraph, the CDIC shall, pursuant to Paragraph 2 of Article 10 of the Act, report to the competent authority or the central competent authority of the agricultural finance to request the replacement of the persons-in-charge or revoke its license.

Article 2-1

Financial institutions that are insured institutions in accordance with the following conditions shall, commencing from the standard date on which the merger or acquisition takes place, sign a deposit insurance agreement with the CDIC:

1. Insured institutions that merge with other insured or uninsured institutions and that after the merger are either a surviving or newly incorporated institution.

2. Banks established by local or foreign legal persons and local or foreign financial holding companies with the approval of the competent authority to merge with or acquire the business, assets and liabilities of insured institutions.

Article 3

Financial institutions that apply to participate in deposit insurance (hereinafter referred to as "applying institutions") shall submit the following listed documents to the CDIC for review:

1. The application to be insured.
2. A copy of the competent authority's or the central competent authority's of the agricultural finance certificate of approval of establishment.
3. A business plan.
4. Minutes of board of directors' meetings from the commencement of operations to the time of the application to be insured.
5. The balance sheet and income statement for the end of the month prior to the date of application (the credit departments of farmers' and fishermen's associations shall also attach information for the whole of the association). If there are CPA-audited financial statements for the most recent year, then these shall also be provided.
6. Internal control system, risk management system and internal audit system.
7. The corporate (institutional) governance system.
8. Background information on the directors, supervisors, chief executive officers (general manager), and heads of credit departments.
9. Various ratios for the most recent period or at the end of the previous month together with related financial data in accordance with Subparagraph 1 to Subparagraph 4 of Paragraph 1 of Article 4 of these Standards.
10. Other documents or information that the CDIC requests to be provided.

If the records in relation to the written documentation referred to in the previous Paragraph are incomplete or inadequate, the CDIC shall inform the applicant of the time period within which the insufficient information needs to be submitted.

Article 4

In the case where applying institutions encounter one of the following situations as a result of the CDIC's review, i.e., in the case where they do not conform to the insured qualifications, the CDIC shall report this to the competent authority or the central competent authority of agricultural finance to urge them to make improvements:

1. The ratio of the equity capital to risk-weighted assets for banks and credit cooperatives, and the ratio of the net worth to risk-weighted assets for the credit departments of farmers' and fishermen's associations do not conform to the

minimum requirement stipulated by the competent authority or the central competent authority of agricultural finance.

2. Total past due loans as a ratio of total loans exceed 1% or adversely classified assets exceed 1% of total assets.
3. The total amount of collateralized loans outstanding to related parties exceeds one third of net worth.
4. Net worth is less than two-thirds of paid-in capital (operating capital for foreign banks; shares for credit cooperatives; the sum of enterprise funds and reserves for the credit departments of farmers' and fishermen's associations).
5. In the event that laws and regulations have been violated, or internal control system, risk management system, internal audit system or other business operations are found to be unsound. In these cases, there may be an increase in insured risk as there is danger to the rights of depositors.
6. If there is a concrete evidence that incumbent directors, supervisors, chief executive officers (general manager) and the heads of credit departments are incompetent and may harm the sound operations of financial business.

The applying institution, in the event that none of the above items apply and it receives approval from the CDIC to become an insured institution, shall sign a deposit insurance agreement with the CDIC.

Article 5

In addition to reviewing the written documentation submitted by the applying institution, the CDIC shall when necessary dispatch personnel to conduct on-site inspections, or request the person-in-charge of the applying institution or other personnel appointed by the CDIC explaining matters related to application for participation in deposit insurance.

Article 6

The CDIC shall notify the applying institution of the results of its review with written document and send a copy to the competent authority or the central competent authority of the agricultural finance.

Article 7

For those financial institutions newly-established following the amendments to the Act on January 18, 2007, and which had already commenced operations before the promulgation of these Standards on August 2, 2007, the 6 months stipulated in Paragraph 1 of Article 2 shall be calculated and become effective on the date these Standards are promulgated.

Article 8

These Standards shall become effective from the date of promulgation.

4

Implementation Scheme for the Deposit Insurance Premium System

As amended (Point3, Point5, Point9, Point12) by Financial Supervisory Commission, Letter Chin-Kuan-Yin-Ho No. 10200226140 on October 16, 2013

1. The Implementation Scheme for the Deposit Insurance Premium System is conducted in accordance with stipulations of Paragraph 3 of Article 16 of the *Deposit Insurance Act*.
2. The deposit insurance premium for insured institutions shall be assessed as a differential premium calculated on the basis of risk indicators for covered deposits and as a flat premium for eligible deposits exceeding the coverage limit.
3. Risk indicators:
 - (1) The two risk indicators are the Capital Adequacy Ratio (CAR) and the Composite Score of the Risk-based Premium Rating System (CSRPRS).
 - (2) The CAR is based on the most recent data reported to the competent authority by the insured institution as of the end of the quarter (March 31 or September 30), one quarter before the standard date for calculating the deposit insurance premium (June 30 or December 31). For local branches of foreign and mainland Chinese banks, the basis shall be the data reported to the competent authority of the home country by the foreign and mainland Chinese banks.
 - (3) The standard dates used for calculating CSRPRS are determined as the end of the quarters before the standard dates for calculating deposit insurance premiums (June 30 and December 31). The score is produced from the data reported by insured institutions. However, if the Central Deposit Insurance Corporation (CDIC), within half year before the standard dates for calculating deposit insurance premiums, receives an examination report of the insured institution with an examination standard date prior to March 31 or September 30 and the examination results are different from the financial data submitted by the insured institution, the insured institution should make adjustments based on the examination results. Accordingly, the CDIC should use the data after adjustments made by the insured institution, to generate CSRPRS and calculate the risk premium rate of the current payment period. If the examination standard date of the abovementioned examination report is after March 31 or September 30, the premium rate for the next payment period should be calculated based on the principle above.

(4) In order to confirm the accuracy of the data and files related to risk indicators reported by insured institutions, the CDIC may conduct inspections of insured institutions.

4. Risk grading:

(1) The CAR is divided into three risk grades:

- A. Domestic banks, local branches of foreign and mainland Chinese banks, with a CAR of 12% and over from 2014 to 2015 and with a CAR of 12.5% and over after 2016; credit cooperatives with a CAR of 12% and over; credit departments of farmers' and fishermen's associations with a CAR of 10% and over.
- B. Domestic banks, local branches of foreign and mainland Chinese banks, with a CAR of 8% to less than 12% from 2014 to 2015, with a CAR of 8.625% to under 12.5% in 2016, with a CAR of 9.25% to under 12.5% in 2017, with a CAR of 9.875% to under 12.5% in 2018, and with a CAR of 10.5% to under 12.5% after 2019; credit cooperatives with a CAR of 8% to under 12%; credit departments of farmers' and fishermen's associations with a CAR of 8% to under 10%.
- C. Domestic banks, the local branches of foreign and mainland Chinese banks, with a CAR of under 8% from 2014 to 2015, with a CAR under 8.625%, 9.25%, 9.875% from 2016 to 2018 respectively, and with a CAR of under 10.5% after 2019; credit cooperatives, credit departments of farmers' and fishermen's associations with a CAR of under 8%.

For insured institutions required by the competent authority to meet the minimum CAR, the risk grades are divided into three levels: a CAR of 12.5% and over; a CAR of less than 12.5% but of and over the minimum required CAR; and less than the minimum required CAR.

The CAR of banks refers to the ratio of equity capital to total risk-weighted assets. The CAR of credit cooperatives refers to the ratio of eligible equity capital to total risk-weighted assets. For local branches of foreign and mainland Chinese banks, the CAR refers to the ratio of equity capital to total risk-weighted assets of the foreign and mainland Chinese banks. The CAR for credit departments of farmers' and fishermen's associations refers to the ratio of eligible net worth to total risk-weighted assets.

(2) The CSRPRS is divided into three risk grades:

- A. Composite scores of 65.0 and above
- B. Composite scores of 50.0 and above but less than 65.0
- C. Composite scores of under 50.0

5. Deposit insurance premiums:

- (1) For domestic banks and local branches of foreign and mainland Chinese banks, the five-grade differential premium rates for covered deposits under the coverage limit are 0.05%, 0.06%, 0.08%, 0.11%, and 0.15%, and the flat premium rate for eligible deposits in excess of the coverage limit is 0.005%.
- (2) For credit cooperatives, the five-grade differential premium rates for covered deposits under the coverage limit are 0.04%, 0.05%, 0.07%, 0.10%, and 0.14%, and the flat premium rate for eligible deposits in excess of the coverage limit is 0.005%.
- (3) For credit departments of farmers' and fishermen's associations, the five-grade differential premium rates for covered deposits under the coverage limit are 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%, and the flat premium rate for eligible deposits in excess of the coverage limit is 0.0025%.

The tables of the differential premium grades are included in the Appendix.

6. Exceptions:

- (1) The calculation of the differential premium rates for insured institutions in the process of a merger or assumption (hereinafter referred to as "a merger"):
 - A. Period at the time of the merger:

The calculation of premium rates will be based on the risk indicators of each institution before the merger.

The "period at the time of the merger" refers to the period for calculation of the insurance premium during the standard date of the merger (January 1 to June 30 or July 1 to December 31).
 - B. Period after a merger:
 - a. If there is no CSRPRS data available, the calculation of the premium rate is based on the CSRPRS of the surviving institution. The calculation of the differential premium rate of a newly incorporated institution is based on the higher CSRPRS of the original institutions before a merger.
 - b. If there is no data of the CAR available, the calculation of the premium rate is based on the CAR of the existing institution. The calculation of the premium rate of a newly incorporated institution is based on the higher CAR of the original institutions before a merger.
- (2) The differential premium rates for insured institutions that do not have CSRPRS data or CAR data available due to reorganization are based on the latest CSRPRS or CAR before the reorganization.
- (3) Insured institutions that are newly established and do not yet have CSRPRS shall pay the Grade 3 differential premium rate. However, the Grade 4

differential premium rate shall be applied for credit departments of farmers' and fishermen's associations established under special permission by the central competent authority of the agricultural finance in accordance with the proviso of Subparagraph 2 of the *Auditing Standards for Applications to Re-establish Credit Departments by Farmers' and Fishermen's Associations whose Credit Departments were Assumed by a Bank*.

- (4) The differential premium rate for government-owned insured institutions, excluding those institutions that subject to the lowest rate, shall be calculated as one grade lower than the rate for their risk group.
 - (5) The differential premium rates for insured institutions that accept deposits but do not make loans except for time deposit pledge or for the deposits required by law to be deposited in certain financial institutions; or for preferential interest deposits such as the deposits for civil servant and teacher pension fund, military retirement funds or Personnel Savings Division Comptroller EAU, M.N.D, shall be determined specially by the competent authority.
 - (6) Insured institutions shall pay the highest differential premium rate if they are under guidance, superintendence or conservatorship or their authorities are exercised by officers delegated by the competent authority or the central competent authority of the agricultural finance in accordance with the law.
 - (7) Bridge banks, which are set up in accordance with the *Deposit Insurance Act*, do not need to pay the insurance premium.
 - (8) If an insured institution receives a warning notice of termination of the deposit insurance agreement by the CDIC in accordance with the Article 25 of the *Deposit Insurance Act*, the CDIC shall raise the premium rate of the institution by 0.01% to 0.05%.
7. The CDIC sends an individual written notification of the applicable premium rate to each insured institution. Insured institutions cannot publicly announce their CSRPRS. The CDIC may increase their differential premium rates for violators of this regulation by 0.01% for the current payment period.
 8. If an insured institution does not pay its premium on time as stipulated under the CDIC regulations, the CDIC may increase the current differential premium rate of the institution by 0.01% for payment period.
 9. If an insured intuition has a major financial or operational risk event between the standard dates for reporting data and the standard dates for calculating deposit insurance premiums, such that the risk indicators are unable to timely reflect operational risks, the CDIC may charge an additional premium of 0.01% to 0.04% for the current payment period depending on the degree of risk. However, the increased premium rate may not exceed the highest rate.

10. If an insured institution dishonestly reports data and files or conceals important financial and business information, such that the applied premium rate is affected, the institutions must pay the difference of the revised premiums after adjustments for the affected period. The CDIC may charge an additional premium of 0.01% to 0.04% for the current payment period depending on the level of severity.
11. Insured institutions that object to their differential premium rate are still required to pay the insurance premium on time. A written request for review of the premium rate may be submitted to the CDIC between the date of receiving notification of premium payment and the due date of the current premium payment period (January 31 or July 31, based on the postmark date). Only one such request is permitted per payment period.
12. This Implementation Scheme shall become effective on January 1, 2014 after being approved by the competent authority.

Appendix: Differential Premium Grading for Insured Institutions (Five Premium Grades)

1. Premium Rates for Domestic Banks and Local Branches of Foreign and Mainland Chinese Banks

YEAR	CAR	CSRPRS	65 and Over	50 to Under 65	Less than 50
2014~2015	12.0% and over		Grade 1 0.05%	Grade 2 0.06%	Grade 3 0.08%
After 2016	12.5% and over				
2014~2015	8.0% to less than 12.0%		Grade 2 0.06%	Grade 3 0.08%	Grade 4 0.11%
2016	8.625% to less than 12.5%				
2017	9.25% to less than 12.5%				
2018	9.875% to less than 12.5%				
After 2019	10.5% to less than 12.5%				
2014~2015	Less than 8%		Grade 3 0.08%	Grade 4 0.11%	Grade 5 0.15%
2016	Less than 8.625%				
2017	Less than 9.25%				
2018	Less than 9.875%				
After 2019	Less than 10.5%				

2. Premium Rates for Credit Cooperatives

CAR \ CSRPRS	CSRPRS		
	65.0 and Over	50.0 to Under 65.0	Less than 50.0
12.0% and over	Grade 1 0.04%	Grade 2 0.05%	Grade 3 0.07%
8.0% to less than 12.0%	Grade 2 0.05%	Grade 3 0.07%	Grade 4 0.10%
less than 8.0%	Grade 3 0.07%	Grade 4 0.10%	Grade 5 0.14%

3. Premium Rates for Credit Departments of Farmers' and Fishermen's Associations

CAR \ CSRPRS	CSRPRS		
	65.0 and Over	50.0 to Under 65.0	Less than 50.0
10.0% and over	Grade 1 0.02%	Grade 2 0.03%	Grade 3 0.04%
8.0% to less than 12.0%	Grade 2 0.03%	Grade 3 0.04%	Grade 4 0.05%
less than 8.0%	Grade 3 0.04%	Grade 4 0.05%	Grade 5 0.06%

Notes:

1. CSRPRS is based on the data reported by insured institutions.
2. The CAR of banks refers to the ratio of equity capital to total risk-weighted assets. The CAR of credit cooperatives refers to the ratio of eligible equity capital to total risk-weighted assets. For local branches of foreign and mainland Chinese banks, the CAR refers to the ratio of equity capital to total risk-weighted assets of the foreign and mainland Chinese banks. The CAR for credit departments of farmers' and fishermen's associations refers to the ratio of eligible net worth to total risk-weighted assets.

5

Operating Procedures regarding the Provision of Financial Assistance by the Central Deposit Insurance Corporation to Encourage Acquisitions or Assumptions

As approved by the Financial Supervisory Commission, Executive Yuan, Letter Chin-Kuan-Yin (3) No. 09630004500 on October 2, 2007

1. These operating procedures are drawn up pursuant to Paragraph 4 of Article 28 of the *Deposit Insurance Act* (hereinafter referred to as the "Act").
2. The Central Deposit Insurance Corporation (hereinafter referred to as the "CDIC") in executing the items stipulated in Subparagraph 3 of Paragraph 1 of Article 28, and Paragraph 1 of Article 29 of the Act, shall handle such items in accordance with these operating procedures.
3. The so-called financial assistance in these operating procedures refers to providing insured institutions or financial holding companies (hereinafter referred to as the "acquiring institutions") which will acquire or assume other insured institutions that have ceased operations, are under conservatorship or whose power of board of directors and supervisors are exercised by the competent authority (hereinafter referred to as the "target institutions") with funds, loans, deposits, guarantees or purchases of subordinated debt issued by the acquiring institutions.

The target institutions as referred to in the previous Paragraph include financial institutions whose deposit insurance agreements have been terminated but the termination has not exceeded six months in accordance with the stipulations of the Act.

4. The funds provided by the CDIC for the financial assistance shall be limited to compensate the difference between the target institution's assets and liabilities. The amount to be compensated shall be calculated in accordance with the bid price and the stipulations contained within the acquisition or assumption contract.

If the acquiring institution in the preceding Paragraph is a financial holding company, the funds provided by the CDIC shall be paid into its subsidiary bank; if

such institution is a farmers' or fishermen's association, such funds shall be paid into its credit department.

5. When the CDIC provides financial assistance by means of loans or deposits, it shall choose either of these means. The amount of assistance shall be limited to 30% of the target institution's covered deposits. However, the aforesaid limit shall not apply should the CDIC consider it necessary to increase the amount in light of actual conditions.

The provision of the financial assistance referred to in the previous Paragraph by means of deposits shall be stipulated in a contract, and shall not be restricted by the rules governing the pledge and early-termination of time deposits; the counterparty whom the funds are paid to shall be in accordance with Paragraph 2 of the previous Point.

6. The interest rates on loans or deposits referred to in the previous Point shall be calculated according to the CDIC's cost of funds rate plus 0.25 percentage point on a floating rate basis, which can add with a plus or minus certain basis points and collateral may also need to be provided when deemed necessary in accordance with risk explosion and extension condition.

The cost of funds rate in the previous Paragraph shall be calculated in accordance with the following methods:

- (1) From the CDIC's own funds: the average of the CDIC's one-year fixed and floating deposit rates with the Central Bank when providing financial assistance.
- (2) Accommodation obtained from the Central Bank or other financial institutions: the interest rate obtained on such funding.
- (3) Where both of the above two methods apply: the weighted-average interest rate.

The duration of loans or deposits in the first Paragraph is limited to three months, but this can be extended when necessary.

7. When the CDIC provides financial assistance by purchasing subordinated debt, the amount shall be limited to the amount of capital needed by the acquiring institution for reaching the statutory minimum capital adequacy ratio after either acquiring or assuming the target institution.
8. When the CDIC provides financial assistance by means of making loans, deposits or purchasing subordinated debt, such assistance may be replaced by providing guarantee.

Point 5 and Point 7 shall also apply to the amount of the guarantee in the above Paragraph.

9. In the case where those that conform to the qualifications for acquiring or assuming the target institution as a result of being verified by the conservator, delegated authority or the receiver require financial assistance, apart from the method of providing funds, their application shall conform to the following criteria:

- (1) For those applying to receive loans or deposits, their forecast liquidity ratio after acquiring or assuming the target institution shall be lower than the stipulated ratio in Point 4 of the Guidelines for Auditing Liquid Reserves of Financial Institutions.
- (2) For those applying to purchase subordinated debt, their forecast capital adequacy ratio after acquiring or assuming the target institution shall be lower than the legally-required standard.
- (3) Those applying to provide guarantees shall conform to the rules in Subparagraph 1 or Subparagraph 2.

The applying institution as referred to in the above Paragraph shall in accordance with the CDIC's regulations append relevant information, including the method by which the financial assistance will be provided, the conditions and supporting documents that conform to above criteria, and hand them over to the conservator, delegated authority or the receiver, and after all these documents have been gathered together they shall be transferred to the CDIC for the financial assistance to be administered.



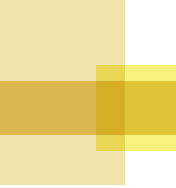

10. After carefully deliberating the above requests, the CDIC shall publish the methods and conditions regarding the provision of financial assistance, before the tender for the acquisition or assumption is decided.
11. When the CDIC provides financial assistance to the acquiring institution, the acquiring institution or its subsidiary bank shall at least at the same time assume the target institution's covered deposits.
12. The estimated cost of the financial assistance provided by the CDIC shall be less than the estimated loss from the payout stipulated in the Subparagraph 1 of Paragraph 1 of Article 28 of the Act. However, this restriction will not apply if there are other circumstances that could be sufficient to seriously endanger credit order and financial stability.

The estimated cost in the above Paragraph refers to the net amount after deducting net interest income from the sum of the following losses and expenses:

- (1) The loss that the CDIC shall share in accordance with the ratio of its creditor's right of the target institution, after the assets of the target institution are sold.
- (2) The loss that may possibly occur from making loans, deposits, guarantees or purchasing subordinated debts.
- (3) The necessary expense items.

The so-called net interest income in the above Paragraph refers to the difference resulting from the interest income from the financial assistance provided by the CDIC after deducting the cost of funds.

13. When the CDIC provides the acquiring institution with financial assistance, both parties shall sign a contract and clearly record the following items:
 - (1) The methods and conditions of providing financial assistance.
 - (2) The uses, restrictions and payment counterparty of the funds provided for financial assistance.
 - (3) The plan for the repayment of the financial assistance.
 - (4) The requests for the provision of related certificates of creditors' rights.
 - (5) The handling of violations of contractual stipulations.
 - (6) Other relevant items.
14. The CDIC, in accordance with Paragraph 1 of Point 4 regarding making compensation for the difference between assets and liabilities, shall after the base date of the transaction of acquisition or assumption make the payment pursuant to the contractual stipulations regarding the payment method and counterparty.

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15. Upon the financial assistance agreed by the CDIC, the acquiring institution shall apply, following the base date of the transaction of acquisition or assumption, to use the funds in accordance with the following regulations:
 - (1) Making loans or deposits: Within three months of the base date of the transaction of acquisition or assumption, should there be abnormal deposit withdrawal with the result that the liquidity ratio is lower than the legally-required standard, and there are already no other financing channels, the acquiring institution shall apply to the CDIC for making loans or deposits by submitting liquid funds demand analysis data, uses of funds and a repayment plan.
 - (2) Purchasing subordinated debts: In the case where the statutory capital adequacy ratio on the base date of the transaction of acquisition and assumption has not reached the legally-required standard and no one has purchased the subordinated debts issued, the acquiring institution shall within a period of one year submit an approval letter from the competent authority, guidelines for the issue and a repayment plan, and make a request to the CDIC to purchase the debt.
 - (3) Providing guarantees: When the circumstances in the above two subparagraphs occur, the acquiring institution shall submit relevant data to the CDIC to provide guarantees.
 16. These operating procedures shall become effective after being submitted to and approved by the competent authority, and the same shall apply to any amendments.

6

Operating Procedures of the Central Deposit Insurance Corporation for the Provision of Loans, Deposits or other Financial Assistance to Insured Institutions under Conservatorship or Whose Powers of Board of Directors and Supervisors are Exercised by the Competent Authority

As approved by the Financial Supervisory Commission, Executive Yuan, Letter Chin-Kuan-Yin (3) No. 09630004500 on October 2, 2007

1. These operating procedures are drawn up pursuant to Paragraph 2 of Article 29 of the *Deposit Insurance Act* (hereinafter referred to as the "Act").
2. The Central Deposit Insurance Corporation (hereinafter referred to as the "CDIC") shall, when providing loans, deposits or other financial assistance to insured institutions that conform to Paragraph 2 of Article 29 of the Act (hereinafter referred to as unsound insured institutions), handle such items in accordance with these operating procedures.
3. When unsound insured institutions as referred to in the previous Point encounter insufficiencies of liquid funds, are already without other financing channels, and are concerned over their inability to make payments, they shall submit the following documents to the CDIC when applying for loans, deposits or other financial assistance:
 - (1) A liquidity demand analysis and an evaluation of assets and liabilities.

(2) Minutes of board of directors' meetings of financial holding companies to which the unsound insured institutions belong, or any other insured institution that the above-mentioned financial holding companies having dominant shares, or any farmers' or fishermen's association possessing the said unsound insured institutions, show agreement to provide property as full collateral.

(3) Other information related to financial assistance.

Before providing financial assistance, the CDIC shall obtain the entitlement documentation regarding the full collateral referred to in Subparagraph 2 in the above Paragraph.

4. The CDIC in providing the loans, deposits or other financial assistance to the unsound insured institutions by their applications after its verification as complying with the regulations in Point 3 above. The amount shall be limited to the scope of the payout that the CDIC receives approval pursuant to the proviso of Paragraph 2 of Article 28 of the Act, and the financial assistance may be made in installments in accordance with actual conditions.



5. The deposits that the CDIC provides to unsound insured institutions shall be stipulated in the contract, and shall not be restricted by the rules governing the pledge and early-termination of time deposits.
6. The interest rate in regard to the CDIC's provision of the loans or deposits to unsound insured institutions shall be calculated according to the CDIC's cost of funds on a floating rate basis, which can add with a plus or minus certain basis points and collateral may also need to be provided when deemed necessary in accordance with risk explosion and extension condition.

The cost of fund rate (the rate on the cost of funds) in the previous Paragraph shall be calculated in accordance with the following methods:

- (1) From the CDIC's own funds: the average of the CDIC's one-year fixed and floating deposit rates with the Central Bank when providing financial assistance.
- (2) Accommodation obtained from the Central Bank or other financial institutions: the interest rate obtained on such funding.
- (3) Where both of the above two methods apply: the weighted-average interest rate.

The duration of loans or deposits in the first Paragraph is limited to three months, but this can be extended when necessary.

7. The CDIC shall sign contracts with unsound insured institutions receiving loans, deposits or other financial assistance, and clearly record the following items:
 - (1) The methods and conditions of providing loans, deposits or other financial assistance.
 - (2) The uses of and limitations on the funds for providing loans, deposits or other financial assistance.
 - (3) The methods for repaying loans, deposits or other financial assistance.
 - (4) Requests for the provision of related collateral and certificates of creditors' rights.
 - (5) The handling of violations of contractual stipulations.
 - (6) Other relevant items.
8. These operating procedures shall become effective after being submitted to and approved by the competent authority, and the same shall apply to any amendments.

7

Operating Procedures regarding the Payout to Depositors by the Central Deposit Insurance Corporation

As amended and approved by the Financial Supervisory Commission, Executive Yuan, Letter Chin-Kuan-Yin (3) No. 09730002420 on June 30, 2008

As amended (Point 4, 5, 9, 12, 13) and approved by the Financial Supervisory Commission, Letter Chin-Kuan-Yin-Ho (3) No. 101003002802 on October 22, 2012

As amended (Point 12, 13) and approved by the Financial Supervisory Commission, Letter Chin-Kuan-Yin-Ho (3) No. 10200099180 on April 25, 2013

As amended (Point 4, 5, 9) and approved by the Financial Supervisory Commission, Letter Chin-Kuan-Yin-Ho (3) No. 10600218050 on September 28, 2017

I. General Principles

1. These operating procedures are enacted pursuant to Paragraph 4 of Article 28 of the *Deposit Insurance Act* (hereinafter referred to as "the Act").
2. The Central Deposit Insurance Corporation (hereinafter referred to as the "CDIC") in fulfilling its insurance responsibilities regarding the payout to depositors pursuant to Subparagraph 1 or Subparagraph 2 of Paragraph 1 of Article 28 of the Act, shall handle such matters in accordance with these operating procedures.
3. When an insured institution is closed by the competent authority or the central competent authority of the agricultural finance, the CDIC, in the fulfillment of its insurance responsibilities pursuant to Subparagraph 1 or Subparagraph 2 of Paragraph 1 of Article 28 of the Act, shall request that the closed institution swiftly prepare appropriate electronic data files, accounting books and records, financial statements and other relevant information needed for handling the payout.

The insured institutions referred to in the previous Paragraph include financial institutions whose deposit insurance agreements have been terminated for not more than six months.

4. When handling offsets, the CDIC shall offset the claims of depositors on the closed insured institution according to the following order of liabilities, except where offsets are prohibited by law:
 - (1) The principal and interest of their pledged deposits shall be offset by the

principle and interest of liabilities created by deposits pledged as collateral of the closed insured institution, whether or not such liabilities are due.


- (2) Offsets for accounted overdue liabilities shall be handled in the following order.
 - A. First offset the liabilities which the individual depositor is the main debtor, then offset liabilities based on jointly issued checks, and then offset liabilities that are jointly and severally guaranteed by the depositor.
 - B. For items above in the same status, first offset expenses, then offset interests, then offset principals, and then offset contractual penalties. When applying the set-off, priority should be given to unsecured liabilities. Where collateral is equally ranked, priority will be given to that with a lower interest rate. Where interest rates are the same, priority shall be given to that with a smaller amount. Where the amounts are the same, priority shall be given to that with a lower account number.
- (3) Other offsettable liabilities shall be offset by notice of the receiver or at the determination of the CDIC.

In respect of the set-off in the preceding Paragraph, the final business day of the closed insured institution shall be the standard date used for calculating the set-off. The CDIC shall use the electronic data files provided by the closed insured institution first to do the calculation. However, when the depositors or the related holders of the right have differences of opinion relating to the set-off, the matter shall be referred to the receiver, and the set-off shall be proceeded according to the notification of the receiver.

Regarding the liabilities defined in Subparagraph 2 of Paragraph 1, the deposits shall offset the liabilities in the following order: ineligible deposits first and followed by eligible deposits. No matter eligible or ineligible deposits, the order to be followed is to offset the deposit interests first and followed by the principals. If several deposits belong to either eligible or ineligible deposit categories, priority will be given to that with a higher interest rate. Where interest rates are the same, priority shall be given to that with a smaller amount. Where the amounts are the same, priority shall be given to that with a lower account number.

No matter deposits or liabilities, if there are some that are denominated in foreign currency instead of New Taiwan dollars, they shall be calculated in New Taiwan dollars based on the exchange rate of the closed insured institution's final business day.

When proceeding set-off, the CDIC shall inform the depositors in written notice and by email according to the mailing addresses and email addresses for correspondence filed in the closed insured institution. When off-setting the deposit interests, the CDIC shall deduct the tax on interest income and other expenses regulated by law.

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5. The amount of the CDIC to reimburse depositors of the closed insured institutions shall be the net amount of principal and interest of deposits after set-off in accordance with the preceding Point, which shall not exceed the deposit insurance coverage limit. However, in the case where the closed -financial institution's deposit insurance agreement has already been terminated, the amount of the payment that each depositor shall receive shall be limited to the lowest balance of the outstanding eligible deposits, within the insurance coverage limit, at the end of each business day from the date of the termination of the agreement to the final business day.

Based on Article 5-1 of the Enforcement Regulations of the Act, each depositor, whose amount of the payout in the preceding Paragraph shall be recorded item by item based on each deposit of a depositor as a proportion of his or her total eligible deposits. The tax on interest income from the recorded deposits and other expenses regulated by law shall be deducted.

As for the employee pension deposit accounts opened by organizations, business entities, groups or insured institutions at closed insured institutions, if the account records are able to clearly distinguish the amount of each employee's pension deposits, and the closed insured institutions pay the deposit insurance premiums according to the distinguished accounts and are able to produce the account records separately, the pension deposit of such individual employee and other deposits thereof at the same insured institution shall be protected within the coverage limit respectively.

The amount of deposits in joint accounts owned by two or more individuals shall be calculated according to the deposit agreement signed by the joint individuals and the closed insured institution. For any individual without such an agreement, the deposits should be shared equally among joint depositors. The amount of payout should be calculated by aggregating the deposits of the said joint individuals and those in the accounts opened by each of them in his or her own name in the closed insured institution.

The payout amount to individuals of joint account deposits shall be first calculating the amount of individuals' other personal deposit accounts and then, where such payout amount is less than the deposit insurance coverage limit, adding the amount allocable for joint account deposits. However, the total may not exceed the maximum coverage.

Reimbursement shall be made after all joint account holders verify that the amount allocable to joint accounts is correct.

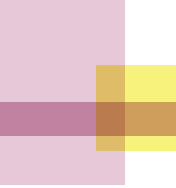
The payout amount for the aggregated deposit accounts shall be calculated after clarifying ownership of deposit rights where such ownership must be separately determined due to the incomplete account records of the closed insured institution or the reclassification of deposits by the closed insured institution as other payables or collective accounts due to court seizure, reported loss and stop

payments, death, or other reasons prior to suspension of business.

When calculating subsequent payout and unpaid balances in cases with separately calculated payout items, the proportion for the deposit principal and interest already reimbursed to the depositors need not be retroactively adjusted.

6. As to the amount of the payout that depositors should receive, should one of the following situations apply, the amount shall be temporarily withheld until the reasons for withholding no longer exist:
 - (1) The deposit has already been seized by the court.
 - (2) The deposit has already been pledged to a third party.
 - (3) The depositor has already been served notice of bankruptcy with a bankruptcy trustee not yet being selected or in the event of depositor's death with the inheritance registration not yet being completed.
 - (4) The closed insured institution has already ceased to pay the deposit.
 - (5) The depositor is the responsible person or an employee of the closed insured institution and has been suspected of illegal business activities and is in the process of being investigated by the investigation bureau or being heard in court. Until responsibility of the above said depositor is made clear, the payout will be withheld in order to protect the closed insured institution's right to request compensation for losses incurred.
 - (6) Payment may be ceased in other instances according to law.
7. When handling the payout, the CDIC shall refer to the following items by placing an announcement in a national daily newspaper for at least three days, as well as having it posted on the CDIC Website. In addition, such a notice shall also be clearly posted in the main entrances of all of the business areas and payout locations of the closed insured institution's head office and all branches:
 - (1) An intention regarding the fulfillment of its insurance responsibilities.
 - (2) The method and location of the payout.
 - (3) The period and the time of the payout.
 - (4) The types, scope and limits on the deposit being paid out.
 - (5) The related documentary evidence certifying rights needed to apply for the payout.
 - (6) The method of handling payouts not applied for by the due date.
 - (7) A service telephone number and a website for announcements regarding the payout.
 - (8) The contact method for inquiring payout-related matters.
 - (9) Other relevant matters.

The time period for the payout referred to in Subparagraph 3 of the previous Paragraph shall be six months when handled in accordance with Subparagraph 1



of Paragraph 1 of Article 28 of the Act. When handled according to Subparagraph 2 of the same Article and Paragraph, the handling period may be two years, but this period may be extended when deemed necessary.

In the month prior to the end of the payout period referred to in the preceding Paragraph, the CDIC shall once again place an announcement in a national daily newspaper for a period of one day.

8 The CDIC, prior to the commencement of the payout period, shall inform the depositors by sending the contents of the announcements as well as the following matters together with the payment application form in accordance with the addresses for correspondence left by the depositors with the closed insured institution:

- (1) The principal and interest on the final business day for both eligible and ineligible deposits.
- (2) Matters related to the set-off of deposits with liabilities.
- (3) The amount of the payout.
- (4) The amount of the payout withheld and the reasons for it.
- (5) The contact method for inquiring payout-related matters.

9. In applying to receive the payout amount, while it is not necessary to submit the original deposit certification, the following approaches need to be followed:

- (1) Pursuant to the stipulations of Subparagraph 1 of Paragraph 1 of Article 28 of the Act regarding payout: the depositor shall write on the payout application form the deposit account number that he or she holds in other financial institution operating within the territory of the Republic of China, and after signing or affixing his or her seal, mail the form to the address designated by the CDIC or else take it directly to the payout location. Alternatively, the application information may be submitted through the designated payout website of the CDIC, so that the CDIC can handle the remittance.
- (2) Pursuant to the stipulations of Subparagraph 2 of Paragraph 1 of Article 28 of the Act regarding payout: the depositor shall fill in the payout application form, provide evidence of his or her ID or an original certificate of eligibility, and go in person to the insured institution that has been entrusted with making the payout (hereinafter referred to as "entrusted institution"), to open a deposit account making the same amount of deposits principal and interest as the amount of payout or apply for the withdrawal of the amount of payout.

For those who open deposit accounts, the deposit interest shall start to accrue from the date on which the payout commenced, and shall be calculated based on the interest rate agreed between the CDIC and the entrusted institution.

Pursuant to Paragraph 3 of Point 5 that safeguards the special deposit account for the employee's pension, application for the payment of the total amount

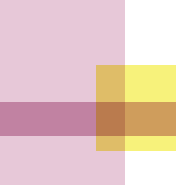
of the payout shall be made by the organization, business unit or group which originally opened the special deposit account, pursuant to the regulation of the above Paragraph regarding applying for a payout.

For those depositors who apply to the remittance approach to receive the payout amount, the remittance fee shall be borne by the CDIC.

10. In the case where depositors are unable to apply for the payout by means of the method in the previous Point or subject to payout matters, and cannot help but deal with the matter over the counter, they shall take evidence of their ID, their eligibility and original documentation of related rights certificate, and apply in person at a payout location designated by the CDIC. After the CDIC has verified that there are no errors or no further objections after review, the depositor shall complete the payout application form and designate an account number for the remittance or else apply for a non-endorsable, non-negotiable check made payable to himself or herself, and apply to receive the payment. If there is still an objection against the result of the review, the depositor may apply for the amount of the payment that he or she does not have an objection first.

When any of the above objections of opinion involves matters related to liquidation, the CDIC shall make payment after consulting with the receiver to clarify the facts.

11. Pursuant to the amount of the payout withheld as in Point 6 above, after there is no reason for withholding such an amount, except in the case where the receiver instructs otherwise, the CDIC shall get rid of the withheld amount and calculates the amount of the payout that the holder of the right may request pursuant to the proportion stipulated in Paragraph 2 of Point 5. Afterwards, the holder of the right shall apply to receive the payout in accordance with the method stipulated in the previous Point.
12. The ID and eligibility certification documentation used by depositors in applying for the payout over the counter shall conform to one of the following:
 - (1) Adults from the Taiwan area: They shall present their national identity cards. In the event that their names or ID numbers have been changed, they shall in addition provide a household registration records.
 - (2) Minors or interdicted persons from the Taiwan area: Their legal representatives or guardians shall present their national identity cards, and in addition provide household registration records.
 - (3) Citizens of mainland China, Hong Kong and Macau: They shall present their permanent resident certificates or alien resident certificates or travel documents.
 - (4) Foreigners: They shall present their alien resident certificate, passports or overseas Chinese identify certificates issued by the Overseas Community Affairs Council.

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- (5) Corporations: The responsible persons shall present their national identity cards, as well as the corporations' certificates of business registration and the registered corporations' and the responsible persons' chops.
 - (6) Business enterprises, groups, or organizations: The responsible persons shall present their national identity cards, as well as the competent authority's certificate of registration, the approved documentation of establishment, or else documentation sent for reference and the registered corporations' and the responsible persons' chops; the responsible person shall present their national identity cards as well as other approved documentation if their business enterprises, groups, or organizations have not been registered.

In the case of the proof of identity in regard to the natural person in the previous Paragraph, the CDIC may, when necessary, request that they present supplementary evidence such as their national health card, driver's license, passport, student ID card, household certificate or other evidence that is sufficient to prove the identity.

13. In the case where the holder of the right is not the depositor, the documentation provided when applying for a payout as proof of identity, eligibility and related rights shall conform to one of the following stipulations:
 - (1) The inheritors: All inheritors shall in accordance with Subparagraphs 1 to 4 of Paragraph 1 of the previous Point present documents to prove their identity, as well as the record of the depositor's cancelled household registration, and the record of the cancelled registration for the entire household, inheritance tree diagram and proof of duty payment. When appointing one of the people to act as agent, a power-of-attorney signed by all those inheritors shall also be provided.
 - (2) The bankruptcy administrators or liquidated financial group administrators: The administrators shall pursuant to Paragraph 1 of the previous Point present their documentary evidence, as well as the written verdict announcing the bankruptcy or starting the liquidation proceedings.
 - (3) The pledgees: The pledgees shall in accordance with Paragraph 1 of the previous Point provide documentary evidence, and shall provide deposit certification, a notification form establishing the pledge, a notification form to exercise the pledge and documentation showing the depositor's agreement.
 - (4) Other holders of the right: They shall pursuant to Paragraph 1 of the above Point provide documentary evidence, and also related documentation to prove that they are holders of the right.
 - (5) When the depositors and the holders of the right described above entrust an agent with the handling of the matter, apart from providing related documentary evidence pursuant to Paragraph 1 of the previous Point and each of the regulations described above, the agent shall present a national ID card and a power-of-attorney. The trustor, who is the depositor referred to

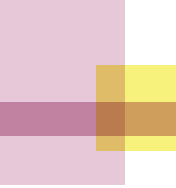
in Subparagraph 1 to Subparagraph 4 of Paragraph 1 of the previous Point applies to remit the payout amount to another person's account, shall also provide the certification of depositors' seal, or the personal signature or seal originally left for accessing to the deposit accounts.

14. When the CDIC handles the payout, it may in another insured institution open a special payout fund account to deal with this matter.
15. After the expiration of the publicly announced payout period, the CDIC shall in relation to the funds not yet paid out establish a separate accounting item to control these funds, and continue to handle the payout at the CDIC or the designated location.
16. Before the liquidation of the closed insured institution is completed, the CDIC may make lodgment pursuant to laws and regulations in the event that the following situations regarding the amounts being not paid out occur:
 - (1) The depositors have not yet applied for payout or have a dissenting view on matters concerned with the application of payout.
 - (2) The handling in accordance with Point 6 of a withheld amount has not yet been released.
 - (3) The CDIC, the depositors or the holders of the right have filed a civil suit in relation to the payout matters, and the final judgment has not been made by the court.

II. Consult with other insured institutions that will act on behalf of CDIC to make payouts

17. The CDIC when handling the payout pursuant to Subparagraph 2 of Paragraph 1 of Article 28 of the Act shall consult with insured institutions whose financial conditions and business operation are sound to handle the payment.

The institutions with whom the consultations are made as in the previous Paragraph shall with a view to their being entrusted with the payout matters offer a price reflecting their willingness to charge or to pay for handling the payout, and the CDIC shall then compare prices or negotiate prices in appointing the entrusted institution.
18. The CDIC shall, together with the entrusted institution, sign the entrusted payout contract. The content of the contract shall clearly include the following items:
 - (1) The entrusted institution shall execute the entrusted business in accordance with these operating procedures.
 - (2) The amount of the payout entrusted, the conditions for its appropriation and the transfer of related payout books of account.

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- (3) The locations at which the entrusted institution will handle the payout, the time period involved, the matters to which careful attention must be given and the handling of disputes.
 - (4) Related regulations regarding the handling of the payout by the entrusted institution and periodical report.
 - (5) The method for handling payouts not applied for within in the prescribed payout period.
 - (6) A price reflecting paying or charging for handling the entrusted payout.
 - (7) The contract's becoming effective and its termination.
 - (8) The handling of contractual violations.
 - (9) Other relevant matters.
19. The CDIC shall prior to the announced entrusted payout period hand over the payout-related documentation, books for keeping accounts and electronic data files to the entrusted institution, and shall prior to the date on which the payout period commences appropriate the payout fund to the entrusted institution.
 20. The entrusted institution shall from the date on which the payout period commences set up a deposit account with amount equal to the payout amount for the depositors of the closed insured institution and, in accordance with Subparagraph 2 of Paragraph 1 of Point 9, handle the payout.

As regards the deposit referred to in the previous Paragraph, the entrusted institution may record other payables in the accounting book, and before the depositors complete the process of opening an bank account and the payments are transferred to their accounts, such payouts shall not be used to offset the liabilities that those depositors are responsible for settling with that entrusted institution.

The CDIC shall request that the entrusted institution notify the depositors, before they complete the process of opening an account as in the previous Paragraph, of its intention for them to possibly receive a set-off at some point in the future.

21. During the period when the payout is entrusted to another institution, the CDIC may examine different types of information regarding the handling of the payout by the entrusted institution, and in relation to its purpose of offsetting, withholding or changing the payout amount, inform the entrusted institution to temporarily cease paying certain specified depositors.
22. When the entrusted payout contract is terminated, the entrusted institution shall return any funds not paid out together with any interest received to the CDIC.
23. These operating procedures shall become effective after being submitted to and approved by the competent authority, and the same shall apply to any amendments.

8

Regulations Governing the Establishment and Business Operations of Bridge Banks

Full text of all 23 Articles promulgated by the Financial Supervisory Commission, Executive Yuan, Order Chin-Kuan-Yin (3) No. 09730000050 on February 1, 2008

Article 1

These regulations are enacted pursuant to Paragraph 2 of Article 34 of the *Deposit Insurance Act* (hereinafter referred to as the "Act").

Article 2

A bridge bank is not organized as company. Its business items are in principle to assume the business originally conducted by the closed insured institution.

In establishing a bridge bank, the CDIC shall first clearly record each of the following items, and submit them to the competent authority for approval to establish a bridge bank as a legal entity and for a business license to be issued:

1. The name of the bridge bank of the CDIC clearly stated in printed letters.
2. The locations of the head office and branches and the bank's corporate chop and the responsible person's seal.
3. The minutes of the meeting of the CDIC's board of directors at which it was resolved to establish the bridge bank.
4. The scope of the businesses, assets and liabilities assumed.
5. The bridge bank's Articles of Incorporation.
6. The name lists of the bridge bank's directors, supervisors and chairman of the board of directors.
7. Other documentation that should be presented in accordance with the competent authority's regulations.

Article 3

In order to file the suits or apply for the registration items regarding the changes in the rights in relation to real estate, or for other business needs, the bridge bank shall apply to the competent authority for proof of Subparagraph 2 of Paragraph 2 of the previous Article.



Article 4

When a bridge bank pursuant to Article 37 of the Act assumes the businesses, assets and liabilities of a closed insured institution, it shall submit the following documentation and directly apply to the relevant registration authorities for batches of registrations:

1. The documentation from the competent authority approving the establishment of the bridge bank.
2. The contract that the bridge bank assumes the businesses, assets and liabilities of the closed insured institution.
3. The property inventory for handling the registration of changes in property rights.

As for the mortgage backed assets assumed by the bridge bank, the registration of the changes in the right to such assets may be handled all together when the bridge bank transfers all or part of the assets, liabilities and businesses to the assuming institution.

Article 5

The bridge bank's Articles of Incorporation shall record the following items:

1. The name of the bridge bank.
2. Business items.
3. The locations of the head office and branches.
4. The scope of the responsible person in charge, the duties and powers of directors and supervisors and the division of duties and powers among the managers.
5. The method used to make public notices.
6. The numbers, terms of office, appointment and dismissal of directors and supervisors.
7. The methods of convening a meeting of the board of directors and adopting resolutions.
8. Other important items.

Article 6

The duties and powers of the board of directors of the bridge bank are as follows:

1. To review important business policies.
2. To review items in the operating plan.
3. To review the relocation and dissolution of branches.
4. To review items related to the budget and final accounts.

5. To review the transfer of all or substantial part of the businesses, assets and liabilities.
6. To review revisions to the Articles of Incorporation.
7. To review other items that should be submitted to the CDIC for approval.
8. The approval of items regarding the appointment and dismissal, assessment and rewards and punishments in relation to employees holding the position of deputy manager and above.
9. The approval of each regulation and major contracts.
10. Other items in accordance with these regulations or Articles of Incorporation that shall be resolved by the board of directors.

Article 7

The board of directors shall submit all resolutions in relation to Subparagraphs 1 to 6 of the preceding Article to the CDIC for approval.

Minutes of meetings of the board of directors shall be submitted to the CDIC within 15 days after each meeting for reference.

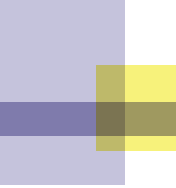
Article 8

The duties and powers of the supervisors of a bridge bank are as follows:

1. To supervise the execution of business operations.
2. To investigate the businesses and financial condition of the bank, to examine the written documents and accounting reports, and to request that the board of directors or the managers make reports.
3. To inspect the businesses and management units.
4. To inform the Board of violation of any law or neglect of duty by the staff of the bank.
5. To dispatch bridge bank auditing personnel or commission lawyers and certified public accountants to assist in the execution of duties, in accordance with the needs of the work of supervision.
6. Other duties and powers that might be exercised as stipulated in the Articles of Incorporation.

Article 9

A bridge bank shall have five to nine directors and one supervisor, who shall be appointed and dismissed by the CDIC.



The chairman shall work full time for the bridge bank. The directors and supervisors may be appointed with professional expertise in the operational management of financial institutions, or the CDIC personnel may hold this position concurrently.

As for those directors and supervisors referred to in the above Paragraph who are the CDIC personnel serving concurrently, the payment of their travel expenses shall be prepaid in accordance with the CDIC's internal regulations, but the expenses shall be borne by the bridge bank.

The remuneration of the chairman of the board of directors and of the directors and supervisors shall be determined by the CDIC and submitted to the competent authority for reference.

Article 10

The appointment and dismissal of the president of a bridge bank as well as his or her remuneration shall be decided by the board of directors, and shall be submitted to the competent authority and the CDIC for reference.

Article 11

The bridge bank shall assume the businesses and assets of closed insured institutions within the territory of the Republic of China, and the liabilities within the scope of that submitted by the CDIC and approved pursuant to the proviso to Paragraph 2 of Article 28 of the Act. However, the following assets may not be assumed:

1. Pastdue loans.
2. Loans written off as bad debts.
3. Assets which are difficult to resolve.
4. Items whose values are difficult to evaluate.
5. Other items that the CDIC deems not appropriate to be assumed.

Article 12

In accordance with the proviso of Article 30 of the Act, the prices of the assets transferred from closed insured institutions to the bridge bank shall be calculated based on, at the time when the businesses, assets and liabilities of the bridge bank are transferred, the values of the assets according to the bid price obtained by the assuming institution winning the tender and the prices of the remaining assets sold upon the dissolution of the bridge bank with the amount of the profit or loss arising during the period in which the bridge bank was in operation being added or subtracted. The prices of those assets not transferred to the bridge bank shall be calculated based on the liquidator's actual disposal price.

Prior to the confirmation of the above values, the bridge bank shall temporarily enter the values of the assets it assumes.

Article 13

When a bridge bank assumes the businesses, assets and liabilities of closed insured institutions, it shall make public notice regarding the following list of items in nationally circulated newspapers for three consecutive days, and publicly disclose the following in the main entrance of the bridge bank's head office and all branch locations and on their respective websites:

1. The basis for and the purpose of establishing the bridge bank.
2. The name of the bridge bank and the period of its establishment.
3. Business items.
4. The scope of the businesses, assets and liabilities assumed by the bridge bank.
5. The issues related to the transfer of the deposits of depositors and other liabilities in closed insured institutions and the protection of the rights and interests of its creditors.
6. Other important items.

Article 14

The bridge bank shall sign contracts with the closed insured institutions and the CDIC, clearly stipulating the scope of the businesses, assets and liabilities assumed by the bridge bank.

The content of the contract referred to above shall include records of the following items:

1. The scope and underlying nature of the businesses, assets and liabilities assumed by the bridge bank.
2. The methods and procedures used to evaluate assets and liabilities.
3. The conditions and dates for the contract to take effect.
4. The conditions and exercise method of the reverse repurchase agreements for part of the assets.
5. The handling of employee rights.
6. Other contractual stipulations.

Article 15

To continue in principle to adopt the operating and management rules regarding the deposits, loans, personnel, and information originally owned by the closed insured institutions, the bridge bank shall when necessary make revisions.

Article 16

The CDIC may, in regard to the business operations and management items of the bridge bank, dispatch personnel to perform an audit as deemed necessary.

Article 17

If it so happens that a bridge bank has insufficient liquidity, it may apply to the CDIC for the provision of operating funds. When submitting the application, it shall provide the meeting minutes of the board of directors, and shall submit liquidity demand analysis data, the uses of the funds and a loan repayment plan.

After verifying the documents prescribed in the preceding Paragraph, the CDIC may meet the bridge bank's demand for operating funds for a period of six months, either by making one payment or several successive payments, and the operating funds may be exempt from collateral. The amount of the operating funds provided shall not exceed the total deposits of the closed insured institution. As for the interest rate, the CDIC shall base this on its operating procedures for the provision of loans, deposits or other financial assistance to insured institutions under conservatorship or whose powers of board of directors and supervisors are exercised by the competent authority.

Article 18

In the case where the employee pension reserve appropriated by the closed insured institution is insufficient to make all the employees' pensions and severance pay as determined by law, the CDIC shall make up the whole of the deficiency, and in accordance with the ratio of employees retained by the bridge bank shall appropriate a reserve in that proportion that shall be transferred to the bridge bank's employee pension reserve supervisory committee's special account.



When a bridge bank retains the employees of a closed insured institution, the working years that these employees have served for the closed institution shall be acknowledged.

Article 19

If during the period of the bridge bank's operation there is a year in which the final accounts exhibit a surplus, the whole amount shall be provided as a statutory surplus reserve to make up for accumulated losses.

Article 20

The content of the annual report produced by the bridge bank shall include records of the following items:

1. A brief introduction to the bank.
2. The operating situation.
3. A review and an analysis of the financial situation and operating results of the bank.

The financial statements to be produced by the bridge bank shall include the balance sheet, income statement, cash flow statement and an appropriation of profit or loss statement.

Article 21

The businesses, assets and liabilities of a bridge bank shall be handled based on the principle of public tender. However, after obtaining the agreement of the CDIC's board of directors, they may be handled on the basis of price comparisons or price negotiation.

Article 22

Should any of the following situations occur, the bridge bank shall cease to operate and shall be liquidated:

1. The period of operation ends.
2. The transference of major businesses, assets and liabilities.

Article 23

These regulations shall become effective from the date of promulgation.

9

Regulations Governing the Advance Payments to Depositors by the Central Deposit Insurance Corporation

As approved by the Ministry of Finance, Letter Tai-Tsai-Jung No. 89733634 on June 3, 2000 and promulgated on June 17, 2000

As amended by the Financial Supervisory Commission, Executive Yuan, Order Chin-Kuan-Yin (3) No. 09700305090 on September 5, 2008

Article 1

These Regulations are enacted pursuant to Paragraph 3 of the Article 41 of the *Deposit Insurance Act* (hereinafter referred to as the "Act").

Article 2

When the Central Deposit Insurance Corporation (hereinafter referred to as the "CDIC") pursuant to Paragraphs 1 and 2 of Article 41 of the Act serves as the receiver and handles the advance payments against claims filed by the depositors beyond the maximum insurance coverage limit and by non-deposit creditors (hereinafter referred to as ineligible claims), it shall handle them in accordance with these Regulations, and shall comply with the principles of safety and soundness.

Article 3

The CDIC shall after careful deliberation make advance payments in regard to the ineligible claims of creditors of closed insured institutions that comply with the following conditions:

1. The net realizable value of the assets of the closed insured institutions can be reasonably estimated, and it is likely to be converted into cash.
2. The estimated amount of the advance payments and the interest on them can be fully reimbursed by the estimate of the net realizable value of the assets in the previous Subparagraph.
3. The closed insured institutions have no severe embezzlements and fraudulence or other significant cases whose losses are difficult to determine.

The estimated period for which the interest referred to in Subparagraph 2 of the previous Paragraph is five years.

The amount of the advance payments to be handled by the CDIC is limited to 30% of the amount on the insurance special payout reserves. The funds that CDIC needs for its handling shall be obtained pursuant to Paragraphs 1 to 3 of Article 31 of the Act.

The funds that the CDIC needs pursuant to the Act in the fulfillment of its insurance responsibilities towards closed insured institutions shall be deducted from the outstanding amount on the insurance special payout reserves in the preceding Paragraph. Furthermore, the deduction also includes funds that it is likely to need should there be other insured institutions to the extent that, because they are critically undercapitalized or significantly undercapitalized and the period of their capital restoration is limited by the competent authority or for other measures, it is uncertain that the CDIC may fulfill its insurance responsibilities.

Article 4

When the CDIC handles advance payments in relation to the ineligible claims of the creditors on closed insured institutions, the formula for the estimated amount of advance payments will be as follows:

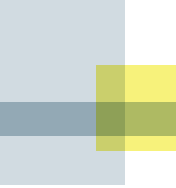
(The amount of the eligible deposit claims beyond the maximum coverage limit \times Its anticipated recovery ratio of the liquidation proceeds + The amount of the ineligible deposit claims \times Its anticipated recovery ratio of the liquidation proceeds) \times The advance payments percentage.

The anticipated recovery ratio in the previous Paragraph is based on assets divided by each claim. When it exceeds 100%, it will then be calculated on the basis of 100%.

The value of the assets in the previous Paragraph are based on the anticipated net realizable value of the closed insured institutions remaining after deducting anticipated liquidation expenses, claims that have a higher priority of reimbursement, the collateralized claims of other creditors on the closed insured institutions, and other claims that shall be deducted. For each claim in the previous Paragraph, the total amount of the claims shall be calculated separately by distinguishing the sequence in which these advance payments claims are to be made.

The collateralized claims as referred to in the previous Paragraph refer to the amounts that creditors in respect of such collateral shall be reimbursed that lie within the scope of the value of the collateral on such claims.

The percentage paid in advance by the receiver to uninsured creditors shall be limited to 30% of the anticipated amount of the recovery.



For eligible deposit claims beyond the maximum coverage limit for which it is anticipated that the full amount cannot be recovered, advance payments shall not be made for other claims.

When calculating the value of the assets in Paragraph 3, the evaluation basis may refer to the information and amount of the anticipated loss from the CDIC's cash payouts.

Article 5

The scope of the CDIC's advance payments to uninsured claims of the creditors on closed insured institutions excludes the following claims:

1. Claims that the Court has ordered to be seized.
2. Claims that are eligibly within the scope of handling the set-off.
3. Claims that have already been mortgaged to a third party.
4. Claims where the creditor has already been served notice of bankruptcy with a bankruptcy trustee not yet being selected or in the event of depositor's death with the inheritance registration not yet being completed.
5. Claims where there is suspicion of illegal activities or a lawsuit has been filed.
6. Claims that are still in dispute.
7. Other claims that the CDIC deems to be inappropriate to make advance payments.

Article 6

The income from the liquidation of the assets of the closed insured institutions, apart from that retained for the interest on advance payments, as well as other anticipated expenses needed in the liquidation and amounts retained for claims that have a higher priority than advance payments, shall be recorded according to the sequence in which the advance payments claims are listed separately, and the aforesaid advance payments shall be reimbursed to the CDIC.

As for the interest on advance payments in the previous Paragraph, beginning from the day on which the CDIC's advance payments are appropriated to the receiver, the interest shall be calculated based on the CDIC's cost of funds on a floating rate basis.

The cost-of-funds rate in the previous Paragraph shall be calculated in accordance with the following methods:

1. From the CDIC's own funds: The average of the CDIC's one-year fixed and floating deposit rates with the Central Bank.
2. Accommodation obtained from the Central Bank or other financial institutions: The interest rate obtained on such funding.
3. Where both of the above two methods apply: the weighted average interest rate.

Article 7

When the CDIC handles advance payments, it shall on its Website and in the major daily newspapers that is circulated where the closed insured institution is located post an announcement for three days or more. It shall also publicly disclose such an announcement in the main entrance of the closed insured institution's head office and all branch locations.

The announcement referred to in the previous Paragraph shall clearly record the following matters:

1. The purpose and the creditors for making the advance payments, and the scope of the claims.
2. The method for calculating the amount of the advance payments.
3. The period, the location and the method for making the advance payments.
4. The CDIC may, pursuant to Article 38 of the Act, subrogate all rights of uninsured creditors against the closed insured institution in its own name.
5. Other relevant matters.

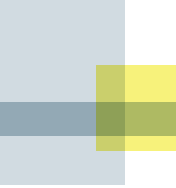
Article 8

When making advance payments, the CDIC shall, in accordance with the mailing addresses left by the uninsured creditors with the closed insured institution, notify them in writing of the following items:

1. The amount of the advance payments.
2. The claims that are not included in the advance payments.
3. The claims on the closed insured institutions, after the uninsured creditors receive the advance payments, are extinct within the scope of the amounts received.

To receive the amount of the advance payments, the uninsured creditor shall fill in the form for receipt of the advance payments with his or her own account number that he or she holds in other financial institutions. After signing or affixing his or her personal signature or seal to the form, he or she shall mail it to or take it directly to the place designated by the CDIC, so that the CDIC can handle the remittance.

If the uninsured creditors are unable to receive the advance payments in accordance with the approach referred to in the previous Paragraph or have differences of opinion over the items, and cannot help but deal with them over the counter, they shall provide their personal identity card, eligibility and original documentation of related rights certificate, and deal with the matter in person at a location designated by the CDIC. After the CDIC verifies that there are no errors or upon re-examination finds that there are no further disputes, the creditor shall fill in the forms for the receipt of



advance payments, and shall designate an account number for remittance or apply for a non-endorsable, non-negotiable check made payable to himself or herself, in order to receive the advance payments. If there is still any difference of opinion against the result of the re-examination, the uninsured creditors may first apply for CDIC to make advance payments to those amounts where there are no disputes.

Article 9

When the CDIC handles advance payments, it shall on a regular basis compile detailed income and expenditure statements in relation to the advance payments.

Article 10

When the whole amount of the CDIC's advance payments and the interest thereon are reimbursed, the procedure of advance payments are completed. The same applies if the whole amount is not fully reimbursed, but the liquidation procedures have been completed.

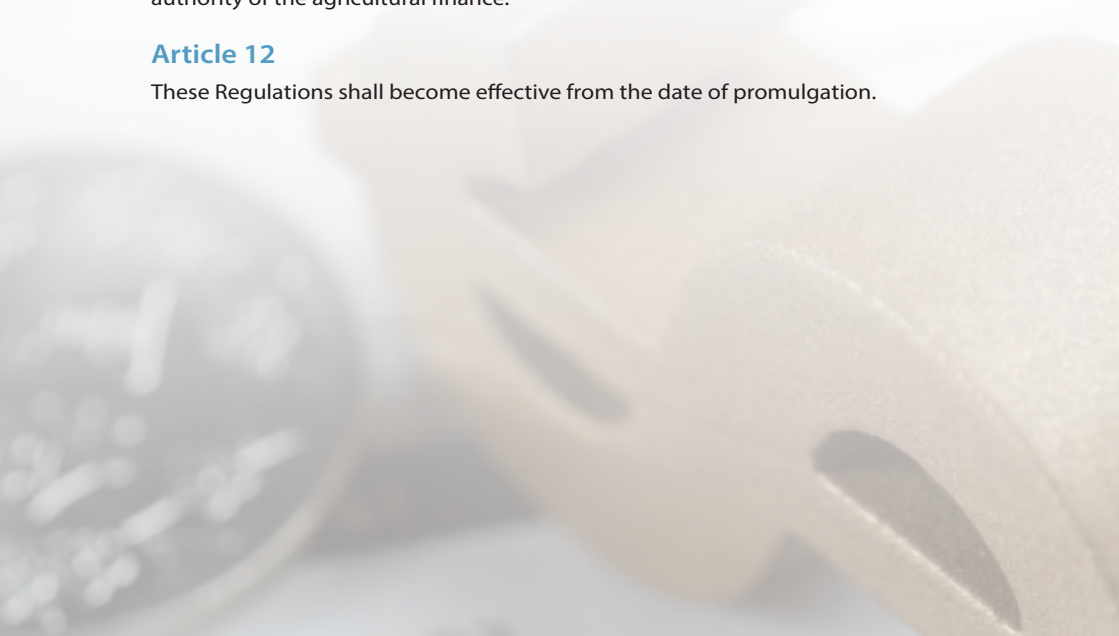
When the proviso in the previous Paragraph applies, the CDIC shall handle this matter pursuant to Article 20 of the Act.

Article 11

After the CDIC has completed the advance payments, it shall submit a written report on handling of the situation to the competent authority, and shall retain such related documentation for at least ten years. If the closed insured institution is an agricultural financial institution, it shall as well submit the same report to the central competent authority of the agricultural finance.

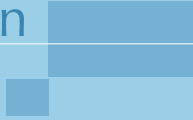
Article 12

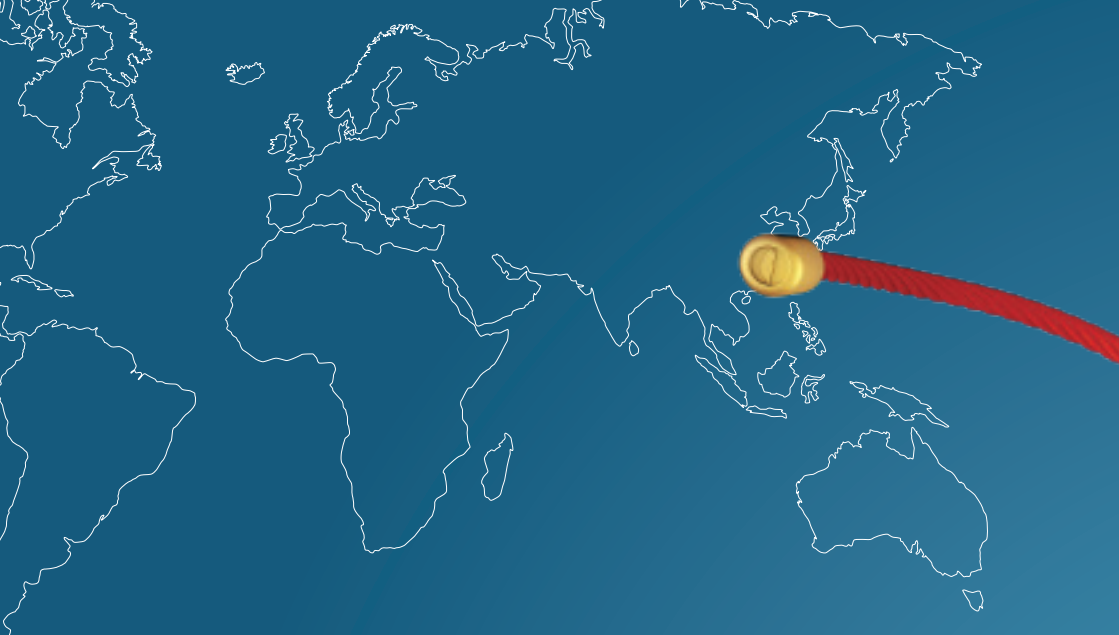
These Regulations shall become effective from the date of promulgation.



Central Deposit

Insurance Corporation





DEPOSIT INSURANCE:

Bringing Smiles of Satisfaction and Security to Taiwan's Financial Sector



中央存款保險公司

Central Deposit Insurance Corporation

Central Deposit Insurance Corporation

11F, No. 3, Nanhai Rd., Taipei, 10066

Taiwan, R.O.C.

Tel: 886-2-2397-1155

Toll-free line: 0800-000-148

Website: <http://www.cdic.gov.tw>

Central Region Office

16F, No. 2-107, Wuquan Rd., West District,

Taichung, 40355, Taiwan, R.O.C.

Tel : 886-4-2371-2756

South Region Office

10F-5, No. 31, Haibian Rd., Lingya District,

Kaohsiung, 80248, Taiwan, R.O.C.

Tel : 886-7-331-1226



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