



中央存款保險公司
Central Deposit Insurance Corporation

2013 Annual Report



Central Deposit Insurance Corporation





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2013 Annual Report

CDiC



Central Deposit Insurance Corporation





Central Deposit Insurance Corporation



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



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Expansion and Improvement of Taiwan's
Deposit Insurance System

CDIC



Message from the *Chairman* and the *President*

Looking back over the year 2013, the economy of the U.S. was moderately expanded due to the growth of its manufacturing industry and consumption expenditures while that of the Eurozone was also in gradual recovery. However, the growth of global economy remained slow, hence it not only weakened Taiwan's consumption and export, but also filled its domestic financial market with uncertainties. In light of that, it was crucial to maintain financial stability so as to revive economic growth. With the policy missions of providing financial safety net as well as protecting the rights and interests of depositors in Taiwan, the Central Deposit Insurance Corporation (CDIC) has been working with the government over the years on completing the financial reform policies, and has successfully enabled those problem insured institutions to smoothly exit from the market. The CDIC's contribution to protecting depositors' rights and interests and maintaining financial order is recognized by all.

Since the operation of financial industry attaches much importance to legal compliance and risk management, in addition to taking related supervisory measures in line with government policies, the CDIC has continued to strengthen the control of the insurance risk through the implementation of risk-based premium, off-site monitoring and special on-site inspection mechanisms. Furthermore, in order to make the “Risk-based Premium Rating System” (RPRS) adequately adapt to the changes of financial environment and meet the needs for off-site monitoring, the CDIC completed the revisions of the risk indicators and weights of the RPRS in 2013, so the risk-based premiums of the insured institutions can reflect the operational risks and financial conditions more effectively and timely.

Following the termination of the Executive Yuan’s Financial Restructuring Fund (hereinafter referred to as “the FRF”) at the end of 2011, the CDIC has continued as the conservator or receiver to take charge of disposing of the retained assets of nine failed financial institutions to accelerate the process of recovering funds. It has also actively handled unresolved litigations and pursued civil liabilities against persons in violation of laws for compensation in order to maintain social justice. In addition, since the CDIC received the approval from the competent authority to increase the deposit insurance premium rates from 2011, plus the appropriation of business taxes from the banking industry, the Deposit Insurance Payout Special Reserves have continued to accumulate, and therefore it has been strengthening the deposit insurance protection base.

To promote international cooperation and strengthen the functions of the deposit insurance system in Taiwan, the CDIC has continued to work on cooperation and communication with the deposit insurance organizations and financial supervisory agencies of other jurisdictions. In addition to serving several important posts of the International Association of Deposit Insurers (IADI), such as the member of the Executive Council and the Chairperson of the Research and Guidance Committee, this year the CDIC has signed the Memorandum of Understanding (MOU) with Fonds de Garantie des Depots et de Resolution (FGDR), a French organization specializing in deposit protection and resolution. So far the CDIC has established formal cooperative relationships with ten deposit insurance and/or financial safety net organizations from nine countries, shared Taiwan’s experiences with other countries through international conferences, and actively participated in various kinds of international research and training in relation to global deposit insurance mechanisms under the auspices of the IADI, in order to effectively strengthen Taiwan’s deposit insurance system and to keep Taiwan on track with international developments.

Moving forward, with a higher self-expectation in carrying out the missions to protect the rights and interests of depositors and maintain financial stability, the CDIC will diligently exert its professionalism and continue to support the government’s financial supervisory policies, replenish the Deposit Insurance Payout Special Reserves, strengthen controls over insurance risk, perfect the resolution mechanisms, enhance laws and regulations related to deposit insurance, and increase public awareness of deposit insurance to establish a more complete deposit insurance system.

Thanks to all sectors of society for the long-term support as well as encouragement, and to all our staff for the diligent efforts, the CDIC has been able to smoothly fulfil its objectives. Thus, we would like to extend our sincere appreciation, and continue to solicit your ongoing support and guidance.

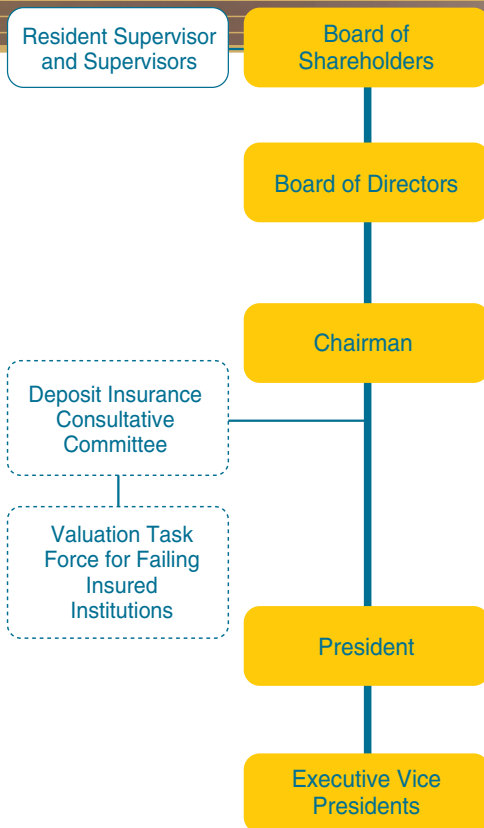
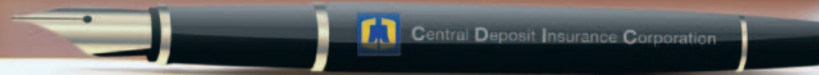


Chairman David C. Y. Sun



President Michael M. K. Lin

Organization Chart and Overview of Departments



Department of Business

Handles matters related to the planning and research of deposit insurance, coverage limit and risk-based premiums issues, fund investment and management, funding for insured institutions and bridge banks, and public awareness activities of deposit insurance.

Department of Risk Management

Handles matters related to the Financial Early-warning System, management of insurance risk, off-site monitoring of insured institutions, guidance or superintendence to problem insured institutions, issuance of warnings and termination of deposit insurance agreements, and assistance in handling bank runs.

Department of Resolution

Handles matters related to strategic planning of conservatorship or resolution of problem insured institutions, provision of financial assistance for insured institutions under conservatorship or acquiring institutions, payout of depositor claims against failed insured institutions, advance payment to uninsured creditors, liquidation of the assets and liabilities of failed institutions, and the establishment, operation, management and disposition actions of bridge banks.

Special Inspection Department

Handles matters related to inspections of deposit insurance applications by financial institutions, the accuracy in calculations of the deposit assessment base of insured institutions, and the content of electronic data files of insured institutions, evaluation inspections on the indicators of the Risk-based Premium Rating System submitted by insured institutions, any events causing the termination of the deposit insurance agreement, as well as the assets and liabilities of the insured institutions prior to the fulfillment of insurance responsibilities, and also handles administrative matters related to internal controls and internal audits.

Executive Vice President William Su

Director, Department of Resolution
Yao-Kun Chen

Director, Civil Service Ethics Office
Shun-Ching Su

Director, Department of Accounting
Huei-Ling Liu

Director, International Relations and Research Office
Yvonne Fan

Director, Department of Business
Allen Chen

Director, South Region Office
Yong-Huei Peng

Director, Central Region Office
Shin-Yih Chen

From left to right



Board of Directors and Supervisors

Board of Directors	
Chairman	Directors
David C. Y. Sun (Representative of the Financial Supervisory Commission)	Michael M. K. Lin (Representative of the Financial Supervisory Commission)
Supervisors	Yu-Ching Su (Representative of the Financial Supervisory Commission)
Resident Supervisor	Grace M. C. Lee (Representative of the Financial Supervisory Commission)
Tsuey-Ling Hsiao (Representative of the Central Bank)	Yeh-Ning Chen (Representative of the Financial Supervisory Commission)
Supervisors	Wen-Hwang Ou Yang (Representative of the Financial Supervisory Commission)
Jason Y. S. Hu (Representative of the Central Bank)	Ling-Yang Wu (Representative of the Financial Supervisory Commission)
Ter-Shin Chen (Representative of the Central Bank)	

Department of Legal Affairs

Handles matters related to contracts, litigation, financial laws and regulations, research of laws and regulations related to deposit insurance, and pursues of civil liabilities for the illegal acts of employees of problem insured institutions, as well as inspecting evidence needed to pursue civil liabilities pursuant to Subparagraph 4 of Paragraph 1 of Article 24 of the *Deposit Insurance Act* and handles other related laws and regulations.

International Relations and Research Office

Handles matters related to international affairs and activities related to the International Association of Deposit Insurers (IADI), research on deposit insurance and financial safety net issues, and English public awareness activities.

Department of Accounting

Handles matters related to annual budgeting, accounting, statistics and auditing.

Secretariat

Handles matters related to secretarial matters, documentation, procurement, cashier affairs, property management, publication management, public relations, meeting logistics, and other general affairs.

Information Management Office

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

Personnel Office

Handles matters related to personnel management and training.

Civil Service Ethics Office

Handles matters related to ethics of the staff.

Central Region Office

Handles matters related to collections, processes, analysis and monitoring of operational information, provision of guidance, inspections, assistance with handling of bank runs, conservatorship and payout of insured institutions in the area from Taichung to Chiayi.

South Region Office

Handles matters related to collections, processes, analysis and monitoring of operational information, provision of guidance, inspections, assistance with handling of bank runs, conservatorship and payout of insured institutions in the area from Tainan to Taitung.



Executive Vice President

Robert L. I. Chen

Advisor

Hong-Dei Huang

Director, Personnel Office

Bin-Lian Jan

Director, Special Inspection Department
Lu Ye

Director, Department of Risk Management
Annie Jen

Director, Department of Legal Affairs
Cyuan-Yuan Yang

Advisor

Ruby Hou

Director, Information Management Office
Shui-Dong Huang

Advisor

Hon-Zinn Lin

Director, Secretariat
Quan-Cheng Chang

From right to left

Business Operations

CDIC

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Central Deposit Insurance Corporation

The CDIC is the sole government agency responsible for handling deposit insurance in Taiwan. Its duties include safeguarding the benefits of depositors in financial institutions, maintaining an orderly credit system, and improving the sound development of financial operations. To achieve its legislative objectives, the *Deposit Insurance Act* entrusts the CDIC with the major duties of handling deposit insurance, controlling the operational risks of insured institutions, handling problem insured institutions and disposing of failed insured institutions. The following is a brief overview of the CDIC's tasks and achievements in 2013:

1 Deposit Insurance

(1) Participation of Financial Institutions in Deposit Insurance

In accordance with Article 10 of the *Deposit Insurance Act* and the *Approval Standards for Financial Institutions Applying to Participate in Deposit Insurance*, one domestic bank and three local branches of foreign banks and mainland Chinese banks became insured institutions in 2013. As of December 31, 2013, a total of 395 institutions were insured, of which three were domestic government-owned financial institutions, 37 private commercial banks, 29 local branches of foreign banks and mainland Chinese banks, 24 credit cooperatives, 277 credit departments of farmers' associations and 25 credit departments of fishermen's associations.

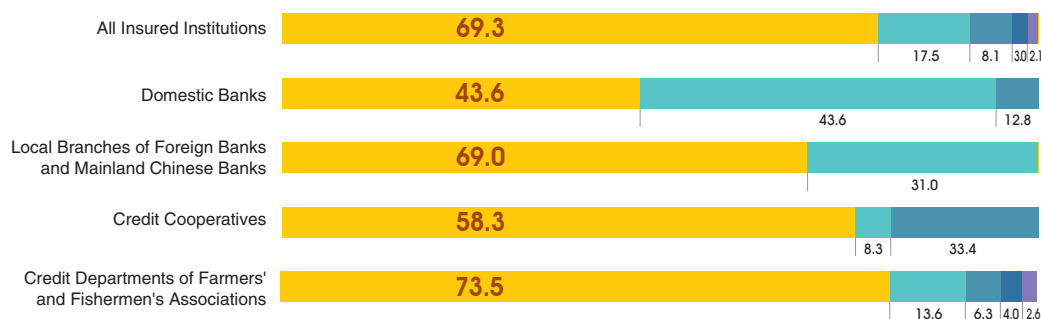
(2) Adjustment of Risk-based Premium Rates and Enforcement

Since the deposit insurance coverage limit was set at NT\$3 million in 2011, and the CDIC's General Financial Deposit Insurance Payout Special Reserve was insufficient due to support of government policies that involved the combined use of the FRF and the above-mentioned reserve for handling problem financial institutions, a proposal for the adjustments to the deposit insurance premium was approved by the Financial Supervisory Commission (hereinafter referred to as the FSC) and took effect in 2011 in order to speed up the accumulation of the Deposit Insurance Payout Special Reserves, thus strengthening the CDIC's ability to undertake risks. The adjusted premium rates are as follows:

- The five-tiered risk-based premium rates for domestic banks and local branches of foreign banks and mainland Chinese banks are 0.05%, 0.06%, 0.08%, 0.11%, and 0.15% of covered deposits, respectively, with a flat premium rate of 0.005% for eligible deposits in excess of the coverage limit.

Risk-based Premium Rates by Institution Types

As of December 31, 2013 / Unit: %



Note The insured institutions do not include Chunghwa Post Co., Ltd; domestic banks include the Agricultural Bank of Taiwan but exclude Chunghwa Post Co., Ltd.



Press conferences held for CDIC-sponsored public awareness campaigns



College students visiting CDIC History Exhibition Hall

- The five-tiered risk-based premium rates for credit cooperatives are 0.04%, 0.05%, 0.07%, 0.10%, and 0.14% of covered deposits, respectively, with a flat premium rate of 0.005% for eligible deposits in excess of the coverage limit.
- The five-tiered risk-based premium rates for the credit departments of farmers' and fishermen's associations are 0.02%, 0.03%, 0.04%, 0.05%, and 0.06% of covered deposits, respectively, with a flat premium rate of 0.0025% for eligible deposits in excess of the coverage limit.

In order to reflect the operational risk and financial conditions of insured institutions in relation to the risk-based premium in a more effective and timely manner, the CDIC has completed revisions to risk indicators and weights in the "Risk-based Premium Rating System" as well as fully adopted the call report data submitted by insured institutions as the sole resource for one of the risk indicators, the "Composite Score of the Risk-based Premium Rating System" to calculate risk-based premiums.

Furthermore, a proviso was also added, stipulating that adjustments should be made according to the on-site examination results where major differences exist between the call report data submitted by insured institutions and the examination results, and the score and risk-based premium should be generated and calculated accordingly. In addition, in line with the related regulations regarding the raising of minimum capital adequacy requirements year by year that were set forth in the *Regulations Governing the Capital Adequacy and Capital*

Category of Banks, amended and promulgated by the competent authority on November 26, 2012, the risk classification of another risk indicator of the risk-based premium, "Capital Adequacy Ratio", were also amended accordingly. The aforementioned content of amendments was approved by the FSC on October 16, 2013 and became effective on January 1, 2014. As of the end of December 2013, the first tier of the premium rate was being applied at about 69.3% of all insured institutions, the second tier at 17.5%, the third tier at 8.1%, the fourth tier at 3.0%, and the fifth tier at 2.1%.

(3) Deposits of Insured Institutions and Coverage Ratios

According to the statistics submitted by insured institutions, the total amount of eligible deposits reached approximately NT\$35.3 trillion as of December 31, 2013 and deposits within the NT\$3 million coverage limit totaled roughly NT\$18.93 trillion after the coverage limit was raised to NT\$3 million and the scope of coverage was expanded to include foreign currency deposits and deposit interests on January 1, 2011. The ratio of deposits under the coverage limit to all total eligible deposits increased to 53.6%, while the ratio of fully covered deposit accounts to the total number of deposit accounts grew to 98.4%. This trend shows that the new NT\$3 million deposit insurance coverage limit has protected the majority of small depositors, which has resulted in increased confidence of depositors in financial institutions.



CEO of Malaysia Deposit Insurance Corporation (MDIC) visiting CDIC



CDIC hosting an international event

(4) Active Promotion of the Deposit Insurance System

In an effort to promote the policy functions of the deposit insurance system among depositors, the CDIC continued, through each insured institution, as well as by means of multimedia channels including television, radio, posters, magazines, the Internet, public transportation and activities such as soliciting proposals for a short film, to inform depositors

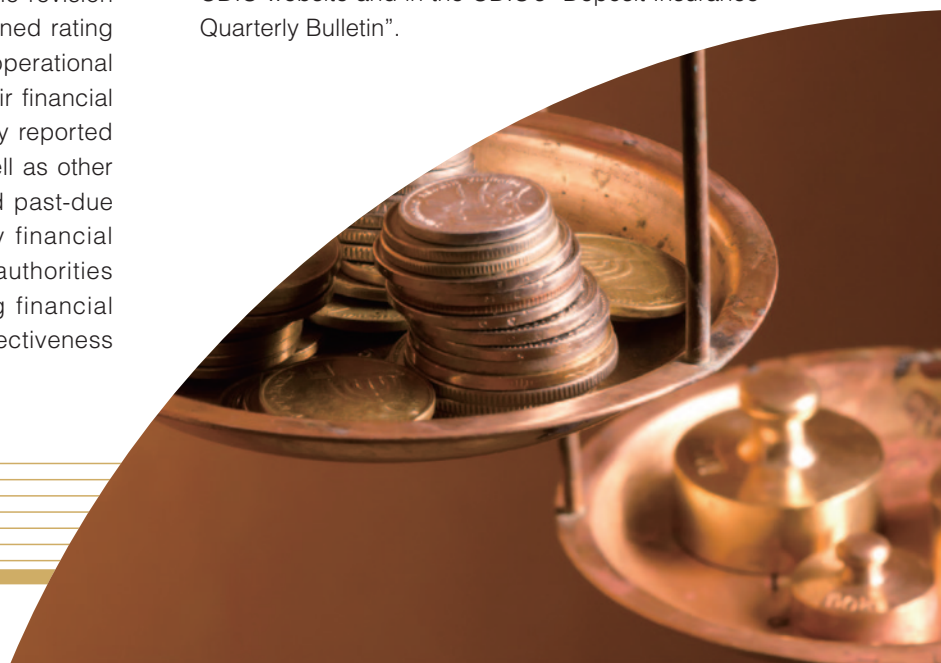
that the coverage limit has been increased to NT\$3 million and that foreign currency deposits and deposit interest are now included within the scope of coverage. These efforts have worked to strengthen awareness of depositors regarding their rights, as well as their knowledge of the deposit insurance system.

2 Risk Management

(1) Operations of the Financial Early-warning System

In order to track the operating status and financial conditions of insured institutions in a timely manner and provide references to the competent authorities for formulating relevant supervisory decisions, the CDIC has continued to implement the National Financial Early-warning System, as well as the Risk-based Premium Rating System. The CDIC, in line with the changing financial environment and the needs of supervision, also completed the revision of the risk indicators for the aforementioned rating system to better reflect the divergent operational risks among insured institutions and their financial conditions. Moreover, the CDIC regularly reported the results of examination ratings, as well as other related information analysis reports and past-due loan compilation tables for community financial institutions to the relevant competent authorities to promote information sharing among financial safety net players and enhance the effectiveness

of supervision. In addition, in accordance with the government's policies of gradually increasing public disclosure of the information of financial institutions, the CDIC extracted information from each the "Quarterly Report on the Analysis of Business Operations of Credit Cooperatives and the Credit Departments of Farmers' and Fishermen's Associations" and disclosed the content on the CDIC website and in the CDIC's "Deposit Insurance Quarterly Bulletin".



(2) Implementation of an Account Officer Analysis System

To thoroughly grasp the operating status of insured institutions and promote the effectiveness of risk management, the CDIC implemented an account officer analysis system to manage insurance risks. The key elements involved in the implementation include: timely detecting of operational abnormalities in insured institutions by an Internet Transmission Surveillance System that analyzes critical financial data of insured institutions on a daily basis; regularly analyzing the operating conditions of insured institutions; establishing files dedicated to significant unexpected events, the operational data and major warning signal items of insured institutions; carefully handling public complaints and tip-offs in accordance with regulations; and special auditing the financial reports of insured institutions with business concentrations risks so as to closely monitor potential changes of their risks.

(3) Enhancement of Information Sharing and Coordination Mechanisms with Financial Supervisory and Regulatory Agencies

In addition to participating in the “Financial Supervisory Coordination Council”, the CDIC dispatched personnel to participate in the “Financial Supervisory Information Reporting Window Task Force for Banks and Bills Finance Companies” to handle amendments to the submitted reports and make changes of the system by adopting “Single Window Reporting”. In addition, the CDIC also dispatched personnel to take part in the “Liquidity Risk Management Task Force” to assist the Banking Bureau of the FSC in amending liquidity risk-

related indicators based on Basel III. Furthermore, the CDIC designated personnel to participate in the “Task Force on the Study of Amendment to the Unified Accounting System for Credit Cooperatives” to draft amendments and “Promoting International Accounting Standards Task Force” to assist in the promotion of relevant accounting standards for credit cooperatives.

(4) Assistance to the Council of Agriculture, Executive Yuan to Reinforce Surveillance and Risk Control of Credit Departments of Farmers’ and Fishermen’s Associations

The CDIC dispatched personnel to attend guidance meetings convened by the relevant competent authorities and closely cooperated with them. Furthermore, the CDIC dispatched personnel to visit insured institutions to provide suggestions related to their operational problems as references. The CDIC also submitted rating information on the credit departments of farmers’ and fishermen’s associations to the relevant competent authorities for reference. In addition, the CDIC compiled a report, “Examples of Common Errors in Submitting False Statements Made by the Credit Departments of Farmers and Fishermen’s Associations” and submitted it to the competent authorities as a reference in efforts to encourage the credit departments of farmers’ and fishermen’s associations to make related improvements on the verification and accuracy of reported data. The CDIC also provided suggestions to the relevant competent authorities regarding the comparatively high percentage of construction loans made by the credit departments of farmers’ and fishermen’s associations.



3 Resolution of Problem Insured Institutions

(1) Continued Dealing with Retained Assets and Unresolved Issues as a Receiver of Problem Insured Institutions

The CDIC has acted as the receiver for the following five failed financial institutions: Kaohsiung Business Bank, Chung-Shing Commercial Bank, Enterprise Bank of Hualien, Taitung Business Bank and Bowa Bank since being appointed by the competent authority on July 10, 2012. Through 2013, the CDIC continued to handle issues regarding the winding down of all pending business, collecting all outstanding claims and day-to-day matters relating to bookkeeping, stocks and taxation, including the open bids for the retained assets of the aforementioned financial institutions.

(2) Actively Dealing with Retained Assets and Unresolved Issues as a Conservator of Problem Insured Institutions

The major issues handled in 2013 are explained as follows:

A. Chinese Bank

- (a) To handle the collection of the retained loans of the Chinese Bank, the CDIC organized a “Loan Collection Review Team” and established *Operational Guidelines for Handling the Retained Assets of*

Problem Insured Institutions and “Notices for Monitoring and Collection Operations of Handling the Retained Loans of Problem Insured Institutions” to ensure the effectiveness of loan collection. The total amount recovered from the abovementioned retained loans in 2013 was NT\$130.9 million. By the end of December 2013, five outstanding claims from three loan accounts still remained to be collected. After the deduction of loan loss provisions, the net amount of the retained loans was NT\$240.45 million, representing a decrease of 96.1% compared to the amount when the Chinese Bank was taken over by the CDIC in March 2008.

- (b) Because the major assets and liabilities of the Chinese Bank have been settled sequentially, almost no banking business or retained assets and liabilities remained to be managed, except for some pending lawsuits, partial claims to be collected and subordinated debts issued after June 22, 2005, which represented non-deposit debts that would not be paid off by the FRF pursuant to the *Statute for the Establishment and Management of the Executive Yuan’s Financial Restructuring Fund*. The objective of the conservatorship was considered to have already been accomplished, and therefore the CDIC submitted a proposal to terminate

its conservatorship to the competent authority on November 28, 2013. On February 28, 2014, the competent authority approved the proposal.

B. Chinfon Bank

Regarding the antiques retained by the Chinfon Bank, 49 items were sold in 2013, which resulted in recovery of NT\$24.77 million. A total of 47 antique items remain unsold, with a total book value of NT\$1.1 million, representing a decline in the book value of retained antiques of approximately 99.7% since the Bank was taken over by the CDIC in April 2010. The remaining seven units of real estate of the Chinfon Bank were not sold in 2013, with a total net book value of NT\$119.61 million. This means that approximately 98.3% of the net book value of NT\$7.165 billion of said assets had already been sold since the Bank was taken over by the CDIC. Furthermore, one unit of real estate has been continuously leased, with an annual rental income of NT\$1.68 million.

C. China United Trust and Investment Corporation

Regarding real estate retained by the China United Trust and Investment Corporation, five units and 37 parking spaces were sold in 2013, resulting in recovery of NT\$787.84 million. Two units of real estate with a total net book value of NT\$143.84 million still remained unsold, meaning that approximately 97.2% of the net book value of NT\$5.214 billion of said assets had already been sold since the Corporation was taken over by the CDIC in December 2007.

D. Asia Trust and Investment Corporation

- (a) As of the end of July 2013, the Asia Trust and Investment Corporation was unable to continue business function because all of its major assets and liabilities, as well as its entire operations, had already been assumed by other financial institutions, while all remaining real estate properties had been sold through open tender. The CDIC considered the objectives of its conservatorship accomplished. Meanwhile, the net worth of the Corporation turned positive; thus, shareholders of the Corporation became entitled to the distribution of the remaining properties in accordance with the *Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund*. The CDIC selected Cosmos Bank to serve as liquidator and Yuanta Bank to serve as supervisor. The liquidator prepared a draft of the liquidation plan and submitted it on behalf of the Corporation to apply for dissolution when, upon review by the CDIC as the conservator, there were no concerns of legality or feasibility. The CDIC also submitted a proposal to the competent authority to terminate the conservatorship, and this request was approved by the competent authority, subsequently terminating the conservatorship of the Corporation on September 6, 2013. The Corporation was simultaneously dissolved and proceeded to liquidation. The CDIC transferred the remaining unresolved matters to the liquidator as of the date on which the conservatorship was terminated.

(b) In accordance with the resolutions of the FRF management meeting, the CDIC negotiated several times with major corporate shareholders of the Asia Trust and Investment Corporation regarding the input of governmental resources and the compensation payable to the FRF. Finally, the proposal made by the liquidator was adopted through an agreement of the corporate shareholders who represented more than 50% of shares. The agreement involved paying the FRF NT\$217.67 million, and this was also listed in the liquidation plan. The CDIC accordingly made a creditor's claim for the said amount to the liquidator. The liquidator issued a check in the stated amount and delivered it to the CDIC on December 19, 2013. The CDIC reported the relevant status to the competent authority to close the case.

(3) Amendments of Related Operational Procedures for Handling of Problem Insured Institutions

- A. In order to comply with the government's policy of "Promoting Overall Reform of Governmental Service Process", the *Operating Procedures Regarding Payouts to Depositors by the CDIC* were amended accordingly. The proposed amendment for acceptable replacement of household registration transcripts with household registration information was approved by the competent authority on April 25, 2013.
- B. In order to establish standard operational procedures for handling problem insured institutions, the "Manual of Procedures Regarding Open Tender and Settlement of Non-performing Loans of Problem Insured Institutions", the "Manual of Procedures Regarding Open Tender of the Assets, Liabilities and Business Operations of Problem Insured Institutions" and the "Manual of Procedures Regarding Settlement of the Assets, Liabilities and Operations of Problem Insured Institutions" were developed or amended.



4 Handling of Legal Prosecution Following Expiration of the FRF

(1) In accordance with Article 17 of the *Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund* and the resolutions of the FRF management meeting, the CDIC has actively pursued civil liabilities against individuals in violation of the law to compensate the losses of the FRF and serve the interest of social justice. By the end of December 2013, 143 civil liability claims were made. Furthermore, based on the "Executive Yuan's Plan for Handling the Issues Related to the Expiration of the Financial Restructuring Fund" following its termination of the FRF at the end of December 2011, the aforementioned civil liabilities were to be pursued by the National Treasury (the FSC). The FSC subsequently entrusted the CDIC to continuously handle these cases.

(2) Regarding unresolved litigation cases concerning failed insured institutions, a total of four cases were resolved during the year 2013.



5 Inspection

In accordance with the inspection power provided by the *Deposit Insurance Act*, the CDIC continued to conduct inspections of insured institutions in relation to statutory matters and application for deposit insurance membership. During the year 2013, the CDIC carried out the following inspections:

- (1) Conducting on-site inspections on financial institutions applying for deposit insurance membership to increase the quality of application verification and reduce insurance risk. In 2013 the CDIC conducted one on-site inspection in relation to an application by the Taiwan branch of a mainland Chinese bank. As for the deficiencies discovered through the on-site inspection, the inspected institution made necessary improvements in response to the CDIC's request.
- (2) Verifying a total of 16 insured institutions in 2013 pertaining to the accuracy of their deposit assessment base and deposit insurance premium calculation. Addressing deficiencies and/or errors detected in the abovementioned inspections, the CDIC requested in writing that the inspected insured institutions make improvements.
- (3) Verifying a total of 107 insured institutions in 2013 pertaining to the accuracy of the contents of their electronic data files so as to help the CDIC calculate payout payments in a timely manner. Addressing deficiencies and/or errors detected, the CDIC requested in writing that the insured institutions make improvements within a specified period of time.
- (4) Conducting on-site inspections on the relevant data and files of the risk indicators of the "Risk-based Premium Rating System" submitted by insured institutions to verify the accuracy of the information and to effectively control the insurance risks. The CDIC verified a total of 37 insured institutions in 2013. Addressing deficiencies and/or errors detected, the CDIC requested in writing that the insured institutions make improvements.



CDIC

The background of the bottom half of the page features a large, semi-transparent yellow circle. Overlaid on this circle and the rest of the page is a photograph showing a pair of hands. One hand holds a silver pen, pointing at a blue bar chart on a document. The other hand holds a gold pen, also pointing at the same chart. The documents are spread out on a desk, with a laptop visible in the background. The overall tone is professional and focused on financial analysis.



CDIC Meeting using the New “E-Meeting System”

6 Information Management

- (1) The CDIC developed the “Expansion of Functions in Payout and Advance Payment System” which included offset operations, reverse account entry operations, payout and advance payment dispute counters operations, cashier work operations, and payout payment outsourcing operations.
- (2) In accordance with the amendment to the *Operational Guidelines for Insured Institutions Establishing Deposit Insurance Electronic Data Format and Content*, as well as deposit assessment base being included in on-site inspections of electronic data files of insured institutions, the CDIC completed the “Expansion of Functions of Insured Institution’s Electronic Data Verification System”.
- (3) In response to the need for conducting on-site inspections on the accuracy of data submitted by insured institutions and the need for risk management, the CDIC completed the development of “New Version of the Call Report Rating System” and “New Version of the Inspection System for Risk Indicators of the Risk-based Premium Rating System”.
- (4) In line with the government’s energy-saving and paper-reducing policies, the CDIC established an “E-Meeting System” which created a paper-free meeting environment. The CDIC also started to replace the paper copies of withholding statements for various individual incomes paid by the CDIC with e-copies.
- (5) For the purpose of improving computer usage and its management efficiency, the CDIC introduced virtualization techniques and integrated application system servers to dynamically adjust server resources.
- (6) In compliance with the “Executive Yuan’s Internet Protocol Upgrade Promotion Plan”, the CDIC completed its external service system IPv6 Internet protocol upgrade process.
- (7) In line with the FSC policies, the CDIC conducted drills including contingency notification of information and communication security matters, social engineering, and remote backup service to verify its proficiency in response to information security matters.



7 Research and Development

To ensure that the development of the CDIC's business conforms more closely to the changes in the financial environment, the CDIC collected and studied the latest business-related information. The results of important R&D projects carried out during the year are briefly described as follows:

(1) Amendment of Operational Guidelines for CDIC's Review of the Deposit Insurance Premium Rates

In coordination with the approval and implementation of the *Revised Implementation Scheme for the Deposit Insurance Premium System*, the CDIC drafted a revision of the *Operational Guidelines for CDIC's Review of the Deposit Insurance Premium Rates* which was approved on November 29, 2013 at the 8th Board of Directors Meeting.

(2) Conducting of Survey of Public Awareness Level of Deposit Insurance

In order to understand issues related to public awareness of the deposit insurance system, the CDIC regularly commissioned professional survey agencies to conduct survey on the public awareness level as references for the CDIC to design public awareness strategies and implement follow-up measures.

(3) Holding of the 22nd and 23rd Meetings of the Deposit Insurance Consultative Committee

In regard to topics related to the project of enhancement of CDIC's financial operation performance, the results of self-assessment against compliance with the "IADI Core Principles for Effective Deposit Insurance Systems" and issues such as how to increase the public awareness level of deposit insurance, the CDIC held the 22nd and the 23rd meetings of the Deposit Insurance Consultative Committee and the Committee put forward many valuable opinions as references for the future direction of Taiwan's deposit insurance system.

(4) Conducting of Self-Assessment against Compliance with the "IADI Core Principles for Effective Deposit Insurance Systems"

In order to understand the discrepancies between Taiwan's deposit insurance system and the "IADI Core Principles for Effective Deposit Insurance Systems" and its Methodology jointly issued by the IADI and the Basel Committee on Banking Supervision (BCBS), also to understand the advantages and disadvantages of Taiwan's deposit insurance system as reference through review of essential criteria as required under the abovementioned Core Principles, the CDIC



established an inter-department-office task force to work on matters related to the self-assessment of the Core Principles and invited both local and foreign experts to review.

(5) International Research Projects and Related Business

A. Participation in eight IADI Research Projects

- (a) There were two research projects chaired by the CDIC, namely, “Public Policy Objectives” and “Update of General Guidance for the Resolution of Bank Failures”.
- (b) The CDIC participated in two international guidance or research papers, namely “Early Detection and Timely Intervention for Deposit Insurance Systems” and “Financial Inclusion and Deposit Insurance” issued by the IADI.
- (c) The CDIC participated in the other four on-going research projects, namely “Financial Inclusion and Innovation”, “Integrated Protection Schemes”, “Dealing with Parties at Fault in a Bank Failure and Fraud in Deposit Insurance”, and “Bail-in Implications for Deposit Insurance and Funding”.

B. The CDIC completed the development of an online training tutorial (FSI Connect Tutorial) “Public Awareness of Deposit Insurance Systems”, jointly initiated by the Financial

Stability Institute (FSI) and the IADI. The CDIC also made a presentation in two international teleconferences for the purpose of global promotion of the tutorial.

- C. The CDIC participated in four IADI’s Enhanced Guidance for Effective Deposit Insurance Systems as requested by the Financial Stability Board (FSB), namely, “Mitigating Moral Hazard”, “Deposit Insurance Coverage”, “Ex-ante Funding of Deposit Insurance Systems”, and “Multiple Deposit Insurance Organizations”; the former two of which have been issued by the IADI and submitted to the FSB.
- D. The CDIC dispatched personnel to participate in the project of “Reviewing and Updating of the IADI-BCBS Core Principles for Effective Deposit Insurance Systems” to make necessary revisions of the abovementioned international standards.

(6) Research Projects and Summary Translation Reports

- A. Completing the report on the CDIC’s future mandate and role in accordance with the 2012 resolution reached by the Finance Committee of the Legislative Yuan.
- B. Completing the report on the integration of deposit insurance system and insurance guarantee scheme requested by the competent authority.



CDIC President Michael Lin together with MDIC representatives



Chairperson of IADI Asia Pacific Regional Committee and Deputy Governor of Deposit Insurance Corporation of Japan visiting CDIC

- C. Conducting research on important international economic and financial information and completing several reports including "Dealing with Cross-Border Issues on G-SIFIs – Strategies and Trends" and the "Recent Developments of Financial Supervisory Reforms under the U.S. Dodd-Frank Wall Street Financial Reforms and Consumer Protection Act". In addition, over 10 reports were produced as the result of the CDIC staff participating in various international conferences, forums, and training seminars related to deposit insurance and financial supervision.

- D. Compiling and translating Prof. Johnson Tseng's handouts for lecture on January 9, 2013, entitled "Financial Crisis Management: Recovery and Resolution Plans".

(7) Publication of Deposit Insurance Quarterly Bulletin

The CDIC's "Deposit Insurance Quarterly Bulletin" features articles by experts and scholars on deposit insurance, business management of financial institutions and trends in financial supervision. The Quarterly Bulletin is distributed to related government agencies, insured institutions, universities, legislators, libraries, and cultural centers to promote knowledge of deposit insurance.

(8) Publication of the CDIC Monograph Series

In 2013, the CDIC published three reports based on overseas visits and study conducted by its staff for public reference:

- A. Summary Report on the IADI 11th International Conference on "Deposit Insurers and Financial Safety Net".
- B. Report on 2nd session of the IADI 2013 Executive Training Seminar on "Deposit Insurance: A Well-Developed Legal Framework".
- C. Report on "Deposit Guarantee Scheme and Crisis Management," a joint conference hosted by the European Forum of Deposit Insurers and Swiss Banks' and Securities Dealers' Depositor Protection Association.

8 International Affairs



Signing of a Memorandum of Understanding with Fonds de Garantie des Dépôts et de Résolution (France)

(1) Hosting of 2nd Session of IADI 2013 Executive Training Seminar

In order to strengthen international exchange and cooperation, to facilitate other Countries' efforts to enhance their deposit insurance systems and to promote Taiwan's professionalism, the CDIC hosted in early December the second session of IADI Executive Training Seminar, "Claims Management: Reimbursement to Insured Depositors", joined by around 50 international experts and senior managers from 27 countries including the U.S., Canada, Switzerland, Germany, Japan, Korea, etc. Representatives from Taiwan's Central Bank and the FSC also attended.



CDIC holding an IADI Asia Pacific Regional Committee Outreach Workshop in Taipei

(2) Holding of IADI APRC Outreach Workshop

The CDIC was commissioned by the IADI Asia Pacific Regional Committee (APRC) to hold an APRC Outreach Workshop on December 5, 2013. The delegates of Deposit Insurance Corporation of Mongolia were invited to attend; representatives from deposit insurance organizations of Korea, Malaysia, Japan, and Taiwan gave lectures and shared the experiences in establishing their deposit insurance systems as well as on the importance of deposit insurance systems upon financial stability.



CDIC Executive Vice President William Su elected as a Member of IADI Executive Council at the 12th IADI Annual General Meeting



CDIC delegation attending the 11th APRC Annual Meeting and International Conference in Seoul, Korea

(3) Participation in International Activities and Speaking at International Conferences to Share Taiwan's Experiences

The CDIC on several occasions in 2013 dispatched personnel to participate in the IADI Executive Council meetings, as well as meetings of the IADI's Research and Guidance Committee, Training and Conference Committee, and Asia Pacific Regional Committee. In addition, the CDIC received international acknowledgement for its experience in handling problem insured institutions and its implementation of measures to perfect the deposit insurance system in recent years. As a consequence, it was invited on seven occasions in 2013 to give lectures or share experiences at international conferences or training seminars hosted by the IADI or its member organizations. The lecture topics covered the CDIC experiences in the resolution of problem banks, pay-out mechanism and the IT system, effective communication during times of financial crisis, and public awareness of deposit insurance systems. In addition, on six occasions in 2013 the CDIC received representatives from the deposit insurance organizations of Japan, Korea, United Kingdom, Thailand, and Malaysia. These international exchanges were very beneficial not only in promoting Taiwan's experiences, but also in building its international image.

(4) Continuance in Signing of Memorandums of Understanding and Arrangement of Annual Bilateral Exchange Meetings with other Deposit Insurance Organizations

In 2013 the CDIC formally signed a Memorandum of Understanding (MOU) with the Fonds de Garantie des Depots et de Resolution (FGDR, France). To date, the CDIC has established formal cooperative relationships with ten deposit insurance organizations or financial safety net players from nine countries. In addition, the CDIC also continued to facilitate international exchanges through bilateral meetings with MOU partners including the deposit insurance organizations of Japan, Korea, Thailand, and Malaysia to strengthen cooperative relationships.

CDIC hosting the IADI 2013 Executive Training Seminar in Taipei



International Activities Attended by the CDIC in 2013

Date	Name of Activity	Organizer(s)
February	Meetings of IADI 38 th Executive Council, Research and Guidance Committee and other committees	IADI and Canada Deposit Insurance Corporation
March	Deposit Insurance Corporation of Japan (DICJ) 7 th Round Table	DICJ
April	IADI Research Conference on “Evolution of the Deposit Insurance Framework: Design Features and Resolution Regimes”	IADI
May	Federal Reserve Bank (FRB) of Chicago 49 th Annual Meeting	FRB Chicago
May	IADI 11 th Asia Pacific Regional Committee (APRC) Annual Meeting and International Conference (Mr. Harrison Hwang, CDIC Deputy Director of the International Relations and Research Office, was invited to speak)	IADI APRC and Korea Deposit Insurance Corporation (KDIC)
May	IADI Europe Regional Committee (ERC) Technical Seminar on “Dealing with Parties at Fault of Bank Failures and Fraud in Deposit Insurance”	IADI ERC and Deposit Insurance Agency of Russia
May	First International Public Asset Forum	Asian Development Bank and Korea Asset Management Corporation
June	Meetings of IADI 39 th Executive Council, Research and Guidance Committee and other committees	IADI and Philippine Deposit Insurance Corporation
July	First session of IADI Executive Training Seminar on “Claims Management: Reimbursement to Insured Depositors” (Mr. Jia-Wei Wang, CDIC Division Chief of the Department of Resolution, was invited to speak)	IADI and Federal Deposit Insurance Corporation
July	Ms. Kamolwan Silapirut, Executive Vice President of the Deposit Protection Agency of Thailand, led a delegation to pay a visit to the CDIC	CDIC
August	26 th SEACEN-FSI Regional Conference on “Basel III - Capital and Liquidity Frameworks”	SEACEN Center
August	FSI-IADI international conference on “Bank Resolutions and Deposit Insurance Issues” (Mr. David C. Y. Sun, CDIC Chairman, was invited to speak)	Financial Stability Institute (FSI) and IADI
August	Mr. Jean Pierre Sabourin, CEO and Ms. Yee Ming Lee, General Manager, the Policy and International Division of Malaysia Deposit Insurance Corporation (MDIC), paid a visit to the CDIC and the Financial Supervisory Commission	CDIC

Date	Name of Activity	Organizer(s)
September	MDIC Conference on “Payout and Claims Settlement Strategy, System, Processes and Controls”	MDIC
September	European Forum of Deposit Insurers (EFDI) International Conference on “Roles of DGS, ICS and Crisis Resolution Fund in Granting Consumer Protection and Financial Stability” (Ms. Yvonne Fan, CDIC Director of the International Relations and Research Office, was invited to speak)	EFDI and Interbank Deposit Protection Fund of Italy
September	IADI Europe Regional Committee (ERC) Workshop on “Contingency Planning”	IADI ERC and Bank Deposit Guarantee Fund of Romania
September	Toronto Center Seminar on “Crisis Preparedness in Interconnected Markets”	Toronto Center and Sveriges Riksbank
October	IADI Steering Committee Meeting for Reviewing and Updating of the IADI-BCBS Core Principles for Effective Deposit Insurance Systems	IADI and Bank Guarantee Fund of Poland
October	Ms. Yee Ming Lee, General Manager of the Policy and International Division of MDIC, led a delegation to pay a visit to the CDIC	CDIC
October	KDIC Training Seminar on “Effective Deposit Insurance System” (Mr. Harrison Hwang, CDIC Deputy Director of the International Relations and Research Office, was invited to speak)	KDIC
November	The CDIC signed a Memorandum of Understanding with the Fonds de Garantie des Depots et de Resolution (FGDR, France)	CDIC and FGDR
November	IADI 12 th Annual General Meeting and Annual Conference (Mr. William Su, CDIC Executive Vice President, was elected as a member of the IADI Executive Council)	IADI and the Seguro de Depositos Sociedad Anonima (SEDESA), Argentina
December	Second Session of IADI Executive Training Seminar on “Claims Management: Reimbursement to Insured Depositors” (Ms. Ying Ying Lin, CDIC Deputy Director of the Department of Resolution, was invited to speak)	CDIC
December	IADI-APRC Outreach Workshop (Ms. Catherine Chou in CDIC International Relations and Research Office was invited to speak)	CDIC

9 Human Resources

(1) Employee Structure

Year	No. of Employees	Avg. Age of Employees	Educational Attainment of Employees		
			Graduate School	College	Other
2013	156	48	35	118	3
2012	155	47	35	117	3
2011	153	47	32	118	3
2010	155	46	34	118	3
2009	157	45	31	123	3
2008	158	44	30	125	3

Department breakdown of CDIC staff for 2013:

Dept. of Risk Management (29)
 Dept. of Resolution (14)
 Special Inspection Dept. (13)
 Dept. of Business (14)
 International Relations and Research Office (8)
 Dept. of Legal Affairs (13)
 Dept. of Accounting (10)
 Secretariat (20)
 Personnel Office (4)
 Information Management Office (12)
 Civil Service Ethics Office (2)
 Central Region Office (7)
 South Region Office (10)

(2) Contract Employees

In order to thoroughly carry out financial reforms and actively implement policies on the disposition of problem institutions, the CDIC adjusted its employee structure and received approval to continuously hire six contract employees for special projects in 2013.

(3) Personnel Training

To upgrade the quality of staff and enhance employees' professional knowledge, training programs arranged by the CDIC during the year, which included the dispatching of staff to attend specialized trainings, seminars, and conferences domestically and internationally, involved a total of 1,780 person-times. On average, each staff member (including contract employees for special projects) participated in professional training 10.5 times.

(1) Internal Control

In order to implement the Sound Internal Controls Implementation Program promulgated by the Executive Yuan in February 2011, in March 2011 the CDIC set up an “Internal Controls Task Force”, which was convened by a CDIC Executive Vice President and consisted of the directors of each CDIC department and office. The task force is responsible for implementing works related to internal audits and advocating important measures. In 2013 the task force continued to advocate internal controls, hold educational training, review and enhance internal control works, rectify and maintain an effective internal control system, etc. The second version of the internal control system was approved by the Board of Directors in November 2013 along with a self-assessment mechanism to monitor the actual implementation.

(2) Internal Audits

- A. In order to implement the internal audits, in August 2011 the CDIC established an “Internal Audit Task Force”, which was convened by a CDIC Executive Vice President and consisted of senior staff from all CDIC departments and offices to facilitate the implementation of internal audits in accordance with the annual audit plan approved by the Chairman of the CDIC. In addition, it is required to report semiannually to the Board of Directors regarding the implementation status of internal audit operations and self-assessments.
- B. The CDIC completed revisions to its “Internal Audit Guidelines” and “Handbook for Internal Audits” as the basis and standards for the implementation of internal audits.

Financial Statements and Independent Auditor's Report

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Central Deposit Insurance Corporation

CDIC



Independent Auditor's Report

To the Board of Directors of the Central Deposit Insurance Corporation

We have audited the accompanying balance sheets of the Central Deposit Insurance Corporation as of December 31, 2013 and 2012, and the related statements of income, changes in equity, and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion based on our examination, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Central Deposit Insurance Corporation as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the year then ended, in conformity with the related laws and International Financial Reporting Standards applied on a consistent basis.

維揚聯合會計師事務所 杭維揚

WEI-YOUNG SHENG (Chartered Accountant)
WEYONG INTERNATIONAL CPAs & CO

February 7, 2014

CENTRAL DEPOSIT
STATEMENTS OF

DECEMBER 31,



ASSETS	NOTES	2013 / 12 / 31		2012 / 12 / 31	
		AMOUNT	%	AMOUNT	%
CURRENT ASSETS					
Cash and Deposits in the Central Bank	3, 4	\$ 38,874,104	92.14	\$ 11,723,175	72.24
Held-to-Maturity Financial Assets-Current	2, 5	2,434,561	5.77	2,550,485	15.72
Receivables	6	288,194	0.68	119,141	0.73
Current Tax Assets		68,481	0.16	24,077	0.15
Prepayments		16,296	0.04	14,347	0.09
Other Current Assets		594	0.00	593	0.00
Sub-total		41,682,230	98.79	14,431,818	88.93
PROPERTY, PLANT AND EQUIPMENT					
Land	2, 7	228,833	0.54	228,833	1.41
Buildings		265,486	0.63	265,486	1.64
Machinery and Equipment		91,289	0.22	91,612	0.56
Transportation Equipment		14,214	0.03	13,477	0.08
Other Equipment		26,368	0.06	25,944	0.16
Sub-total		626,190	1.48	625,352	3.85
Revaluation Increment-Land		66,149	0.16	66,149	0.41
Cost and Revaluation Increment		692,339	1.64	691,501	4.26
Less Accumulated Depreciation					
Buildings		97,806	0.23	93,072	0.58
Machinery and Equipment		65,437	0.16	65,517	0.40
Transportation Equipment		9,196	0.02	9,093	0.06
Other Equipment		18,282	0.04	17,533	0.11
Sub-total		190,721	0.45	185,215	1.15
PROPERTY, PLANT AND EQUIPMENT-NET		501,618	1.19	506,286	3.11
INTANGIBLE ASSETS	2, 8	6,270	0.02	5,793	0.04
OTHER ASSETS					
Deferral on General Financial		-		1,281,463	7.90
Deposit Insurance Payout Losses					
Temporary Payments and the		-		2,485	0.02
Account to be Carried Over					
Guarantee Deposits Paid		882	0.00	888	0.00
Collateral Deposits		296,000	0.70	387,400	2.39
Securities Serving as Collateral Deposits		296,000	0.70	387,400	2.39
Sub-total		882	0.00	1,284,836	7.92
TOTAL ASSETS		\$ 42,191,000	100.00	\$ 16,228,733	100.00



INSURANCE CORPORATION

FINANCIAL POSITION

2013 and 2012

Expressed in NT\$' 000

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTES	2013 / 12 / 31		2012 / 12 / 31	
		AMOUNT	%	AMOUNT	%
CURRENT LIABILITIES					
Liabilities for Bills and Bonds under Repurchase Agreement	2, 9	\$ 123,616	0.29	\$ 222,966	1.37
Payables	10	88,907	0.21	79,688	0.49
Sub-total		212,523	0.50	302,654	1.86
LONG-TERM LIABILITIES					
Long-Term Loans	11	-		1,400,000	8.63
OTHER LIABILITIES					
General Financial Deposit Insurance Payout Special Reserves	12	27,130,316	64.31	-	
Agricultural Financial Deposit Insurance Payout Special Reserves	12	3,367,591	7.98	3,053,335	18.81
Provision for Employee Benefits		3,838	0.01	64,132	0.40
Deferred Income Tax Liabilities		25,551	0.06	25,551	0.16
Guarantee Deposits Received		1,420	0.00	678	0.00
Temporary Receipts and the Account to be Carried Over	13	213,330	0.51	145,952	0.90
Sub-total		30,742,046	72.87	3,289,648	20.27
TOTAL LIABILITIES		30,954,569	73.37	4,992,302	30.76
CAPITAL STOCK	14	10,000,000	23.70	10,000,000	61.62
CAPITAL SURPLUS					
Donated Assets Received		265	0.00	265	0.00
RETAINED EARNINGS					
Legal Reserve		235,700	0.56	235,700	1.45
Special Reserve		1,000,466	2.37	1,000,466	6.17
TOTAL EQUITY		11,236,431	26.63	11,236,431	69.24
TOTAL LIABILITIES AND EQUITY		\$ 42,191,000	100.00	\$ 16,228,733	100.00

CENTRAL DEPOSIT INSURANCE CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME



FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

Expressed in NT\$' 000

DESCRIPTION	NOTES	2013 / 12 / 31		2012 / 12 / 31	
		AMOUNT	%	AMOUNT	%
OPERATING INCOME					
Interest Revenue		\$ 386,616	1.38	\$ 238,544	1.01
Premiums Revenue		8,650,800	30.84	8,519,623	36.06
Income Derived from Levies-Business Tax from Banking Industry	2	19,015,422	67.78	14,868,077	62.93
Sub-total		28,052,838	100.00	23,626,244	100.00
OPERATING COSTS					
Interest Expenses		942	0.00	1,890	0.01
Insurance Expenses		168	0.00	107	0.00
Handling Fees		31	0.00	50	0.00
Insurance Payout Reserve Provisions	2	27,453,846	97.87	22,929,731	97.05
Sub-total		27,454,987	97.87	22,931,778	97.06
GROSS PROFIT		597,851	2.13	694,466	2.94
OPERATING EXPENSES					
Transaction Expenses		524,713	1.87	522,987	2.21
General & Administrative Expenses		61,182	0.22	63,375	0.27
Other Operating Expenses		4,415	0.01	4,139	0.02
Sub-total		590,310	2.10	590,501	2.50
OPERATING INCOME		7,541	0.03	103,965	0.44
NON-OPERATING INCOME					
Indemnity Income		5	0.00	87	0.00
Other Income		322	0.00	368	0.00
Sub-total		327	0.00	455	0.00
NON-OPERATING EXPENSES					
Loss on Disposal of Assets		1,091	0.00	238	0.00
Other Expenses		6,777	0.03	104,182	0.44
Sub-total		7,868	0.03	104,420	0.44
NON-OPERATING INCOME (LOSS)		(7,541)	(0.03)	(103,965)	(0.44)
INCOME BEFORE INCOME TAX	2	-		-	
INCOME TAX		-		-	
NET INCOME FROM CONTINUING OPERATIONS		\$ -		\$ -	
NET INCOME		\$ -		\$ -	
OTHER COMPREHENSIVE INCOME		\$ -		\$ -	
EARNINGS PER SHARE		\$ -		\$ -	

CENTRAL DEPOSIT INSURANCE CORPORATION

STATEMENTS OF CHANGES IN EQUITY



FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

Expressed in NT\$' 000

DESCRIPTION	CAPITAL STOCK	CAPITAL SURPLUS	RETAINED EARNINGS		TOTAL
			LEGAL RESERVE	SPECIAL RESERVE	
BALANCE, JANUARY 1, 2012	\$10,000,000	\$265	\$235,700	\$1,000,466	\$11,236,431
BALANCE, DECEMBER 31, 2012	\$10,000,000	\$265	\$235,700	\$1,000,466	\$11,236,431
BALANCE, DECEMBER 31, 2013	\$10,000,000	\$265	\$235,700	\$1,000,466	\$11,236,431

CENTRAL DEPOSIT INSURANCE CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

Expressed in NT\$' 000

DESCRIPTION	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before Tax from Continuing Operations	\$ -	\$ -
Net Income before Tax		
Adjustment for the Interests and Dividends	(385,674)	(236,654)
Net Income Excluding Interests and Dividends	(385,674)	(236,654)
Adjustments	315,351	23,480,845
Net Cash Inflow Excluding Interests and Dividends	(70,323)	23,244,191
Interests Received	195,527	237,742
Interests Paid	(2,357)	(22,959)
Net Cash Inflow from Operating Activities	122,847	23,458,974
CASH FLOWS FROM INVESTING ACTIVITIES		
Current Financial Assets Decrease (Increase)	115,924	(4,504)
Intangible Assets and Other Assets Decrease (Increase)	1,589	841,148
Property, Plant and Equipments Increase	(6,939)	(6,261)
Property, Plant and Equipments Decrease	3	1
Net Cash Inflow (Outflow) from Investing Activities	110,577	830,384
CASH FLOWS FROM FINANCING ACTIVITIES		
Current Financial Liabilities Increase (Decrease)	(99,349)	(90,880)
Increase in Long-term Loans	-	20,400,000
Increase (Decrease) in Other Liabilities	1,252,854	5,325
(Decrease) in Long-term Loans	(1,400,000)	(44,600,000)
Net Cash Inflow (Outflow) from Financing Activities	(246,495)	(24,285,555)
EQUIVALENTS	\$(13,071)	\$3,803
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	57,175	53,372
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 44,104	\$ 57,175

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

Pursuant to Article 20 of the *Deposit Insurance Act*, "Other Liabilities - General Financial Deposit Insurance Payout Special Reserves", \$1,276,328 thousand, is used to write off the "Other Assets - Deferral on General Financial Deposit Insurance Payout Losses" for the year of 2013.

CENTRAL DEPOSIT INSURANCE CORPORATION



NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 and 2012

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

1 GENERAL

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

The CDIC is a government-run organization. Its capital was originally contributed by the Ministry of Finance, the Central Bank and other insured financial institutions based on the shares that each of them has subscribed. The Ministry of Finance decreed that the shares were not to be issued publicly. The CDIC's approved capital stock is NT\$10,000,000,000, divided into 1,000,000,000 shares with a face value at NT\$10 each. The number of shares issued is 1,000,000,000. In accordance with the official letter No. Yuan-Tai-Tasi 0990102146 from the Executive Yuan on August 17, 2010, stockholder's right management of the CDIC was transferred from the Ministry of Finance to the Financial Supervisory Commission. The Financial Supervisory Commission and the Central Bank are the two major shareholders of the CDIC. As of December 31, 2013, the ratio of their shareholding was 99.9995%. The CDIC's major businesses range from handling deposit insurance, managing deposit insurance risk, conducting special on-site inspection to insured institutions, dealing with failing and failed insured institutions, and establishing related regulations and systems of deposit insurance. Financial institutions duly approved under the law to accept deposits are required to apply for deposit insurance, including banks, the Taiwan branches of foreign banks and mainland Chinese banks, credit cooperatives, credit departments of farmers' and fishermen's associations, and Chunghwa Post Co., Ltd.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The CDIC's financial statements as of the end of 2012 were audited by Directorate-General of Budget, Accounting & Statistics, Executive Yuan and the Ministry of Audit, Control Yuan.

In accordance with the regulations as stated in official letter No.Chu-Hsiao-1-Tzu-0990001768A from Directorate-General of Budget, Accounting & Statistics, Executive Yuan on March 26, 2010, the CDIC produced two sets of financial statements, in both the IFRSs and Republic Of China Generally Accepted Accounting Principle (hereinafter refers to as ROC GAAP) during 2012. The CDIC is required to compile financial statements according to IFRSs since January 1, 2013.

Consequently, the balance at the beginning of 2013 was subject to the balance at the end of 2012, which has been audited by the above-mentioned two agencies, and was revised according to the IFRSs and the

“Implementation Plan of Introducing International Accounting Standards for Government-owned Business” by Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

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

- A. Delivery date accounting is used, and financial products are measured at fair value plus transaction costs generated from acquisition or issuance, when being recognized originally.
- B. Held-to-Maturity Financial Assets are measured at the amortized cost by the interest method.
- C. According to the *Deposit Insurance Act*, the funds of the CDIC, except for the allowance for regular expenses, fulfillment of insurance responsibilities stipulated in the *Act*, provision of financial assistance, establishment of a bridge bank and processing of advance payments, shall be invested in government bonds, deposited with the Central Bank or used in other methods approved by the board of directors of the CDIC.

(3) Liabilities for Bills and Bonds under Repurchase Agreement

Bills and bonds for transaction purposes are listed as liabilities for bills and bonds under repurchase agreement.

(4) Property, Plant and Equipment on Evaluation Basis and Depreciation Method

Property, plant and equipment are recorded in the books at cost and shall be carried at its cost less any accumulated depreciation (besides land). Major improvements, renewals and replacements are recorded as capital expenditure, while the expenditure of repairs and maintenance are recorded as expense at the year of occurrence. When property, plant and equipment are sold or disposed of, the cost and related accumulated depreciation are written off from the accounts. The amount of depreciation is based on the estimated durable period by using the straight-line method.

(5) Intangible Assets

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

(6) Employees' Pension

- A. The CDIC dealing with its employees' retirement, consolation and demobilization applies to the “Retirement, Consolation and Demobilization Regulations for Government-run Financial and Insurance Institutions under the Ministry of Finance” approved by the Executive Yuan. Pursuant to Article 41-1 of the Regulations, the pension offered shall be calculated in accordance with the *Labor Standards Act* based on the length of an employee's service in the CDIC effective from March 1, 1998. Prior to the *Labor Standards Act* being effective, the length of the employee's service in other government agencies will be reserved and the pension fund, appropriated from the CDIC (4%~8.5% of salary) and the employees (3% of salary) per month during the time of the employees working for the CDIC, will also be reserved. The calculation of the employees' pension offered by the CDIC is based on the length of each employee's service and salary at the time of retirement. Appropriation of retirement pensions for contract workers for the CDIC's special projects is conducted as stipulated in the *Labor Standards Act* and the *Labor Pension Act* according to the choice of the said personnel.

Pursuant to relevant regulations, the CDIC commissions an actuary to calculate the amount of the CDIC's contributions to the pension fund. The CDIC deposits the amount in the special labor pension accounts in the Bank of Taiwan and in the Bureau of Labor Insurance opened by the CDIC's Employees Pension Fund Supervision Committee and Labor Retirement Reserved Fund Supervision Committee.

- B. As set forth in the “Directions for Care for Retirees” established by the Executive Yuan, the CDIC will give a special allowance for each of the three major holidays each year, \$6,000 dollars in total, to retirees who have reached 60 years of age or 55 years of age after serving for 25 years when retiring from the corporation.

(7) Payout Special Reserves and Income Before Income Tax

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

(8) Asset Impairment

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

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

(9) Income Derived from Levies-Business Tax from Banking Industry

According to Paragraph 7 of Article 11 of the *Value-added and Non-value-added Business Tax Act*, the business tax in the banking sector from 2011 should be exclusively appropriated to the Deposit Insurance Payout Special Reserves.

3 CASH

	Dec. 31, 2013	Dec. 31, 2012
Petty Cash	\$ 350	\$ 350
Checking Deposits	13,267	20,837
Demand Deposits	2	2
Treasury Deposits	20,008	18,053
Total	\$ 33,627	\$ 39,242

4 DEPOSITS IN THE CENTRAL BANK

	Dec. 31, 2013	Dec. 31, 2012
Checking Deposits	\$ 10,477	\$ 17,933
Maturity Deposits over Three Months from the Date of Deposit	38,830,000	11,666,000
Total	\$ 38,840,477	\$ 11,683,933

5 HELD-TO-MATURITY FINANCIAL ASSETS-CURRENT

	Dec. 31, 2013	Dec. 31, 2012
Bonds	\$ 2,434,561	\$ 2,550,485

The interest rates at year ends of 2013 and 2012 range from 0.798%~2.2% and 1.595%~6.9%, respectively.

6 RECEIVABLES

	Dec. 31, 2013	Dec. 31, 2012
Interest Receivable	\$ 288,194	\$ 119,141

7 PROPERTY, PLANT AND EQUIPMENT

Dec. 31, 2013				
	Cost	Revaluation Increment	Accumulated Depreciation	Net
Land	\$ 228,833	\$ 66,149	\$ -	\$ 294,982
Buildings	265,486	-	97,806	167,680
Machinery and Equipment	91,289	-	65,437	25,852
Transportation Equipment	14,214	-	9,196	5,018
Other Equipment	26,368	-	18,282	8,086
Total	\$ 626,190	\$ 66,149	\$ 190,721	\$ 501,618

Dec. 31, 2012				
	Cost	Revaluation Increment	Accumulated Depreciation	Net
Land	\$ 228,833	\$ 66,149	\$ -	\$ 294,982
Buildings	265,486	-	93,072	172,414
Machinery and Equipment	91,612	-	65,517	26,095
Transportation Equipment	13,477	-	9,093	4,384
Other Equipment	25,944	-	17,533	8,411
Total	\$ 625,352	\$ 66,149	\$ 185,215	\$ 506,286

(1) The fire insurance coverage on property, plant and equipment as of December 31, 2013 and 2012 was \$209,635 thousand and \$217,377 thousand, respectively.

(2) In accordance with the regulations as stated in official letter No. Tai-(83)-Chu-Hsiao-5-Tzu-05739 from Directorate-General of Budget, Accounting & Statistics, Executive Yuan, the CDIC has revaluated lands after the approval of Ministry of Audit. The recognition of land value was increased by \$66,149 thousand, so the book value of land was \$294,982 thousand. The latest land revaluation was based on the published present land value posted at eTax Portal, Ministry of Finance on June, 2010 (www.etax.nat.gov.tw). The estimated land value is less than the book value of land, so there was no need for adjustment on the book value of land. The cost of property reappraised according to ROC GAAP was concluded as the deemed cost on the transition date (Jan. 1, 2012) as a result of the adoption of IFRSs for the first time.

(3) In line with the No. 36 of International Accounting Standards (IAS 36 Impairment of Assets), the total market price of the lands and buildings valued during Nov. 28, Nov. 29 and Dec. 18, 2013 was \$1,170,882 thousand, and the total book value was \$462,662 thousand at the end of 2013. The market price was in excess of \$708,220 thousand, so there was no need to recognize an asset impairment loss for the year of 2013.

8 INTANGIBLE ASSETS

2013				
	Jan. 1	Increase	Decrease	Dec. 31
Computer Software	\$ 5,793	\$ 3,209	\$ 2,732	\$ 6,270

2012				
	Jan. 1	Increase	Decrease	Dec. 31
Computer Software	\$ 2,121	\$ 5,010	\$ 1,338	\$ 5,793

9 LIABILITIES FOR BILLS AND BONDS UNDER REPURCHASE AGREEMENT

	Dec. 31, 2013	Dec. 31, 2012
Liabilities for Bills and Bonds under Repurchase Agreement	\$ 123,616	\$ 222,966

The bond repurchase rates at year ends of 2013 and 2012 range from 0.67% and 0.76%, respectively.

10 PAYABLES

	Dec. 31, 2013	Dec. 31, 2012
Interest Payable	\$ 52	\$ 1,467
Accrued Expenses	4,669	2,741
Collection Payable	3,353	658
Accrued Pension	24	27
Other Payables	80,809	74,795
Total	\$ 88,907	\$ 79,688

11 LONG-TERM LOANS

	Dec. 31, 2013	Dec. 31, 2012
Bank SinoPac	\$ -	\$ 1,100,000
Far Eastern International Bank	-	300,000
Total	\$ -	\$ 1,400,000

- (1) These are the credit loans. At the year end of 2012, the total credit lines are 1.4 billion, and the revolving credit was available within the above-mentioned amount. Repayment can be installment payments or made in lump sum within the financing period. The CDIC has proceeded in accordance with the approval official letters issued by competent authorities and Executive Yuan, and the budget passed by Legislative Yuan.
- (2) The loan interest rates at the year end of 2012 range from 0.93% to 0.95%.

12 PAYOUT SPECIAL RESERVES

	Dec. 31, 2013	Dec. 31, 2012
General Financial Deposit Insurance Payout Special Reserves	\$ 27,130,316	\$ -
Agricultural Financial Deposit Insurance Payout Special Reserves	3,367,591	3,053,335
Total	\$ 30,497,907	\$ 3,053,335

The above was recorded in accordance with the *Deposit Insurance Act* and the "Executive Yuan's Plan for Handling the Issues Related to the Expiration of the Financial Restructuring Fund (hereinafter refers to as Plan for the Expiration of the Financial Restructuring Fund)" approved by Executive Yuan.

13 TEMPORARY RECEIPTS AND THE ACCOUNT TO BE CARRIED OVER

	Dec. 31, 2013	Dec. 31, 2012
Temporary Receipts and the Account to be Carried Over	\$ 213,330	\$ 145,952

According to the *Deposit Insurance Act* and the "Plan for the Expiration of the Financial Restructuring Fund", the unresolved issues under the Financial Restructuring Fund, with the amounts of \$170,795 thousand and \$127,769 thousand at year ends of 2013 and 2012 respectively, were transferred to the CDIC to handle.

14 CAPITAL STOCK

	December 31, 2013 & 2012
Authorized Capital	10,000,000
Paid-in Capital	10,000,000
Authorized Shares	1,000,000,000 Shares
Outstanding Shares	1,000,000,000 Shares

15 OTHER

There were \$171,045 thousand under the total assets and liabilities as of December 31, 2013, respectively, which were the unresolved issues transferred to the CDIC to handle based on the "Plan for the Expiration of the Financial Restructuring Fund". The book value of deposits in banks was \$489 thousand, deposits in the Central Bank \$170,306 thousand, prepaid expenses \$250 thousand, accrued expenses \$250 thousand and temporary receipts and the account to be carried over \$170,795 thousand.

16 CONTINGENCY

- (1) After the Chinatrust Commercial Bank had assumed the assets, liabilities, and business of the Enterprise Bank of Hualien, it discovered an undisclosed liability, \$270 thousand, and required the CDIC to compensate. The Financial Restructuring Fund approved to make the compensation. Once the Chinatrust Commercial Bank actually pays off this liability, the CDIC will handle this case based on the "Plan for the Expiration of the Financial Restructuring Fund"; however, until the end of 2013, the Chinatrust Commercial Bank has not yet applied for the compensation.
- (2) The collaterals amounted \$415 thousand on the assets under trust, agency, and guaranty, as well as the liabilities under trust, agency, and guaranty are the marketable securities received from the firms for the purpose of guarantee deposits. As they belong to contingencies, they are not recorded on the balance sheet.

17 EXPLANATION OF TRANSITION TO IFRSs

Disclosure of the adjustment of the 2012 financial statements due to the change of the accounting system from ROC GAAP to IFRSs.

(1) Adjustment of the Balance Sheet as of January 1, 2012

Expressed in NT\$' 000

ROC GAAP and RELEVANT REGULATIONS		Amount Affected(2)	IFRSs		Notes
Accounts	Amount(1)		Accounts	Amount(1)+(2)	
ASSETS	40,205,598	22,640	ASSETS	40,228,238	
Current Assets	14,616,960	348,088	Current Assets	14,965,048	
Cash	47,289		Cash	47,289	
Bank Deposits	46,939		Bank Deposits	46,939	
Petty Cash & Revolving Funds	350		Petty Cash & Revolving Funds	350	
Deposits in the Central Bank	12,211,083		Deposits in the Central Bank	12,211,083	
Deposits in the Central Bank	12,211,083		Deposits in the Central Bank	12,211,083	
Current Financial Assets	2,197,893	348,088	Current Financial Assets	2,545,981	
Held-to- Maturity Financial Assets-Current	2,197,893	348,088	Held-to- Maturity Financial Assets-Current	2,545,981	No.1
Receivables	142,225	-21,586	Receivables	120,639	
Tax Refund Receivable	21,586	-21,586			No.2
Interest Receivable	120,639		Interest Receivable	120,639	
		21,586	Current Tax Assets	21,586	
		21,586	Tax Refund Receivable	21,586	No.2
Prepayments	17,880		Prepayments	17,880	
Prepaid Expenses	17,880		Prepaid Expenses	17,880	
Short-term Advances	590		Short-term Advances	590	
Advanced Insurance Premiums Payment	590		Advanced Insurance Premiums Payment	590	
Fixed Assets	510,868		Property, Plant and Equipment	510,868	
Land	294,982		Land	294,982	
Land	228,833		Land	228,833	
Land Revaluation Increment	66,149		Land Revaluation Increment	66,149	
Buildings	177,149		Buildings	177,149	
Buildings	265,486		Buildings	265,486	
Accumulated Depreciation – Buildings	88,337		Accumulated Depreciation – Buildings	88,337	

Expressed in NT\$' 000

ROC GAAP and RELEVANT REGULATIONS		Amount Affected(2)	IFRSs		Notes
Accounts	Amount(1)		Accounts	Amount(1)+(2)	
Machinery and Equipment	25,164		Machinery and Equipment	25,164	
Machinery and Equipment	86,701		Machinery and Equipment	86,701	
Accumulated Depreciation- Machinery and Equipment	61,537		Accumulated Depreciation- Machinery and Equipment	61,537	
Transportation Equipment	4,794		Transportation Equipment	4,794	
Transportation Equipment	13,691		Transportation Equipment	13,691	
Accumulated Depreciation- Transportation Equipment	8,897		Accumulated Depreciation- Transportation Equipment	8,897	
Other Equipment	8,779		Other Equipment	8,779	
Other Equipment	25,724		Other Equipment	25,724	
Accumulated Depreciation- Other Equipment	16,945		Accumulated Depreciation- Other Equipment	16,945	
Intangible Assets	2,121		Intangible Assets	2,121	
Intangible Assets	2,121		Intangible Assets	2,121	
Computer Software	2,121		Computer Software	2,121	
Other Assets	25,075,649	-325,448	Other Assets	24,750,201	
Miscellaneous Assets	351,314	-348,088	Miscellaneous Assets	3,226	
Guarantee Deposits Paid	741		Guarantee Deposits Paid	741	
Temporary Payments and the Account to be Carried Over	2,485		Temporary Payments and the Account to be Carried Over	2,485	
Collateral Deposits	348,088	3,012	Collateral Deposits	351,100	No.1
		-351,100	Securities Serving as Collateral Deposits	351,100	No.1
Deferred Assets	24,724,335	22,640	Deferred Assets	24,746,975	
Deferral on General Financial Deposit Insurance Payout Losses	24,724,335	22,640	Deferral on General Financial Deposit Insurance Payout Losses	24,746,975	No.5
TOTAL ASSETS	40,205,598	22,640	TOTAL ASSETS	40,228,238	

Expressed in NT\$' 000

ROC GAAP and RELEVANT REGULATIONS		Amount Affected(2)	IFRSs		Notes
Accounts	Amount(1)		Accounts	Amount(1)+(2)	
LIABILITIES	28,928,569	63,238	LIABILITIES	28,991,807	
Current Liabilities	418,085	-78	Current Liabilities	418,007	
Payables	104,239	-78	Payables	104,161	
Collection Payable	567		Collection Payable	567	
Accrued Expenses	81,136	-74,403	Accrued Expenses	6,733	No.3
Interest Payable	22,536		Interest Payable	22,536	
		48	Accrued Pension	48	No.3
		74,277	Other Payables	74,277	No.3
Current Financial Liabilities	313,846		Current Financial Liabilities	313,846	
Marketable Securities sold under Repurchase Agreement	313,846		Liabilities for Bills and Bonds under Repurchase Agreement	313,846	
Long-term Liabilities	25,625,551	-25,551	Long-term Liabilities	25,600,000	
Long-term Loans	25,625,551	-25,551	Long-term Loans	25,600,000	
Long-term Loans Payable	25,600,000		Long-term Loans Payable	25,600,000	
Estimated Accrued Land Value Increment Tax Payable	25,551	-25,551			No.4
Other Liabilities	2,884,933	88,867	Other Liabilities	2,973,800	
Reserves for Operation and Liabilities	2,743,705	63,316	Reserves for Liabilities	2,807,021	
Agricultural Financial Deposit Insurance Payout Special Reserves	2,743,705	-894	Agricultural Financial Deposit Insurance Payout Special Reserves	2,742,811	No.5
		64,210	Provision for Employee Benefits	64,210	No.3 No.5
		25,551	Deferred Income Tax Liabilities	25,551	
		25,551	Estimated Accrued Land Value Increment Tax Payable	25,551	No.4
Miscellaneous Liabilities	141,228		Miscellaneous Liabilities	141,228	
Guarantee Deposits Received	482		Guarantee Deposits Received	482	
Temporary Receipts and the Account to be Carried Over	140,746		Temporary Receipts and the Account to be Carried Over	140,746	
Stockholders' Equity	11,277,029	-40,598	Equity	11,236,431	

Expressed in NT\$' 000

ROC GAAP and RELEVANT REGULATIONS		Amount Affected(2)	IFRSs		Notes
Accounts	Amount(1)		Accounts	Amount(1)+(2)	
Capital Stock	10,000,000		Capital Stock	10,000,000	
Capital Stock	10,000,000		Capital Stock	10,000,000	
Capital Stock	10,000,000		Capital Stock	10,000,000	
Capital Surplus	265		Capital Surplus	265	
Capital Surplus	265		Capital Surplus	265	
Donated Assets Received	265		Donated Assets Received	265	
Retained Earnings	1,236,166		Retained Earnings	1,236,166	
Appropriated Retained Earnings	1,236,166		Appropriated Retained Earnings	1,236,166	
Legal Reserve	235,700		Legal Reserve	235,700	
Special Reserve	1,000,466		Special Reserve	1,000,466	
Other Stockholders' Equity	40,598	-40,598			
Unrealized Revaluation Increments	40,598	-40,598			
Unrealized Revaluation Increments	40,598	-40,598			No.5
			Adjustment for First-Time Adoption of International Financial Reporting Standards		
			Adjustment for First-Time Adoption of International Financial Reporting Standards		
			Adjustment for First-Time Adoption of International Financial Reporting Standards		No.5
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	40,205,598	22,640	TOTAL LIABILITIES AND EQUITY	40,228,238	

Notes:

1. "Collateral Deposits" \$348,088 thousand based on ROC GAAP was fully turned into "Held-to-Maturity Financial Assets-Current" based on IFRSs. The book value of collateral securities deposited to the court, \$351,100 thousand, were recorded for the same amount of "Collateral Deposits" and "Securities Serving as Collateral Deposits".
2. The full amount of "Receivables- Tax Refund Receivable" based on ROC GAAP was turned into "Current Tax Assets-Tax Refund Receivable" based on IFRSs.
3. "Accrued Expenses" \$81,136 thousand based on ROC GAAP was turned into "Accrued Expenses" \$6,733 thousand, "Accrued Pension" \$48 thousand, "Other Payables" \$74,277 thousand and "Provision for Employee Benefits" \$77 thousand based on IFRSs.
4. The full amount of "Long-term Liabilities-Estimated Accrued Land Value Increment Tax Payable" based on ROC GAAP was turned into "Deferred Income Tax Liabilities-Estimated Accrued Land Value Increment Tax Payable" based on IFRSs.

5. The account of "Adjustment for first-time adoption of international financial reporting standards" was reduced by \$23,535 thousand including:

- (1) Property, plant and equipment: the property value reappraised according to ROC GAAP was concluded as the deemed cost on the transition date (Jan. 1, 2012) and the \$40,598 thousand originally recognized as "unrealized incremental value from revaluation" was turned into the amount increased as a result of "Adjustment for first-time adoption of international financial reporting standards".
- (2) Employee benefits: the \$64,133 thousand originally recognized according to IAS19 as "employee benefit provisions" (net actuarial gains and losses on retirement pensions) in the actuarial report on the transition date was turned into the amount decreased as a result of "Adjustment for first-time adoption of international financial reporting standards".

The aforesaid net decrease of \$23,535 thousand was listed as the account of "Adjustment for first-time adoption of international financial reporting standards" under the item of Equity. However, according to Article 5 of the *Deposit Insurance Act*, "Any remainder of the annual gross income of the CDIC, after deducting costs, expenses and losses, shall be fully appropriated for the deposit insurance payout special reserves", so the decreased amount of \$23,535 thousand had been written off respectively by an increase of \$22,640 thousand for "Deferral on Deposit Insurance Payout Loss for General Financial Sector" and a decrease of \$894 thousand for "Deposit Insurance Payout Special Reserves for Loss for Agricultural Financial Sector" at the date of transition to IFRSs.

(2) Adjustment of the Balance Sheet as of December 31, 2012

Expressed in NT\$' 000

ROC GAAP and RELEVANT REGULATIONS		Amount Affected(2)	IFRSs		Notes
Accounts	Amount Audited(1)		Accounts	Amount(1)+(2)	
ASSETS	16,206,093	22,640	ASSETS	16,228,733	
Current Assets	14,045,526	386,292	Current Assets	14,431,818	
Cash	39,242		Cash	39,242	
Bank Deposits	38,892		Bank Deposits	38,892	
Petty Cash & Revolving Funds	350		Petty Cash & Revolving Funds	350	
Deposits in the Central Bank	11,683,933		Deposits in the Central Bank	11,683,933	
Deposits in the Central Bank	11,683,933		Deposits in the Central Bank	11,683,933	
Current Financial Assets	2,164,193	386,292	Current Financial Assets	2,550,485	
Held-to-Maturity Financial Assets-Current	2,164,193	386,292	Held-to-Maturity Financial Assets-Current	2,550,485	No.1
Receivables	143,218	-24,077	Receivables	119,141	
Tax Refund Receivable	24,077	-24,077			No.2
Interest Receivable	119,141		Interest Receivable	119,141	
		24,077	Current Tax Assets	24,077	
		24,077	Tax Refund Receivable	24,077	No.2
Prepayments	14,347		Prepayments	14,347	
Prepaid Expenses	14,347		Prepaid Expenses	14,347	
Short-term Advances	593		Short-term Advances	593	
Advanced Insurance Premiums Payment	593		Advanced Insurance Premiums Payment	593	
Fixed Assets	506,286		Property, Plant and Equipment	506,286	
Land	294,982		Land	294,982	
Land	228,833		Land	228,833	

Expressed in NT\$' 000

ROC GAAP and RELEVANT REGULATIONS		Amount Affected(2)	IFRSs		Notes
Accounts	Amount Audited(1)		Accounts	Amount(1)+(2)	
Land Revaluation Increment	66,149		Land Revaluation Increment	66,149	
Buildings	172,414		Buildings	172,414	
Buildings	265,486		Buildings	265,486	
Accumulated Depreciation – Buildings	93,072		Accumulated Depreciation – Buildings	93,072	
Machinery and Equipment	26,095		Machinery and Equipment	26,095	
Machinery and Equipment	91,612		Machinery and Equipment	91,612	
Accumulated Depreciation- Machinery and Equipment	65,517		Accumulated Depreciation- Machinery and Equipment	65,517	
Transportation Equipment	4,384		Transportation Equipment	4,384	
Transportation Equipment	13,477		Transportation Equipment	13,477	
Accumulated Depreciation- Transportation Equipment	9,093		Accumulated Depreciation- Transportation Equipment	9,093	
Other Equipment	8,411		Other Equipment	8,411	
Other Equipment	25,944		Other Equipment	25,944	
Accumulated Depreciation- Other Equipment	17,533		Accumulated Depreciation- Other Equipment	17,533	
Intangible Assets	5,793		Intangible Assets	5,793	
Intangible Assets	5,793		Intangible Assets	5,793	
Computer Software	5,793		Computer Software	5,793	
Other Assets	1,648,488	-363,652	Other Assets	1,284,836	
Miscellaneous Assets	389,665	-386,292	Miscellaneous Assets	3,373	
Guarantee Deposits Paid	888		Guarantee Deposits Paid	888	
Temporary Payments and the Account to be Carried Over	2,485		Temporary Payments and the Account to be Carried Over	2,485	
Collateral Deposits	386,292	1,108	Collateral Deposits	387,400	No.1
		-387,400	Securities Serving as Collateral Deposits	387,400	No.1
Deferred Assets	1,258,823	22,640	Deferred Assets	1,281,463	
Deferral on General Financial Deposit Insurance Payout Losses	1,258,823	22,640	Deferral on General Financial Deposit Insurance Payout Losses	1,281,463	No.5
TOTAL ASSETS	16,206,093	22,640	TOTAL ASSETS	16,228,733	

Expressed in NT\$' 000

ROC GAAP and RELEVANT REGULATIONS		Amount Affected(2)	IFRSs		Notes
Accounts	Amount Audited(1)		Accounts	Amount(1)+(2)	
LIABILITIES	4,929,064	63,238	LIABILITIES	4,992,302	
Current Liabilities	302,654		Current Liabilities	302,654	
Payables	79,688		Payables	79,688	
Collection Payable	658		Collection Payable	658	
Accrued Expenses	77,563	-74,822	Accrued Expenses	2,741	No.3
Interest Payable	1,467		Interest Payable	1,467	
		27	Accrued Pension	27	No.3
		74,795	Other Payables	74,795	No.3
Current Financial Liabilities	222,966		Current Financial Liabilities	222,966	
Marketable Securities sold under Repurchase Agreement	222,966		Liabilities for Bills and Bonds under Repurchase Agreement	222,966	
Long-term Liabilities	1,425,551	-25,551	Long-term Liabilities	1,400,000	
Long-term Loans	1,425,551	-25,551	Long-term Loans	1,400,000	
Long-term Loans Payable	1,400,000		Long-term Loans Payable	1,400,000	
Estimated Accrued Land Value Increment Tax Payable	25,551	-25,551			No.4
Other Liabilities	3,200,859	88,789	Other Liabilities	3,289,648	
Reserves for Operation and Liabilities	3,054,229	63,238	Reserves for Liabilities	3,117,467	
Agricultural Financial Deposit Insurance Payout Special Reserves	3,054,229	-894	Agricultural Financial Deposit Insurance Payout Special Reserves	3,053,335	No.5
		64,132	Provision for Employee Benefits	64,132	No.5
		25,551	Deferred Income Tax Liabilities	25,551	
		25,551	Estimated Accrued Land Value Increment Tax Payable	25,551	No.4
Miscellaneous Liabilities	146,630		Miscellaneous Liabilities	146,630	
Guarantee Deposits Received	678		Guarantee Deposits Received	678	
Temporary Receipts and the Account to be Carried Over	145,952		Temporary Receipts and the Account to be Carried Over	145,952	
Stockholders' Equity	11,277,029	-40,598	Equity	11,236,431	
Capital Stock	10,000,000		Capital Stock	10,000,000	
Capital Stock	10,000,000		Capital Stock	10,000,000	

Expressed in NT\$' 000

ROC GAAP and RELEVANT REGULATIONS		Amount Affected(2)	IFRSs		Notes
Accounts	Amount Audited(1)		Accounts	Amount(1)+(2)	
Capital Stock	10,000,000		Capital Stock	10,000,000	
Capital Surplus	265		Capital Surplus	265	
Capital Surplus	265		Capital Surplus	265	
Donated Assets Received	265		Donated Assets Received	265	
Retained Earnings	1,236,166		Retained Earnings	1,236,166	
Appropriated Retained Earnings	1,236,166		Appropriated Retained Earnings	1,236,166	
Legal Reserve	235,700		Legal Reserve	235,700	
Special Reserve	1,000,466		Special Reserve	1,000,466	
Other Stockholders' Equity	40,598	-40,598			
Unrealized Revaluation Increments	40,598	-40,598			
Unrealized Revaluation Increments	40,598	-40,598			No.5
			Adjustment for First-Time Adoption of International Financial Reporting Standards		
			Adjustment for First-Time Adoption of International Financial Reporting Standards		
			Adjustment for First-Time Adoption of International Financial Reporting Standards		No.5
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	16,206,093	22,640	TOTAL LIABILITIES AND EQUITY	16,228,733	

Notes:

1. "Collateral Deposits" \$386,292 thousand based on ROC GAAP was turned into "Held-to-Maturity Financial Assets-Current" based on IFRSs. The book value of collateral securities deposited to the court, \$387,400 thousand, were recorded for the same amount of "Collateral Deposits" and "Securities Serving as Collateral Deposits".
2. The full amount of "Receivables-Tax Refund Receivable" based on ROC GAAP was turned into "Current Tax Assets-Tax Refund Receivable" based on IFRSs.
3. "Accrued Expenses" \$77,563 thousand based on ROC GAAP was turned into "Accrued Expenses" \$2,741 thousand, "Accrued Pension" \$27 thousand and "Other Payables" \$74,795 thousand based on IFRSs.
4. The full amount of "Long-term Liabilities-Estimated Accrued Land Value Increment Tax Payable" based on ROC GAAP was turned into "Deferred Income Tax Liabilities-Estimated Accrued Land Value Increment Tax Payable" based on IFRSs.
5. The explanatory note of the account of "Adjustment for first-time adoption of international financial reporting standards" was the same as the item no.5 of the note on page 45.

(3) Adjustment of the Income Statement as of 2012

Expressed in NT\$' 000

ROC GAAP and RELEVANT REGULATIONS		Amount Affected(2)	IFRSs		Notes
Accounts	Amount Audited(1)		Accounts	Amount(1)+(2)	
Operating Income	23,626,244		Operating Income	23,626,244	
Banking and Insurance Revenue	8,758,167		Banking and Insurance Revenue	8,758,167	
Interest Revenue	238,544		Interest Revenue	238,544	
Premiums Revenue	8,519,623		Premiums Revenue	8,519,623	
Other Operating Income	14,868,077		Other Operating Income	14,868,077	
Income Derived from Levies-Business Tax from Banking Industry	14,868,077		Income Derived from Levies-Business Tax from Banking Industry	14,868,077	
Operating Costs	22,931,778		Operating Costs	22,931,778	
Banking and Insurance Costs	22,931,778		Banking and Insurance Costs	22,931,778	
Interest Expenses	1,890		Interest Expenses	1,890	
Insurance Expenses	107		Insurance Expenses	107	
Handling Fees	50		Handling Fees	50	
Insurance Payout Reserve Provisions	22,929,731		Insurance Payout Reserve Provisions	22,929,731	
Gross Profit	694,466		Gross Profit	694,466	
Operating Expenses	590,501		Operating Expenses	590,501	
Transaction Expenses	522,987		Transaction Expenses	522,987	
Transaction Expenses	522,987		Transaction Expenses	522,987	
General & Administrative Expenses	63,375		General & Administrative Expenses	63,375	
General & Administrative Expenses	63,375		General & Administrative Expenses	63,375	
Other Operating Expenses	4,139		Other Operating Expenses	4,139	
Research and Development Expenses	3,001		Research and Development Expenses	3,001	
Staff Training Expenses	1,138		Staff Training Expenses	1,138	
Operating Income	103,965		Operating Income	103,965	
Non-Operating Income	455		Non-Operating Income	455	
Other Non-Operating Income	455		Other Non-Operating Income	455	
Indemnity Income	87		Indemnity Income	87	
Other Income	368		Other Income	368	
Non-Operating Expenses	104,420		Non-Operating Expenses	104,420	
Other Non-Operating Expenses	104,420		Other Non-Operating Expenses	104,420	

Expressed in NT\$' 000

ROC GAAP and RELEVANT REGULATIONS		Amount Affected(2)	IFRSs		Notes
Accounts	Amount Audited(1)		Accounts	Amount(1)+(2)	
Loss on Disposal of Assets	238		Loss on Disposal of Assets	238	
Other Expenses	104,182		Other Expenses	104,182	
Non-Operating Income	-103,965		Non-Operating Income	-103,965	
Income before Income Tax			Income before Income Tax		
Income Tax			Income Tax		
			Net Income from Continuing Operations		
NET INCOME			NET INCOME		

Statistics

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

Unit: number of institutions

Type of Institution \ Year	2013	2012	2011	2010	2009
Domestic Banks	40	39	38	38	38
Credit Cooperatives	24	24	25	26	26
Credit Departments of Farmers' Associations	277	277	277	275	264
Credit Departments of Fishermen's Associations	25	25	25	25	25
Local Branches of Foreign Banks and Mainland Chinese Banks in Taiwan	29	26	27	27	30
Total	395	391	392	391	383

Notes: 1. The standard date for the annual figures in the table is December 31 of each year.

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

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

Unit: %

Type of Institution/ Year	Ratio of Covered Deposits to Total Eligible Deposits (%)			2010	2009
	2013	2012	2011		
Domestic Banks	52.7	53.4	53.2	Blanket Guarantee	
Credit Cooperatives	69.4	71.3	71.8		
Credit Departments of Farmers' Associations	80.0	81.0	81.6		
Credit Departments of Fishermen's Associations	83.4	83.3	83.4		
Local Branches of Foreign Banks and Mainland Chinese Banks in Taiwan	3.0	10.5	17.1		
Total	53.6	54.5	54.2		

Notes: 1. In October 2008 the government announced that all deposits of depositors in financial institutions participating in the deposit insurance system (include principal and interest as stipulated in Paragraph 1 and Paragraph 2 of Article 12 of the *Deposit Insurance Act*) would be provided with temporary full coverage, without being limited to the coverage limit, up to December 31, 2009. This was later extended by one year to December 31, 2010. In order to respond to the return to a system of limited deposit insurance coverage, the Financial Supervisory Commission, the Ministry of Finance, and the Central Bank announced that starting from January 1, 2011 the coverage limit would be raised to NT\$3 million from NT\$1.5 million that had been effective since July 1, 2007.

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

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

4. The term "Covered Deposits" refers to the total deposit amount of each depositor under the coverage limit in an insured institution. From the year 2011 onwards, the coverage limit is NT\$3 million.

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

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

Unit: NT\$ million

Year	Insured Institutions					Deposit Insurance Premiums	Deposit Insurance Payout Special Reserves	Ratio of Deposit Insurance Payout Special Reserves to Covered Deposits (%)
	Type	No. of Institutions	Total Eligible Deposits	Covered Deposits	Ratio of Covered Deposits to Total Eligible Deposits (%)			
			(a)	(b)	(b) / (a)		(c)	(c) / (b)
2013	General	92	33,053,762	17,667,896	53.45	8,328	27,130	0.15
	Agricultural	303	2,243,395	1,263,214	56.31	322	3,368	0.27
2012	General	88	31,305,920	17,007,656	54.33	8,196	0	0
	Agricultural	303	2,166,797	1,230,068	56.77	324	3,054	0.25
2011	General	89	30,127,900	16,255,949	53.96	8,792	0	0
	Agricultural	303	2,093,921	1,194,099	57.03	355	2,744	0.23
2010	General	90	Blanket Guarantee			4,389	0	0
	Agricultural	301				302	2,507	-
2009	General	93				4,184	0	0
	Agricultural	290				291	2,395	-
2008	General	94				4,067	0	0
	Agricultural	290				301	2,293	-
2007	General	98	21,764,787	10,472,346	48.12	3,965	0	0
	Agricultural	278	1,298,495	900,009	69.31	365	2,189	0.24
2006	All	383	22,670,064	9,686,080	42.73	4,109	15,125	0.16
2005	All	390	21,850,180	9,528,182	43.61	4,019	13,579	0.14
2004	All	396	20,444,435	9,018,811	44.11	3,909	12,154	0.13

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

2. The standard date for the annual figures in the table is December 31 of each year. The term "General Account" refers to general financial institutions including domestic banks, Chunghwa Post Co., Ltd., local branches of foreign banks and mainland Chinese banks in Taiwan, and credit cooperatives, whereas the term "Agricultural Account" refers to agricultural financial institutions including the Agricultural Bank of Taiwan, and the credit departments of farmers' and fishermen's associations.

3. According to stipulations under Article 6 of the *Deposit Insurance Act*, the Deposit Insurance Payout Special Reserves were divided into two accounts from 2007. One is for general financial institutions and the other one for agricultural financial institutions.

4. The term "Covered Deposits" refers to the total deposit amount of each depositor under the coverage limit in an insured institution. After a period of full coverage, deposit insurance system returned to limited coverage on January 1, 2011 at which point the coverage limit was raised to NT\$3 million from the NT\$1.5 million coverage limit that took effect on July 1, 2007. Thus the covered deposits for 2007 refer to deposits under the NT\$1.5 million limit, while the covered deposits for the earlier years refer to deposits under the NT\$1 million limit.

5. Deposit Insurance Premium Rates:

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

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

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

7. Beginning in September 2007, the CDIC Deposit Insurance Payout Special Reserves were used to share some of the compensation paid in relation to the disposition of failed financial institutions in line with the "Mechanism for the Combined Use of the Financial Restructuring Fund and the Deposit Insurance Payout Special Reserves" as approved by the Executive Yuan. Thus, from 2007 to 2012 the Deposit Insurance Payout Special Reserve for general financial institutions as well as the ratio of this Reserve to covered deposits were both 0.

8. From October 2008 to December 31, 2010, the government implemented temporary full deposit insurance coverage, and thus the ratio of the Deposit Insurance Payout Special Reserves to covered deposits had no relevant meaning, and was hence denoted by "-" in the table.

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

Unit: NT\$ million

Item / Year	2013	2012	2011	2010	2009
Operating Revenues	28,053	23,626	25,346	22,728	4,749
Interest Revenue	387	238	232	202	227
Premium Revenue	8,651	8,520	9,147	4,691	4,475
Special Premium Revenue	-	-	-	49	47
Other Operating Revenue	19,015	14,868	15,967	17,786	-
Operating Costs and Expenses	28,045	23,522	25,341	22,727	4,748
Deposit Insurance Payout Special Reserve Provisions	27,454	22,930	22,076	19,577	1,608
Financial Restructuring Fund Expenses	-	-	2,650	2,650	2,650
Interest Expenses	1	2	2	5	1
Transaction Expenses	525	523	545	429	427
General & Administrative Expenses	61	63	64	60	57
Other Operating Expenses	4	4	4	6	5
Other Expenses	-	-	-	-	-
Operating Income	8	104	5	1	1
Non-Operating Income (Loss)	(8)	(104)	(5)	(1)	(1)
Net Income before Income Tax	-	-	-	-	-
Income Tax Expenses	-	-	-	-	-
Net Income	-	-	-	-	-

Notes: 1 The figures for 2009, 2010, 2011, and 2012 were reviewed and audited by the National Audit Office; those for 2013 were based on CDIC's final accounts for that year following the *International Financial Reporting Standards* (IFRS).

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

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

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2013)
Type of Membership	Voluntary	Changed to mandatory membership system in January 1999	Revised in January 2007 as follows: 1. All financial institutions legally approved to accept deposits must apply to the CDIC to join the deposit insurance system. 2. Such institutions may become insured institutions after inspection and approval by the CDIC. 3. The two preceding items do not apply to insured institutions that have joined the deposit insurance system prior to the enactment of the revised <i>Deposit Insurance Act</i> .
Capital	<ul style="list-style-type: none"> Legally prescribed capital NT\$2 billion Paid-in capital NT\$800,050,000 	<ul style="list-style-type: none"> Legally prescribed capital raised to NT\$5 billion in July 1992 Prescribed capital raised to NT\$10 billion in November 1995 	Same as the left column
Insured Institutions	<ul style="list-style-type: none"> Domestic banks (excluding Chunghwa Post Co., Ltd.) Small and medium business banks Trust and investment companies Credit cooperatives Credit departments of farmers' and fishermen's associations Foreign bank branches in Taiwan (even if their deposits are protected in their home countries) Other financial institutions designated by the Ministry of Finance 	<ul style="list-style-type: none"> Revised in January 1999, to include the financial institutions listed on the left and Chunghwa Post Co., Ltd. Beginning in January 1999, foreign bank branches whose deposits are protected in their home countries may not participate 	Same as the left column (Note: Chunghwa Post Co., Ltd. was renamed Taiwan Post on February 9, 2007, but the name reverted back to Chunghwa Post Co., Ltd. on August 1, 2008) Revised in October 2013: Revised "Local Branches of Foreign Banks" into "Local Branches of Foreign Banks and Mainland Chinese Banks"
Premium Assessment Base	Covered deposits	Same as the left column	Revised in January 2007 to total eligible deposits

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2013)												
Insurance Premium	Flat rate: 0.05%	<ul style="list-style-type: none">◆ Flat rate, but reduced to 0.04% in July 1987◆ Further reduced to 0.015% in January 1988◆ Risk-based premium system adopted on July 1, 1999, and three-tier rates instituted: 0.015%, 0.0175%, and 0.02%◆ Three-tier rates adjusted to 0.05%, 0.055% and 0.06% on January 1, 2000	Revised in July 2007 as follows: Risk-based premium rates for eligible deposits within the coverage limit and a flat rate for any amounts beyond this, as follows: <table><tr><th>Financial Institutions</th><th>Risk-based Premium Rates</th><th>Flat Premium Rate</th></tr><tr><td>Domestic banks, foreign bank branches in Taiwan, trust and investment companies, and credit cooperatives</td><td>Five-tier rates: 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%</td><td>Formerly 0.0025%, but from January 1, 2010 the flat premium rate was adjusted to 0.005%</td></tr><tr><td>Credit departments of farmers' and fishermen's associations</td><td>Five-tier rates: 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%</td><td>0.0025%</td></tr></table>	Financial Institutions	Risk-based Premium Rates	Flat Premium Rate	Domestic banks, foreign bank branches in Taiwan, trust and investment companies, and credit cooperatives	Five-tier rates: 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%	Formerly 0.0025%, but from January 1, 2010 the flat premium rate was adjusted to 0.005%	Credit departments of farmers' and fishermen's associations	Five-tier rates: 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%	0.0025%			
			Financial Institutions	Risk-based Premium Rates	Flat Premium Rate										
			Domestic banks, foreign bank branches in Taiwan, trust and investment companies, and credit cooperatives	Five-tier rates: 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%	Formerly 0.0025%, but from January 1, 2010 the flat premium rate was adjusted to 0.005%										
			Credit departments of farmers' and fishermen's associations	Five-tier rates: 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%	0.0025%										
			Revised in November 2010 as follows: Risk-based premium rates for eligible deposits within the coverage limit and a flat rate for any amounts beyond this, effective from January 1, 2011.												
			Revised in October 2013 as follows: Changed the term "Local Branches of Foreign Banks" into "Local Branches of Foreign Banks and Mainland Chinese Banks" and applying the same risk-based premium rate as follows: <table><tr><th>Financial Institutions</th><th>Risk-based Premium Rates</th><th>Flat Premium Rate</th></tr><tr><td>Domestic banks, local branches of foreign banks and mainland Chinese banks in Taiwan</td><td>Five-tier rates: 0.05%, 0.06%, 0.08%, 0.11%, and 0.15%</td><td>0.005%</td></tr><tr><td>Credit cooperatives</td><td>Five-tier rates of 0.04%, 0.05%, 0.07%, 0.1%, and 0.14%</td><td>0.005%</td></tr><tr><td>Credit departments of farmers' and fishermen's associations</td><td>Five-tier rates of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%</td><td>0.0025%</td></tr></table>	Financial Institutions	Risk-based Premium Rates	Flat Premium Rate	Domestic banks, local branches of foreign banks and mainland Chinese banks in Taiwan	Five-tier rates: 0.05%, 0.06%, 0.08%, 0.11%, and 0.15%	0.005%	Credit cooperatives	Five-tier rates of 0.04%, 0.05%, 0.07%, 0.1%, and 0.14%	0.005%	Credit departments of farmers' and fishermen's associations	Five-tier rates of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%	0.0025%
			Financial Institutions	Risk-based Premium Rates	Flat Premium Rate										
			Domestic banks, local branches of foreign banks and mainland Chinese banks in Taiwan	Five-tier rates: 0.05%, 0.06%, 0.08%, 0.11%, and 0.15%	0.005%										
			Credit cooperatives	Five-tier rates of 0.04%, 0.05%, 0.07%, 0.1%, and 0.14%	0.005%										
			Credit departments of farmers' and fishermen's associations	Five-tier rates of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%	0.0025%										

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2013)
Coverage Limit	NT\$700,000	Increased to NT\$1 million on August 15, 1987. (In July 2001, the government passed the <i>Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund</i> and established the Financial Restructuring Fund to dispose of unsound financial institutions. During the period of the Fund's operation, there was no coverage limit on the deposits in unsound institutions under disposal or listed for disposal.)	<ol style="list-style-type: none"> 1. Increased to NT\$1.5 million on July 1, 2007. 2. To stabilize the financial system and strengthen the confidence of depositors, the government announced in October 2008 that, until December 31, 2009, the deposits of depositors in insured institutions would be provided with temporary full coverage and would not be subject to the coverage limit. 3. In October 2009, the government announced that the period of temporary full deposit insurance coverage would be extended one more year until December 31, 2010. 4. On August 12, 2010, the Financial Supervisory Commission, the Ministry of Finance and the Central Bank jointly announced that the coverage limit would be increased to NT\$3 million from January 1, 2011.
Scope of Coverage	Deposit principal and interest	From January 1999, limited to deposit principal	<ol style="list-style-type: none"> 1. Limited to principal as in the left column. However, beginning in July 2001, the principal and interest of deposits in unsound financial institutions disposed of by the Financial Restructuring Fund were both guaranteed. 2. In October 2008, the government announced that the coverage of deposits under the temporary full deposit insurance coverage would encompass both principal and interest until December 31, 2009. 3. In October 2009, the government announced that the period of temporary full coverage would be extended a further one year until December 31, 2010. 4. On December 29, 2010, amendments to Articles 12 and 13 of the <i>Deposit Insurance Act</i> were promulgated by Presidential Decree, whereby the scope of coverage was enlarged to encompass both foreign currency deposits and interest on deposits.

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2013)
Types of Eligible Deposits	<ul style="list-style-type: none"> ◆ Checking deposits ◆ Demand deposits ◆ Time deposits ◆ Savings deposits ◆ Trust funds ◆ Other deposits that the competent authority has approved as eligible 	Same as the left column	<p>1. Same as the left column. (Beginning in July 2001, all deposits and non-deposit liabilities of insured institutions disposed of by the Financial Restructuring Fund were fully guaranteed. In June 2005, after a revision of the <i>Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund</i>, the non-deposit liabilities of unsound financial institutions were not eligible for protection. However, those non-deposit liabilities that were incurred prior to the implementation of the revised <i>Statute</i> remained protected.)</p> <p>2. Revised in January 2007 as follows:</p> <ul style="list-style-type: none"> ◆ Checking deposits ◆ Demand deposits ◆ Time deposits ◆ Other deposits that the competent authority has approved as eligible <p>3. Revised in May 2008 as follows:</p> <ul style="list-style-type: none"> ◆ Checking deposits ◆ Demand deposits ◆ Time deposits ◆ Deposits required by law to be deposited in certain financial institutions ◆ Other deposits that the competent authority has approved as eligible <p>4. In October 2008, the government announced that until December 31, 2009, the deposits of depositors in insured institutions would be provided with temporary full coverage. According to the <i>Measures to Support the Full Deposit Insurance Coverage</i> jointly promulgated by the Financial Supervisory Commission, the Ministry of Finance and the Central Bank on October 28, 2008, the scope of the temporary full deposit insurance coverage includes the following:</p> <ul style="list-style-type: none"> ◆ The principal and interest of deposits pursuant to Paragraphs 1 and 2 of Article 12 of the <i>Deposit Insurance Act</i> ◆ Interbank call loans ◆ The payments during the period in which the CDIC acts as a conservator that are necessary to keep an insured institution operating as well as the pensions, severance pay, and related taxes that shall be paid according to law ◆ Bank debentures issued on or before June 23, 2005

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2013)
			<p>5. In October 2009, the government announced that the period of temporary full deposit insurance coverage would be extended a further one year until December 31, 2010.</p> <p>6. On December 29, 2010, amendments to Articles 12 and 13 of the <i>Deposit Insurance Act</i> were promulgated by Presidential decree, whereby the following deposits within the territory of the Republic of China would be the insured items of deposit insurance:</p> <ul style="list-style-type: none"> ◆ Checking deposits ◆ Demand deposits ◆ Time deposits ◆ Deposits required by law to be deposited in certain financial institutions ◆ Other deposits that the competent authority has approved as eligible <p>The above deposits referred to as being within the territory of the Republic of China do not include the deposits accepted by offshore banking branches.</p>
Scope of Capital Utilization	Limited to deposits at the Central Bank	<p>The following revisions were effective in January 1999:</p> <ul style="list-style-type: none"> ◆ Deposits in the Central Bank ◆ Deposits in financial institutions approved by the competent authority and which provide government bonds as collateral 	<p>Revised in January 2007 as follows:</p> <ul style="list-style-type: none"> ◆ Deposits at the Central Bank ◆ Investments in government bonds ◆ Utilization by methods approved by the CDIC Board of Directors
Means of Fulfilling Insurance Responsibilities	<ul style="list-style-type: none"> ◆ Cash payouts ◆ Deposit transfers ◆ Temporarily continued operation in the name of the CDIC 	<p>According to revisions enacted in January 1999, the provision of financial assistance to encourage acquisitions or assumptions by other insured institutions was added to the three means listed to the left.</p>	<p>Revised in January 2007 as follows:</p> <ul style="list-style-type: none"> ◆ Deletion of temporarily continued operation in the name of the CDIC. ◆ In addition to providing financial assistance to encourage acquisitions or assumptions of insured institutions that have been ordered to close, such financial assistance can also be provided to insured institutions being put under conservatorship or taken over by the authorities according to law.
Advance Payments for Deposit and Non-Deposit Liabilities in Excess of Coverage Limit	None	<p>According to revisions made in January 1999, advance payment is allowed to resolve the needs of creditors' liquidity at failed institutions, under the principle that no additional costs are incurred.</p>	Same as the left column

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2013)
Exemption from Open Tender, Price Comparison, Price Negotiation, and the Provisions of Articles 25~27 of the <i>Budget Act</i> When Disposing of Problem Insured Institutions	None	Added in January 1999	Stipulations of the <i>Government Procurement Act</i> and Articles 25 to 27 of the <i>Budget Act</i> do not apply to the CDIC in the fulfillment of its insurance responsibility, provision of financial assistance, establishment of bridge banks and handling of advance payments in accordance with the <i>Deposit Insurance Act</i> .
Recipient of Financial Assistance and Method of Assistance	Limited to provide loans or purchase assets to enable problem insured institutions to resume operation, when such resumption is deemed necessary.	Revised in January 1999 as follows: <ul style="list-style-type: none"> ◆ Insured institutions under guidance, superintendence, or conservatorship may be assisted by provision of loans or deposits. ◆ Other insured institutions that acquire or assume insured institutions that are under guidance, superintendence, or conservatorship, or that have failed may be assisted with loans, deposits, or the provision of funds and guarantees. 	Revised in January 2007 as follows: <ul style="list-style-type: none"> ◆ If an insured institution has a seriously deficient net worth, or there is a concern that it seriously threatens the credit order and financial stability, and the competent authority has determined a need for the institution's liquidation or market withdrawal, CDIC personnel may be dispatched to assume conservatorship or take over the powers of the board of directors and supervisors of the institution prior to liquidation or market withdrawal. In such cases, the CDIC may provide loans, deposits or other financial assistance to the insured institution. ◆ Before providing financial assistance, the CDIC shall request the full amount of collateral from the financial holding company of the insured institution or from any other insured institution that it has a dominant shareholding. ◆ In cases where the competent authority has dispatched personnel to assume conservatorship or take over the powers of the board of directors and supervisors of an insured institution, the CDIC may encourage the acquisition or assumption of the institution by the other insured institutions or financial holding companies, by providing funds, arranging loans, deposits or guarantees, or purchasing the subordinated securities issued by the acquiring or assuming insured institutions or financial holding companies.
Borrowing of Funds from Other Financial Institutions	None	Added in January 1999	Same as the left column

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2013)
Provision of Collateral When Applying to the Central Bank for Accommodation	Full collateral must be provided.	Provisions added in January 1999 as follows: <ul style="list-style-type: none"> ◆ That part for which the CDIC is unable to provide collateral is to be guaranteed by the National Treasury. ◆ When the secured portion exceeds the CDIC's net worth, the competent authority and the Central Bank must apply to the Executive Yuan for approval. 	Revised in January 2007 as follows: Through a joint request by the competent authority with the Ministry of Finance and the Central Bank and approval by the Executive Yuan, the part for which collateral cannot be provided may be guaranteed by the National Treasury.
Penalty for Refusal to Apply to Participate in Deposit Insurance	None	Provision added in January 1999: A fine of double the amount of the deposit insurance premium for penalty is to be imposed.	Revised in January 2007 as follows: Depending on whether the institution is a general financial institution or agricultural financial institution, the CDIC shall report to the competent authority to order the financial institution to replace its persons in charge or to revoke its business license.
Method of Allocation of the CDIC's Surplus	As stipulated in the <i>Company Act</i>	Same as the left column	<ul style="list-style-type: none"> ◆ Beginning in July 2001, the entire amount of the surplus remaining after the accounts are closed is placed into the Deposit Insurance Payout Special Reserves. ◆ Revised in January 2007 as follows: The entire amount of the surplus remaining from annual income after deducting costs, expenses and losses shall be deposited into the Deposit Insurance Payout Special Reserves.
Depositor Preference	None	Same as the left column	Addition in May 2006: When an insured institution is disposed of by the CDIC with the stipulation of the <i>Deposit Insurance Act</i> by the competent authority or the central competent authority for agricultural finance for resolution or liquidation upon clearing the debt, its deposit liabilities shall take precedence over non-deposit liabilities.

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2013)
Establishment of Two Separate Deposit Insurance Payout Special Reserves	None	Same as the left column	<p>Addition in January 2007:</p> <ul style="list-style-type: none"> ◆ The reserves were divided into separate deposit insurance payout accounts for general financial institutions and agricultural financial institutions. ◆ Both reserve funds have a target ratio of 2% of covered deposits.
Inspection of Insured Institutions	If the CDIC deemed it necessary, and after obtaining the prior approval of the competent authority in consultation with the Central Bank, the CDIC could examine the business records and accounts of an insured institution.	Same as the left column	<p>Revised in January 2007 as follows:</p> <p>The CDIC may in accordance with Article 24 of the <i>Deposit Insurance Act</i> conduct inspections on insured institutions on the following items:</p> <ol style="list-style-type: none"> 1. Accuracy of deposit assessment base and the content of the electronic data files for the calculation of deposit insurance premiums and the amount of the payout. 2. Any event causing the termination of the deposit insurance contract. 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 for those of problem insured institutions that receive financial assistance. <p>Addition in January 2012:</p> <p>Pursuant to Subparagraph 1, Paragraph 1, Article 24 of the <i>Deposit Insurance Act</i> and Item 4, Point 3 of the <i>Implementation Scheme of the Deposit Insurance Premium System</i> approved by the Financial Supervisory Commission, in order to confirm the accuracy of the data and files related to the risk indicators reported by insured institutions, the CDIC shall conduct review inspections and evaluation inspections.</p>

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2013)
Elimination of Limits on Payout Cost	None	Same as the left column	<p>Addition in January 2007:</p> <p>When there is concern of a serious threat to credit order and financial stability, after the CDIC obtains the 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, the limit on payout cost may be eliminated.</p>
Set-off	None	Same as the left column	<p>Addition in January 2007:</p> <p>Before handling any payout, the CDIC may offset the claims of a depositor against his/her liabilities in the failed insured institution.</p>
Termination of Membership	<p>If an insured institution violated the laws, regulations or the deposit insurance contract or engaged in unsound business transactions, and failed to rectify such violations within the time limit prescribed by the CDIC, the CDIC shall terminate its status as an insured institution and report to the competent authority for disposal.</p>	Same as the left column	<p>Revised in January 2007 as follows:</p> <p>The scope of reasons for termination of insured status is revised to also include the following:</p> <ol style="list-style-type: none"> 1. An insured institution is ordered and required by the competent authority or the central competent authority for agricultural finance to be recapitalized or improve its financial or business condition, but fails to meet such requirements within the prescribed time-limit; or the time-limit is not due but the competent authorities or the CDIC deem the said insured institution's condition non-improvable. 2. There is a major fraud or other illegal activities occurring at an insured institution with the potential to increase the deposit insurance payout cost. <p>In the aforementioned situations, the CDIC shall, after notifying the competent authority or the central competent authority for agricultural finance, terminate the deposit insurance contract of the insured institution and make a public announcement.</p>

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2013)
Disclosure Requirement of Eligibility of Deposit Insurance in Financial Products	None	Same as the left column	Added in January 2007
Depositor Protections upon Termination of Membership	The CDIC shall continue to protect the depositors' deposits up to the coverage limit for one year after the date of termination of membership.	Same as the left column	Revised in January 2007 as follows: The CDIC shall continue to protect the depositors' deposits up to the coverage limit for six months after the date of termination of the deposit insurance contract.

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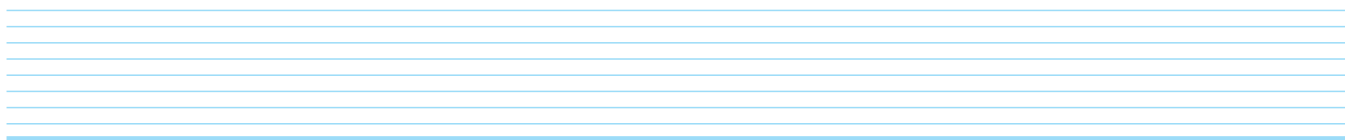
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