



中央存款保險公司
Central Deposit Insurance Corporation

2014 Annual Report



Deposit Insurance: Ensuring Infinite Happiness

Each deposit, big or small, symbolizes a dream.

It provides the means for financial consumers to enjoy a happy life.

The Central Deposit Insurance Corporation (CDIC) provides deposit insurance to keep your dreams safe.

The coverage limit is NT\$3 million.

And don't worry: principal and interest are insured on both NT dollar and foreign currency deposits.





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2014 Annual Report



**CENTRAL
DEPOSIT
INSURANCE
CORPORATION**





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BOARD & EXECUTIVE TEAM:

Message from the

Chairman and the President

Looking back at the global economic picture in 2014, the U.S. economy continued to steadily recover, while the recovery in most European countries remained weak, Japan's Gross Domestic Product (GDP) and economic growth rate continued to slacken, China faced a period of economic restructuring, and international oil prices plunged. Against this backdrop, governments around the world loosened fiscal policy with interest rates cuts, bond purchases and other measures to revive their economies. Overall, the global economy remained full of uncertainties, affecting private consumption and business investment confidence in Taiwan. Consequently, finding ways to maintain the stability and robust development of the financial system to promote steady economic growth remained the primary tasks of the government. As a member of the financial safety net, the Central Deposit Insurance Corporation (CDIC) has actively cooperated with the government over the years to carry out financial reform policies, successfully enabled those problem insured institutions to smoothly exit from the market, and improved the health of financial institutions. The CDIC's contribution to protecting depositors' rights and interests and maintaining financial order is recognized by all. In the latter half of the year, the CDIC assisted the competent authority with the conservatorship of two problem insurance companies, helping to stabilize financial markets.

In addition to adopting supervisory measures in line with government policies, the CDIC continued to strengthen the control of the insurance risk through the National Financial Early-warning System (NFEWS), the Account Officer Analysis System and risk-oriented off-site monitoring mechanisms to effectively grasp the business information of insured institutions. It also actively participated in information exchanges and cooperation with the relevant financial supervisory agencies and helped insured institutions to strengthen their businesses and reduce operational risk.

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 the retained assets of eight 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 receiving approval from the competent authority to increase the deposit insurance premium rates from 2011, the CDIC has continued to build up the Deposit Insurance Payout Special Reserves, strengthening the deposit insurance protection base.

To promote international cooperation and strengthen the functions of the deposit insurance system in Taiwan, the CDIC continued to promote cooperation and exchanges with deposit insurers and international financial supervisory agencies of other jurisdictions. In addition to serving several important posts of the International Association of Deposit Insurers (IADI), including the member of the Executive Council and the Chairperson of the Research and Guidance Committee, the CDIC this year has signed Memorandums of Understanding (MOU) with the Hong Kong Deposit Protection Board, the Association of German Banks - Deposit Protection Fund, and the German Private Banks' Statutory Compensation Scheme. As of December 31, 2014, the CDIC has established formal cooperative relationships with 13 international peer institutions, shared Taiwan's experiences with other jurisdictions through international exchanges, and actively participated in various kinds of international research and training activities related to global deposit insurance mechanisms under



Hsien-Nung Kuei

Chairman Hsien-Nung Kuei

Michael Lin

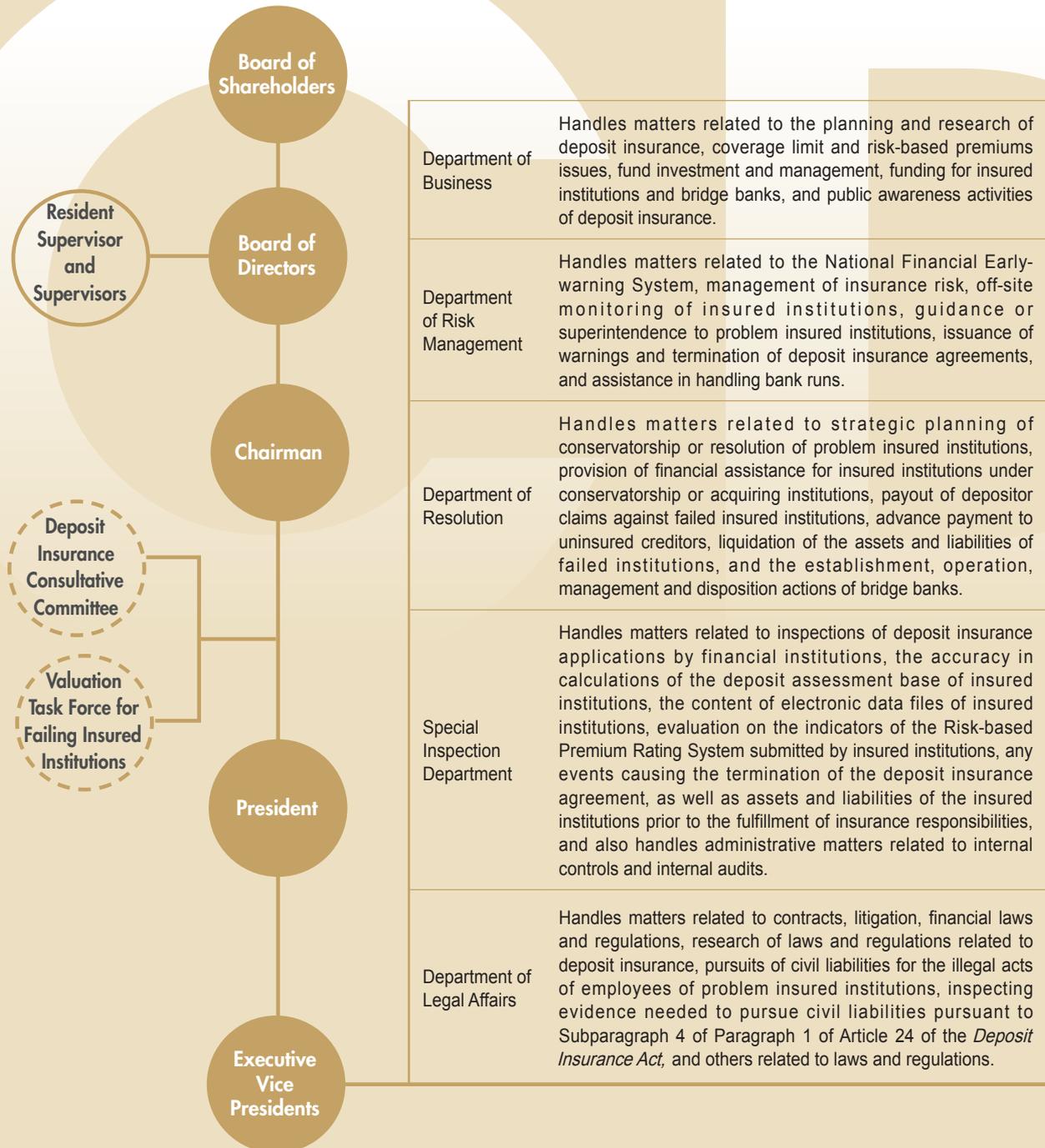
President Michael M. K. Lin

the auspices of the IADI. Such engagements have effectively strengthened Taiwan's deposit insurance system, and kept Taiwan on track with international developments.

Amidst the trend of financial globalization and diversification, the CDIC will continue to carry out its missions to protect the rights and interests of depositors and maintain financial stability. The CDIC will diligently exert its professionalism, continue to support the government's financial supervisory policies, send staff to assist with the receivership of problem insurance companies, and monitor banks' over-the-counter financial derivative transactions and risk exposure overseas and in mainland China. It will also 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 well-designed deposit insurance system.

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

Organization Chart and Overview of Departments



Board of Directors and Supervisors

Board of Directors

- Chairman Hsien-Nung Kuei**
(Representative of the Financial Supervisory Commission)
- Directors Michael M.K. Lin**
(Representative of the Financial Supervisory Commission)
- Grace M.C. Lee**
(Representative of the Financial Supervisory Commission)
- Yu-Ching Su**
(Representative of the Financial Supervisory Commission)
- Yeh-Ning Chen**
(Representative of the Financial Supervisory Commission)
- Wen-Hwang Ou Yang**
(Representative of the Financial Supervisory Commission)
- Ling-Yang Wu**
(Representative of the Financial Supervisory Commission)

Supervisors

- Resident Supervisor Tsuey-Ling Hsiao**
(Representative of the Central Bank)
- Supervisor Jason Y.S. Hu**
(Representative of the Central Bank)
- Ter-Shin Chen**
(Representative of the Central Bank)

International Relations and Research Office	Handles matters related to international affairs and activities related to the IADI, research on deposit insurance and financial safety net issues, and public awareness activities in English language.
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.



Ceremony for the handover of the CDIC chairmanship

Executive Vice Presidents and Directors



From left to right

Advisor
Hon-Zinn Lin

Advisor
Hong-Dei Huang

Director, Information
Management Office
Gina Chi

Executive Vice
President
Robert L.I. Chen

Director, Department
of Risk Management
Annie Jen

Director, Secretariat
Quan-Cheng Chang

Director, Special
Inspection Department
Lu Ye



From left to right

Director, International
Relations and Research Office
Yvonne Fan

Director, Department
of Business
Allen Chen

Executive Vice
President
William Su

Director, Department
of Resolution
Yao-Kun Chen

Director, Civil Service
Ethics Office
Shun-Ching Su



From left to right

Director, Personnel
Office
Bin-Lian Jan

Director, Department
of Accounting
Li-Chueh Lu

Director, Department
of Legal Affairs
Cyuan-Yuan Yang

Executive Vice
President
Anita S. Chou

Director, South
Region Office
Yong-Huei Peng

Acting Director,
Central Region Office
Shin-Yih Chen

Dedicated to Protecting Depositors' Rights and Interests

The CDIC is dedicated to protecting the rights of depositors in financial institutions, ensuring the safety of the funds people need to realize their dreams of a happy life.



BUSINESS OPERATION

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 these legislative objectives, the *Deposit Insurance Act* entrusts the CDIC with the major duties of handling deposit insurance, controlling the operational risks of insured institutions, conducting special inspections of insured institutions, and disposing of problem or failed insured institutions. The following is a brief overview of the CDIC's tasks and achievements in 2014:



1. Deposit Insurance

(1) Participation of Financial Institutions in Deposit Insurance

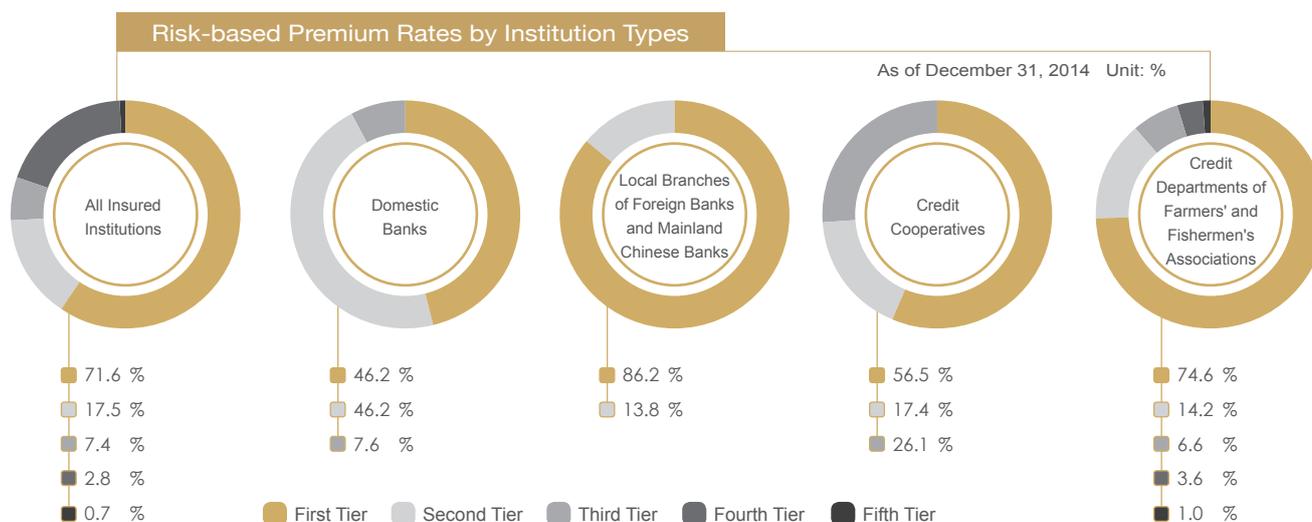
In accordance with Article 10 of the *Deposit Insurance Act* and the Approval Standards for Financial Institutions Applying to Participate in Deposit Insurance, the local branch of a mainland Chinese bank and the credit department of a farmers' association became insured institutions of the CDIC in 2014. In addition, one credit cooperative was merged by a bank, and the local branch of a foreign bank ceased its operation in Taiwan. As of December 31, 2014, 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, 23 credit cooperatives, 278 credit departments of farmers' associations and 25 credit departments of fishermen's associations.

(2) Risk-based Premium Rates Adjustments and Implementation

- 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 the 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 (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:
 - (a) 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.
 - (b) 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.
 - (c) 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 more effectively and promptly reflect the operational risk and financial conditions of insured institutions with respect to the risk-based premium, the CDIC in 2013 completed revisions to risk indicators and weights in the "Risk-based Premium Rating System," as well as shifted to draw on the call report data from insured institutions as the financial indicator information sources for the "Composite Score of the Risk-based Premium Rating System" used to calculate risk-based premiums. Furthermore, a proviso was added, stipulating that adjustments should be made according to the on-site examination results where differences exist between the call report data submitted by insured institutions and the examination results. The risk indicators used for risk classification of capital adequacy ratios (CARs) were also revised in line with November 26, 2012 amendments to the Regulations Governing the Capital Adequacy and Capital Category of Banks, which call for annual increase in the minimum CARs. The aforementioned revisions were approved by the FSC on October 16, 2013 and came into effect on January 1, 2014.
- As of the end of December 2014, the first tier of the premium rate was applied at about 71.6% of all insured institutions, the second tier at 17.5%, the third tier at 7.4%, the fourth tier at 2.8%, and the fifth tier at 0.7%.



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.

(3) Coverage Limit and Coverage Ratios

According to the statistics submitted by insured institutions, the total amount of eligible deposits reached approximately NT\$37.3 trillion as of December 31, 2014 and deposits within the NT\$3 million coverage limit totaled roughly NT\$19.9 trillion after the coverage limit was raised to NT\$3 million and the scope of coverage was expanded to include foreign currency deposits and interest on deposits on January 1, 2011. The ratio of deposits under the coverage limit to all total eligible deposits increased to 53.4%, while the ratio of fully covered deposit accounts to the total number of deposit accounts grew to 98.4%. This trend shows that the 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.

(4) Active Promotion of the Deposit Insurance System

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, the internet, radio, posters, magazines, and public transportation, to inform depositors that the coverage limit has been increased to NT\$3 million and that foreign currency deposits and interest on deposits are now included within the scope of coverage. These efforts have strengthened depositors' awareness of their rights and knowledge of the deposit insurance system.

2. Risk Management

Since 2013, the CDIC has standardized and clarified the information, warning alerts, and exception management items in off-site monitoring mechanisms. It has established different monitoring frequencies based on the insured institution's risk level, as well as established more standardized and clearer risk-oriented off-site monitoring mechanisms that are dynamically adjusted in view of risk in the financial sector. The main achievements in this area over the year are as follows:

(1) Analysis Reports on the Overall Economic and Financial Climate and Specific Business Risks of Financial Institutions

The CDIC issued quarterly overviews of Taiwan's overall economic and financial climate, monthly reports analyzing real estate supply and demand and real estate loans by banks in Taiwan, quarterly statistics on Taiwan bank investment in securitized and structured products, monthly reports analyzing the risk exposure of Taiwan banks in mainland China, and quarterly overviews of non-recourse factoring by domestic banks.

(2) Operations of the National Financial Early-warning System (NFEWS)

In 2012 and 2013, the CDIC comprehensively researched revisions of the risk indicators for the Risk-based Premium Rating System. Since its implementation in 2014, the revised rating system



has enabled real-time tracking of the operational risks of insured institutions and improved the appropriateness of risk-based premiums. The system produces routine monthly or quarterly management reports regularly and can be used for information exchange with the relevant competent authorities, including the regular management reports produced by the NFEWS' Call Report Data Rating System, Quarterly Analysis Reporting System, Internet Transmission Surveillance System and Account Officer Analysis System and other subsystems. In line with government's polices to gradually increase public disclosure of the information of financial institutions, the CDIC disclosed extracted information from each "Quarterly Report on the Analysis of Business Operations of Credit Cooperatives and the Credit Departments of Farmers' and Fishermen's Associations" on its website and in the "Deposit Insurance Quarterly Bulletin."

(3) Implementation of an Account Officer Analysis System

Account officers continued to extensively collect and analyze the financial and operational data of insured institutions through various channels, including abnormality alerts produced by the NFEWS, financial examination reports, decrees of the competent authorities, mechanisms for sharing financial supervision information, mechanisms for reporting major incidents, CPA-certified financial reports, and various public information disclosure channels. The officers continuously monitored changes in the operational risk of insured institutions and produced operation analysis reports based on the risk level of insured institutions. They also performed special audits of the financial reports of insured institutions with business concentration risks to closely monitor changes in the risk or financial status of these institutions.





(4) Participation in Information Sharing and Coordination Mechanisms with Financial Supervisory and Regulatory Agencies

- Representatives of the CDIC attended the FSC's Financial Supervisory Coordination Council, participated in discussions, and presented proposals on the operational risks of insured institutions. They also participated in the "Financial Supervisory Information Reporting Window Task Force for Banks and Bills Finance Companies" to handle amendments to the submitted reports and the changes in the single window reporting system. The CDIC also joined the "Liquidity Risk Management Task Force" and "Pillar 1 Leverage Ratio Task Force" under the Bankers Association of the R.O.C. and contributed to revisions to the liquidity coverage ratio indicators and leverage ratios. Furthermore, CDIC personnel participated in the Task Force on the Study of Amendment to the "Unified Accounting System for Credit Cooperatives" and "Promoting International Accounting Standards Task Force" to help promote use of relevant accounting standards for credit cooperatives.
- The CDIC assisted the competent authority for agricultural finance to reinforce surveillance and risk control of the credit departments of farmers' and fishermen's associations. The CDIC personnel attended joint guidance meetings convened by the competent authority for agricultural finance for credit departments of farmers' and fishermen's associations with poor financial and business conditions. The CDIC participated in meetings convened by the competent authority for agricultural finance on risk management and control mechanisms for the construction loans of the credit departments of farmers' and fishermen's associations, and suggested setting limits on such loans. The CDIC also provided suggestions in relation to the requirement by the competent authority for agricultural finance for the credit departments of farmers' and fishermen's associations to increase allowances for uncollectable Type 1 and Type 2 loan assets.

3. Resolution of Problem Insured Institutions

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

- The major operations, assets and liabilities of the Chinese Bank, which was withdrawn from the market through FRF resolution, had been generally assumed by other financial institutions and almost no banking business or retained assets and liabilities remain to be managed, except for some pending lawsuits, uncollected claims, money lodged at courts in the name of problem insured institutions, and some other matters, indicating that the conservatorship objectives have been completed. The CDIC therefore submitted a plan of termination of conservatorship and draft receivership plan to the FSC. The FSC ordered the termination of conservatorship of the Chinese Bank and the start of the receivership process from midnight on February 28, 2014, designating the CDIC as receiver. This was the sixth bank under receivership handled by the CDIC following Kaohsiung Business Bank (KBB), Chung-Shing Commercial Bank (CSB), Enterprise Bank of Hualien (EBH), Taitung Business Bank (TBB), and Bowa Commercial Bank (Bowa Bank) in 2012.
- The CDIC this year recovered NT\$0.8 million in off-balance sheet assets of the CSB, NT\$3.81 million in insurance claim rights for the TBB, and NT\$78.98 million in retained loans of the Chinese Bank. There are still some unsettled matters in the KBB, the CSB, the EBH, the TBB and the Chinese Bank cases, including pending litigations, money lodged at courts, retained loans, etc. At the end of 2014, the Chinese Bank had five retained loans under three accounts, amounting to NT\$210.28 million. The liquidation of the Bowa Bank concluded on March 3, 2014. The FSC revoked the bank's license on November 20, 2014 and the CDIC is now handling company dissolution procedures.





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

- Chinfon Commercial Bank (Chinfon Bank):

(a) Regarding the antiques retained by the Chinfon Bank, 34 items were sold in 2014, which resulted in recovery of NT\$4.45 million. A total of 14 antiques remain unsold, with a total book value of NT\$0.31 million, representing a decline in the book value of retained antiques of approximately 99.9% since the bank was taken over by the CDIC in April 2010.

(b) Retained real estate holdings of the Chinfon Bank: A total of six real estate holdings were sold by tender in 2014, resulting in a total recovery of NT\$74.37 million. The remaining two real estate holdings have a net book value of NT\$99.44 million, representing a decline of approximately 98.6% from the NT\$7.165 billion of said assets held by the bank when it was taken over by the CDIC in April of 2010.

- China United Trust and Investment Corporation (CUTIC):

Two real estate holdings retained by the CUTIC were sold in 2014, resulting in a recovery of NT\$124 million, completing the sale of all such holdings of the institution.



CDIC executives with foreign visitors



Signing of the MOU with the Hong Kong Deposit Protection Board

(3) Amendments to Deposit Insurance and Resolution Related Laws and Regulations

- To facilitate business execution, the CDIC has actively revised, researched and proposed various bylaws and operating regulations, and handled relevant matters. The "Operational Directions for the Management and Disposal of Retained Antiques of Problem Insured Institutions by the Central Deposit Insurance Corporation" was revised in 2014.
- The "Manual of Procedures for the Conservatorship of Problem Insured Institutions" was revised in 2014 to establish standard operating procedures for handling of problem insured institutions.

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 meetings, the CDIC has actively pursued civil liabilities against individuals in violation of the laws at unsound financial institutions to compensate the losses of the FRF and serve the interest of social justice. 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. By the end of December 2014, 143 civil liability claims were made.
- (2) Regarding unresolved litigation cases concerning failed insured institutions, a total of three cases were resolved during the year 2014.

5. Inspection

In accordance with inspection powers provided by the *Deposit Insurance Act*, the CDIC continued to conduct inspections of insured institutions in relation to statutory matters, as well as performed on-site underwriting inspections at financial institutions applying for deposit insurance membership. In 2014, the CDIC carried out the following inspections:

- (1) Conducting on-site inspections of financial institutions applying for deposit insurance membership to strengthen underwriting auditing operation and effectively reduce insurance risk. This year, such inspections were performed at the Taiwan branch of a mainland Chinese bank and two credit departments of farmers' associations. Where deficiencies were found, the CDIC supervised the completion of improvements before permitting enrollment.
- (2) Conducting on-site inspections to verify the accuracy of the deposit assessment base and the deposit insurance premium calculation of insured institutions for various periods. In 2014, a total of 43 institutions were inspected. For the 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 75 insured institutions in 2014 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. For the deficiencies and/or errors detected, the CDIC requested in writing that the insured institutions make improvements within a specified timeframe and submit the report to the CDIC, and further followed up on the progress of requested improvements.
- (4) Conducting on-site inspections on data and files for risk indicators submitted by the insured institutions to verify the accuracy of the information and to effectively control the insurance risks. The CDIC verified a total of 47 insured institutions in 2014. The CDIC requested in writing that the insured institutions make improvements within a specified timeframe to address deficiencies and/or errors detected.



6. Information Management

- (1) The CDIC continued to develop the "Payout and Advanced Payment System". It also adjusted operational programs and upgraded system performance based on the results of on-site simulation exercises.
- (2) The CDIC developed the "Insured Institution's Electronic Data Verification System," with functions including verification and statistical reports related to asset valuation inspections, as well as linkage to the "Payout and Advanced Payment System."
- (3) New functions were added to the "Internet Transmission Surveillance System," including monthly warning analysis reports, warning statistical tables, financial information submitted by insured institutions, risk indicator data and examination report management data, etc., to enable timely access to the information of the business risks of insured institutions.
- (4) The "Second Generation Financial Supervision Information Sharing Platform" was updated in conjunction with the operations of the Banking Bureau of the FSC.
- (5) In line with the government's energy-saving and paper-reducing policies, the CDIC introduced an e-signature and approval system for product requisitions.
- (6) Virtualization technology was used to update the main and remote backup servers for information systems to increase computer resource usage and management efficiency.
- (7) The e-mail system was upgraded with functions to filter and block sensitive data, handle digital signatures, and save a complete record of email exchanges.



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 research projects carried out in 2014 are briefly described as follows:

(1) Commissioning the "Study on the Suitability of a Financial Industry Business Tax in Taiwan"

The CDIC was entrusted by the competent authority to commission a "Study on the Suitability of a Financial Industry Business Tax in Taiwan." The research report was completed and submitted to the competent authority in May 2014.

(2) Surveying Public Awareness of Deposit Insurance

In order to understand issues related to public awareness of the deposit insurance system, the CDIC regularly commissions 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 the 24th and 25th Meetings of the Deposit Insurance Consultative Committee

The CDIC convened the 24th and 25th meetings of the Deposit Insurance Consultative Committee. The 24th meeting addressed issues related to Paragraph 3, Article 13 of the *Deposit Insurance Act* regarding employee pension deposit accounts, as well as Paragraph 2, Article 44 of the Act concerning joint account protections. The 25th conference discussed ways to increase student understanding of deposit insurance, as well as whether payments should be made, according to the contracts, on securities settlement, checking deposit and withholding payment accounts opened by customers at failed insured institutions. The committee offered many valuable suggestions as references for the future direction of Taiwan's deposit insurance system.

(4) International Research Projects and Related Business

A. Participation in 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 six research projects on "Integrated Protection Schemes," "Dealing with Parties at Fault in a Bank Failure and Frauds in Deposit Insurance," "Bail-in Implications for Deposit Insurance and Funding," "Deposit Insurance Fund Target Ratio," "Purchase and Assumption," and "Resolution Issues for Financial Cooperatives."
- (c) The CDIC assisted in finalizing and publishing two research reports, including the "Insurability of Islamic Deposits and Investment Accounts" and "Shariah Approaches for the Implementation of Islamic Deposit Insurance Systems."

B. The CDIC participated in the project of "Review and Update of the IADI-BCBS Core Principles for Effective Deposit Insurance Systems" and served on the steering committee to jointly make necessary revisions of the abovementioned international standards. In November 2014, IADI amended and released the updated Core Principles and submitted the document to the Financial Stability Board (FSB). The new Core Principles were also provided to the International Monetary Fund and World Bank for inclusion in the Financial Sector Assessment Program. The Core Principles formalize global international standards



Participation in IADI 42nd Executive Council Meeting



Participation in IADI 13th Annual General Meeting and Annual Conference

for deposit insurance, providing guidance for governments and deposit insurance organizations. The CDIC also reviewed and assessed Taiwan's deposit insurance system according to the Core Principles and planned amendments to deposit insurance regulations and operating standards.

- C. The CDIC participated in six IADI's Enhanced Guidance for Effective Deposit Insurance Systems as requested by the FSB. Four of the guidance papers were issued and submitted to the FSB by the IADI, while the other two remained works in progress in 2014, including "Ex-ante Funding" and "Multiple Deposit Insurance Organizations," both scheduled for completion in 2015.
- D. The CDIC provided experience to the Financial Stability Institute (FSI) and IADI in the draft online tutorial (FSI Connect) "Compliance Assessment of the IADI Core Principles for Effective Deposit Insurance Systems."
- E. The CDIC reviewed and provided suggestions on more than 200 entries in the IADI Glossary for the IADI Data and Survey Committee. The glossary will be made globally available and used in future IADI studies and surveys.

(5) Research Projects and Summary Translation Reports

- A. The CDIC participated in IADI Asia-Pacific Regional Committee's Technical Seminar on "Navigating Too Big To Fail: Strengthening Cross-border Cooperation and Implementing Effective Recovery and Resolution Plans" on May 6 to 9, 2014 and completed a report addressing the issues of the resolution methods for large and complex financial institutions.
- B. The CDIC conducted research on important international financial and economic information and completed a report on the "Introduction to Supervision and Resolution Policy Measures for Global Systemically Important Financial Banks." In addition, over ten 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, including specific recommendations.

(6) 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.



Renewal of the MOU with the Korea Deposit Insurance Corporation



Participation in IADI 12th Asia-Pacific Regional Committee (APRC) Annual Meeting and International Conference

(7) Publication of the CDIC Monograph Series

In 2014, the CDIC published four reports based on overseas visits and study conducted by its staff for public reference:

- A. Report on the IADI 12th International Conference on "Navigating through the Financial Reform Landscape ."
- B. Summary Report on "Roles of DGS, ICS and Crisis Resolution Fund in Granting Consumer Protection and Financial Stability," a joint International Conference hosted by the European Forum of Deposit Insurers and Interbank Deposit Protection Fund of Italy.
- C. Report on "Crisis Preparedness for Banking Regulators," an international seminar jointly held by the Toronto Centre and Asia-Pacific Economic Cooperation (APEC) Financial Regulators' Training Initiative, hosted by the Malaysia Deposit Insurance Corporation.
- D. Report on the 7th Deposit Insurance Corporation of Japan Round Table Seminar on "New Development in Resolution Regimes."

8. International Affairs

Since international cooperation with other deposit insurance organizations can make a significant contribution to financial stability, the CDIC in line with government policies joined the IADI as a founding member in 2002 and has been actively involved in its affairs. The CDIC serves as a member of the IADI Executive Council, Chairperson of the IADI Research and Guidance Committee, and Vice Chairperson of the APRC. To strengthen international cooperation and enhance international publicity, the CDIC continued to participate in international affairs and its activities in 2014, including the following:



Signing of the MOU with the Association of German Banks - Deposit Protection Fund and the German Private Banks' Statutory Compensation Scheme

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

In 2014, the CDIC on several occasions 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, Membership and Communications Committee, and Asia-Pacific Regional Committee (APRC). 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 result, the CDIC was invited several times to give presentations or share Taiwan's experiences at international conferences or training seminars hosted by the IADI or its member organizations. The presentations topics covered Taiwan's experiences in the resolution of problem banks, pay-out mechanism and IT system, early warning systems, and public awareness of the deposit insurance system. The CDIC also received representatives from the deposit insurance organizations and financial supervisory organizations, and research institutes of other countries, such as the Agricultural and Fishery Co-operative Savings Insurance Corporation and the Deposit Insurance of Vietnam, as well as arranged specialized training courses for the visitors based on their operational needs. These international exchanges were very beneficial in promoting Taiwan's experiences and building its international image.

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

In 2014, the CDIC signed Memorandums of Understanding (MOU) with the Hong Kong Deposit Protection Board and the Association of German Banks - Deposit Protection Fund and the German Private Banks' Statutory Compensation Scheme. The CDIC has signed MOUs or Letters of Exchange (LOEs) with 13 international peers in total. It renewed its MOUs with the Korea Deposit Insurance Corporation and the National Deposit Insurance Fund of Hungary in 2014. In addition, the CDIC also continued to facilitate international exchanges through bilateral meetings with MOU partners including the Fonds de Garantie des Depots et de Resolution (France) and the Korea Asset Management Corporation to strengthen cooperative relationships.

International Activities Attended by the CDIC in 2014

Date	Name of Activity	Organizer(s)
February	Meetings of the IADI 41 st Executive Council, Research and Guidance Committee and other committees	IADI
March	The CDIC renewed a MOU with the Korea Deposit Insurance Corporation (KDIC) and paid a visit to the Korea Asset Management Corporation (KAMCO)	KDIC and KAMCO
March	IADI 3 th International Workshop on "Integrated Protection Schemes" (Ms. Yvonne Fan, CDIC Director of the International Relations and Research Office, was invited as a moderator)	IADI and Indonesia Deposit Insurance Corporation



Date	Name of Activity	Organizer(s)
April	IADI 12 th Asia-Pacific Regional Committee (APRC) Annual Meeting and International Conference (Ms. Ying-Ying Lin, CDIC Deputy Director of the Resolution Department, was invited as a speaker)	IADI Asia-Pacific Regional Committee and Deposit Insurance Corporation of Japan
May	IADI APRC's Technical Seminar on "Navigating Too Big To Fail: Strengthening Cross-border Cooperation and Implementing Effective Recovery and Resolution Plans"	IADI APRC and Malaysia Deposit Insurance Corporation
June	Meetings of IADI 42 nd Executive Council, Research and Guidance Committee and other committees	IADI and Bank Guarantee Fund of Poland
July	MOU exchange at the Fonds de Garantie des Depots et de Resolution	Fonds de Garantie des Depots et de Resolution
July	Renewal of the MOU with the National Deposit Insurance Fund of Hungary	National Deposit Insurance Fund of Hungary
August	Signing of the MOU with the Hong Kong Deposit Protection Board	Hong Kong Deposit Protection Board
September	International Conference on "DGSs in a New Regulatory Environment" jointly hosted by the European Forum of Deposit Insurers and Bank Deposit Guarantee Fund of Romania (Ms. Yvonne Fan, CDIC Director of the International Relations and Research Office, was invited as a speaker)	European Forum of Deposit Insurers and Bank Deposit Guarantee Fund of Romania
October	A delegation from Japan Agricultural and Fishery Cooperative Savings Insurance Corporation led by the vice president visited the CDIC	CDIC
October	IADI 13 th Annual General Meeting and Annual Conference (Ms. Yvonne Fan, CDIC Director of the International Relations and Research Office, was invited as a moderator)	IADI and the Deposit Insurance Corporation of Trinidad and Tobago
December	Signing of the MOU with the German Private Banks' Statutory Compensation Scheme and the Association of German Banks - Deposit Protection Fund	German Private Banks' Statutory Compensation Scheme and Association of German Banks - Deposit Protection Fund
December	A delegation from the Deposit Insurance of Vietnam visited the CDIC as part of a professional exchange tour	CDIC

9. Human Resources

(1) Employee Structure

Year	No. of Employees	Avg. Age of Employees	Educational Attainment of Employees		
			Graduate School	College	Other
2014	156	49	35	118	3
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

Department breakdown of CDIC staff for 2014:

1. Dept. of Risk Management (29)
2. Dept. of Resolution (13)
3. Special Inspection Dept. (14)
4. Dept. of Business (14)
5. International Relations and Research Office (8)
6. Dept. of Legal Affairs (12)
7. Dept. of Accounting (9)
8. Secretariat (21)
9. Personnel Office (4)
10. Information Management Office (13)
11. Civil Service Ethics Office (2)
12. Central Region Office (7)
13. 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 seven contract employees for special projects in 2014. The actual number of such staff employed in 2014 was four.



CDIC employees awarded for 20 years of service



The CDIC's 29th anniversary celebration

(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 1,591 person-times. On average, each staff member (including contract employees for special projects) participated in professional training 9.9 times.

10. Internal Controls

(1) Internal Control

On March 3, 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 2014, the task force continued to advocate and held educational training on internal controls and internal audits, as well as perform rolling risk assessments, review and strengthen internal control operations, amend and maintain an effective internal control system, revise internal audit operating rules, carry out internal control system self assessment operations, and progressively supervise the implementation of internal control mechanisms.

(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. The task force has formulated the "Internal Audit Guidelines" and "Handbook for Internal Audits" as the basis for the implementation of internal audits and regulatory compliance.
- B. A general internal audit was performed for each department in 2014 in accordance with the annual audit plan approved by the Chairman of the CDIC. The audit reports were signed and presented to the Chairman for approval and improvements in areas of deficiency were tracked through follow-up supervision.

- C. The Internal Audit Task Force made a written review of department self-assessment reports and followed up on improvements. The results of the assessments were compiled, arranged and reported monthly to the convener of the Internal Audit Task Force, and reported semiannually to the Chairman for review.
- D. The chief audit executive semiannually reported on the implementation status of internal audit and progress in follow-up improvements to the board of directors.
- E. The Internal Audit Task Force reviewed the results of the 2013 internal control self-assessment and reported to the board of directors.

11. Cooperation with Implementation of Major Financial Policies by the Competent Authority

(1) Dispatching employees to assist the conservatorship of two insurers under the Taiwan Insurance Guaranty Fund

On August 12, 2014, the FSC instructed the CDIC to assist the conservatorship of two insurance companies under the Taiwan Insurance Guaranty Fund in conjunction with the government financial policy and to support financial stability. Support was provided to 20 employees, of which 11 were still dispatched to support as of the end of 2014.

(2) Commissioned Monitoring of OTC Financial Derivative Products

On December 27, 2014, the FSC entrusted the CDIC, from January 1, 2015, to monitor Over-the-Counter (OTC) financial derivative products and to present periodic and non-periodic monitoring analysis reports and notifications on any abnormalities. The CDIC will continue to perform related monitoring and notifications.



Committed to Maintaining an Orderly Credit System

The CDIC is committed to maintaining the normal operation of financial transactions to maximize the interests of shareholders, employees and depositors of financial institutions.



FINANCIAL STATEMENTS and INDEPENDENT AUDITOR'S REPORT

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, 2014 and 2013, 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 Taiwan and with generally accepted auditing standards in Taiwan. 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, 2014 and 2013, 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.

魏永聲 檢


WEI-YOUNG SHENG (Chartered Accountant)

WEYONG INTERNATIONAL CPAs & CO

January 21, 2015

CENTRAL DEPOSIT

STATEMENTS OF



DECEMBER 31,

ASSETS	NOTES	2014/12/31		2013/12/31	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and Deposits in the Central Bank	3, 4	\$ 54,335,434	85.64	\$ 38,874,104	92.14
Held-to-Maturity Financial Assets-Current	2, 5	8,085,178	12.74	2,434,561	5.77
Receivables	6	374,577	0.59	288,194	0.68
Current Tax Assets		107,590	0.17	68,481	0.16
Prepayments		16,191	0.03	16,296	0.04
Other Current Assets		723	0.00	594	0.00
Sub-total		62,919,693	99.17	41,682,230	98.79
PROPERTY, PLANT AND EQUIPMENT					
Land	2, 7	228,833	0.36	228,833	0.54
Buildings		265,486	0.42	265,486	0.63
Machinery and Equipment		92,349	0.15	91,289	0.22
Transportation Equipment		13,799	0.02	14,214	0.03
Other Equipment		26,352	0.04	26,368	0.06
Sub-total		626,819	0.99	626,190	1.48
Revaluation Increment-Land		66,149	0.10	66,149	0.16
Cost and Revaluation Increment		692,968	1.09	692,339	1.64
Less Accumulated Depreciation					
Buildings		102,541	0.16	97,806	0.23
Machinery and Equipment		66,414	0.10	65,437	0.16
Transportation Equipment		9,396	0.02	9,196	0.02
Other Equipment		19,196	0.03	18,282	0.04
Sub-total		197,547	0.31	190,721	0.45
PROPERTY, PLANT AND EQUIPMENT-NET		495,421	0.78	501,618	1.19
INTANGIBLE ASSETS	2, 8	11,795	0.02	6,270	0.02
OTHER ASSETS					
Prepaid Pension Cost		16,924	0.03	-	
Guarantee Deposits Paid		882	0.00	882	0.00
Collateral Deposits		282,100	0.44	296,000	0.70
Securities Serving as Collateral Deposits		282,100	0.44	296,000	0.70
Sub-total		17,806	0.00	882	0.00
TOTAL ASSETS		\$63,444,715	100.00	\$42,191,000	100.00



INSURANCE CORPORATION

FINANCIAL POSITION

2014 and 2013

Expressed in NT\$'000

LIABILITIES AND EQUITY	NOTES	2014/12/31		2013/12/31	
		Amount	%	Amount	%
CURRENT LIABILITIES					
Liabilities for Bills and Bonds under Repurchase Agreement	2, 9	\$ -		\$ 123,616	0.29
Payables	10	78,306	0.12	86,075	0.20
Sub-total		78,306	0.12	209,691	0.49
OTHER LIABILITIES					
General Financial Deposit Insurance Payout Special Reserves	11	47,343,429	74.62	27,133,042	64.31
Agricultural Financial Deposit Insurance Payout Special Reserves	11	3,689,757	5.82	3,367,697	7.98
Provision for Employee Benefits		-		3,838	0.01
Deferred Income Tax Liabilities		25,551	0.04	25,551	0.06
Guarantee Deposits Received		966	0.00	1,420	0.01
Temporary Receipts and the Account to be Carried Over	12	1,070,275	1.69	213,330	0.51
Sub-total		52,129,978	82.17	30,744,878	72.88
TOTAL LIABILITIES		52,208,284	82.29	30,954,569	73.37
CAPITAL STOCK	13	10,000,000	15.76	10,000,000	23.70
CAPITAL SURPLUS					
Donated Assets Received		265	0.00	265	0.00
RETAINED EARNINGS					
Legal Reserve		235,700	0.37	235,700	0.56
Special Reserve		1,000,466	1.58	1,000,466	2.37
TOTAL EQUITY		11,236,431	17.71	11,236,431	26.63
TOTAL LIABILITIES AND EQUITY		\$63,444,715	100.00	\$42,191,000	100.00

CENTRAL DEPOSIT INSURANCE CORPORATION



STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

Expressed in NT\$'000

DESCRIPTION	NOTES	2014		2013	
		Amount	%	Amount	%
OPERATING INCOME					
Interest Revenue		\$704,009	3.39	\$386,616	1.38
Premiums Revenue		8,968,282	43.20	8,650,800	30.84
Income Derived from Levies-Business	2	11,090,208	53.41	19,015,422	67.78
Tax from Banking Industry					
Sub-total		20,762,499	100.00	28,052,838	100.00
OPERATING COSTS					
Interest Expenses		1,456	0.01	942	0.00
Insurance Expenses		179	0.00	168	0.00
Handling Fees		209	0.00	31	0.00
Insurance Payout Reserve Provisions	2	20,034,170	96.49	27,456,679	97.88
Sub-total		20,036,014	96.50	27,457,820	97.88
GROSS PROFIT		726,485	3.50	595,018	2.12
OPERATING EXPENSES					
Transaction Expenses		662,286	3.19	522,367	1.86
General & Administrative Expenses		57,093	0.27	60,695	0.22
Other Operating Expenses		5,262	0.03	4,415	0.01
Sub-total		724,641	3.49	587,477	2.09
OPERATING INCOME		1,844	0.01	7,541	0.03
NON-OPERATING INCOME					
Indemnity Income		7	0.00	5	0.00
Other Income		3,122	0.01	322	0.00
Sub-total		3,129	0.01	327	0.00
NON-OPERATING EXPENSES					
Loss on Disposal of Assets		797	0.00	1,091	0.00
Other Expenses		4,176	0.02	6,777	0.03
Sub-total		4,973	0.02	7,868	0.03
NON-OPERATING INCOME (LOSS)		(1,844)	(0.01)	(7,541)	(0.03)
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, 2014 and 2013

Expressed in NT\$'000

DESCRIPTION	CAPITAL STOCK	CAPITAL SURPLUS	RETAINED EARNINGS		TOTAL
			Legal Reserve	Special Reserve	
BALANCE, JANUARY 1, 2013	\$ 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
BALANCE, DECEMBER 31, 2014	\$ 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, 2014 and 2013

Expressed in NT\$'000

DESCRIPTION	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before Tax from Continuing Operations (Loss)	\$-	\$-
Net Income before Tax (Loss)		
Adjustment for the Interests and Dividends	(702,553)	(385,674)
Net Income (Loss) Excluding Interests and Dividends	(702,553)	(385,674)
Adjustments	5,347,381	315,351
Net Cash Inflow (Outflow) Excluding Interests and Dividends	4,644,828	(70,323)
Interests Received	578,686	195,527
Interests Paid	(1,508)	(2,357)
Net Cash Inflow (Outflow) from Operating Activities	5,222,006	122,847
CASH FLOWS FROM INVESTING ACTIVITIES		
Current Financial Assets Decrease (Increase)	(5,650,617)	115,924
Intangible Assets and Other Assets Decrease (Increase)	(9,520)	1,589
Property, Plant and Equipments Increase	(4,763)	(6,939)
Property, Plant and Equipments Decrease	4	3
Net Cash Inflow (Outflow) from Investing Activities	(5,664,896)	110,577
CASH FLOWS FROM FINANCING ACTIVITIES		
Current Financial Liabilities Increase (Decrease)	(123,616)	(99,349)
Increase (Decrease) in Other Liabilities	1,333,836	1,252,854
(Decrease) in Long-term Loans	-	(1,400,000)
Net Cash Inflow (Outflow) from Financing Activities	1,210,220	(246,495)
EQUIVALENTS	\$767,330	\$(13,071)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	44,104	57,175
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$811,434	\$44,104

CENTRAL DEPOSIT INSURANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 and 2013

(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-owned 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. As of December 31, 2014, the Financial Supervisory Commission and the Central Bank held 50.95% and 49.05% of the shares respectively. 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 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-owned 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 of Executive Yuan, and other regulations for the accounting affairs of government-owned organizations promulgated by the Ministry of Audit, Control Yuan. Matters not regulated in the above-mentioned law are subject to International Financial Reporting Standards. Annual financial statements all have to be audited by Directorate-General of Budget, Accounting & Statistics, Executive Yuan, and the Ministry of Audit of the Control Yuan serves as the authority for final approval.

The CDIC's financial statements as of the end of 2013 were audited by Directorate-General of Budget, Accounting & Statistics, Executive Yuan and the Ministry of Audit, Control Yuan.

(2) Held-to-Maturity Financial Assets

- A. Delivery date accounting is used, and financial products are measured at fair value plus transaction costs generated from acquisition or issuance, when being recognized originally.
- B. 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 Mar. 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" issued 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. After the Tax Act had been modified, the business taxes in the banking sector didn't have to appropriate to the CDIC from July 1, 2014.

3. CASH

	Dec. 31, 2014	Dec. 31, 2013
Petty Cash	\$ 350	\$ 350
Checking Deposits	3,909	13,267
Demand Deposits	1	2
Treasury Deposits	798,453	20,008
Total	\$ 802,713	\$ 33,627

4. DEPOSITS IN THE CENTRAL BANK

	Dec. 31, 2014	Dec. 31, 2013
Checking Deposits	\$ 8,721	\$ 10,477
Maturity Deposits over Three Months from the Date of Deposit	53,524,000	38,830,000
Total	\$ 53,532,721	\$ 38,840,477

5. HELD-TO-MATURITY FINANCIAL ASSETS-CURRENT

	Dec. 31, 2014	Dec. 31, 2013
Bonds	\$ 8,085,178	\$ 2,434,561

The interest rates at year ends of 2014 and 2013 ranged from 0.798%~2.2%.

6. RECEIVABLES

	Dec. 31, 2014	Dec. 31, 2013
Interest Receivable	\$ 374,577	\$ 288,194

7. PROPERTY, PLANT AND EQUIPMENT

	Dec. 31, 2014			
	Cost	Revaluation Increment	Accumulated Depreciation	Net
Land	\$ 228,833	\$ 66,149	\$ -	\$ 294,982
Buildings	265,486	-	102,541	162,945
Machinery and Equipment	92,349	-	66,414	25,935
Transportation Equipment	13,799	-	9,396	4,403
Other Equipment	26,352	-	19,196	7,156
Total	\$ 626,819	\$ 66,149	\$ 197,547	\$ 495,421

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

- (1) The fire insurance coverages on property, plant and equipment as of December 31, 2014 and 2013 were \$206,295 thousand and \$209,635 thousand, respectively.
- (2) In line with the No. 36 of International Accounting Standards (IAS 36 Impairment of Assets), the total market price of the lands and buildings valuated during Oct. 31, Nov. 26 and Dec. 1, 2014 was \$1,100,907 thousand, and the total book value was \$457,927 thousand at the end of 2014. The market price was in excess of \$642,980 thousand, so there was no need to recognize an asset impairment loss for the year of 2014.

8. INTANGIBLE ASSETS

2014				
	Jan. 1	Increase	Decrease	Dec. 31
Computer Software	\$ 6,270	\$ 9,520	\$ 3,995	\$ 11,795

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

9. LIABILITIES FOR BILLS AND BONDS UNDER REPURCHASE AGREEMENT

	Dec. 31, 2014	Dec. 31, 2013
Liabilities for Bills and Bonds under Repurchase Agreement	\$ -	\$ 123,616

The bond repurchase rates was 0.67% at year ends of 2013.

10. PAYABLES

	Dec. 31, 2014	Dec. 31, 2013
Interest Payable	\$ -	\$ 52
Accrued Expenses	2,503	4,669
Collection Payable	1,466	3,353
Accrued Pension	12	24
Other Payables	74,325	77,977
Total	\$ 78,306	\$ 86,075

11. PAYOUT SPECIAL RESERVES

	Dec. 31, 2014	Dec. 31, 2013
General Financial Deposit Insurance Payout Special Reserves	\$ 47,343,429	\$ 27,133,042
Agricultural Financial Deposit Insurance Payout Special Reserves	3,689,757	3,367,697
Total	\$ 51,033,186	\$ 30,500,739

The above was recorded in accordance with the *Deposit Insurance Act* and the "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 the Executive Yuan.

12. TEMPORARY RECEIPTS AND THE ACCOUNT TO BE CARRIED OVER

	Dec. 31, 2014	Dec. 31, 2013
Temporary Receipts and the Account to be Carried Over	\$ 1,070,275	\$ 213,330

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 \$249,700 thousand and \$170,795 thousand at year ends of 2014 and 2013 respectively, were transferred to the CDIC to handle.

13. CAPITAL STOCK

	December 31, 2014 & 2013
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

14. OTHER

There were \$249,800 thousand under the total assets and liabilities as of Dec. 31, 2014, 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 \$331 thousand, deposits in the Central Bank \$249,369 thousand, prepaid expenses \$100 thousand, accrued expenses \$100 thousand and temporary receipts and the account to be carried over \$249,700 thousand.

15. 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 2014, the Chinatrust Commercial Bank has not yet applied for the compensation.
- (2) The collaterals amounted \$949 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.

Fully Promoting Financial Soundness

The CDIC helps financial institutions to strengthen risk management ability to realize the benefits of financial market stability, promote economic prosperity, and help the public live happy and wealthy lives.



STATISTICS

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

Unit: number of institutions

Type of Institution \ Year	2014	2013	2012	2011	2010
Domestic Banks	40	40	39	38	38
Credit Cooperatives	23	24	24	25	26
Credit Departments of Farmers' Associations	278	277	277	277	275
Credit Departments of Fishermen's Associations	25	25	25	25	25
Local Branches of Foreign Banks and Mainland Chinese Banks in Taiwan	29	29	26	27	27
Total	395	395	391	392	391

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
	2014	2013	2012	2011	
Domestic Banks	52.8	52.7	53.4	53.2	Blanket Guarantee
Credit Cooperatives	68.3	69.4	71.3	71.8	
Credit Departments of Farmers' Associations	79.0	80.0	81.0	81.6	
Credit Departments of Fishermen's Associations	82.5	83.4	83.3	83.4	
Local Branches of Foreign Banks and Mainland Chinese Banks in Taiwan	2.4	3.0	10.5	17.1	
Total	53.5	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 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)	
2014	General	91	34,980,573	18,636,378	53.28	47,343	0.27			
	Agricultural	304	2,314,523	1,299,574	56.15	3,690	0.29			
2013	General	92	33,053,762	17,667,896	53.45	27,130	0.15			
	Agricultural	303	2,243,395	1,263,214	56.31	3,368	0.27			
2012	General	88	31,305,920	17,007,656	54.33	0	0			
	Agricultural	303	2,166,797	1,230,068	56.77	3,054	0.25			
2011	General	89	30,127,900	16,255,949	53.96	0	0			
	Agricultural	303	2,093,921	1,194,099	57.03	2,744	0.23			
2010	General	90	Blanket Guarantee			0	0			
	Agricultural	301				2,507	-			
2009	General	93				0	0			
	Agricultural	290				2,395	-			
2008	General	94				0	0			
	Agricultural	290				2,293	-			
2007	General	98				21,764,787	10,472,346	48.12	0	0
	Agricultural	278				1,298,495	900,009	69.31	2,189	0.24
2006	All	383				22,670,064	9,686,080	42.73	15,125	0.16
2005	All	390				21,850,180	9,528,182	43.61	13,579	0.14

- 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 eligible 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 eligible deposits in excess of the coverage limit.
6. According to stipulations under Article 3 of the *Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund*, the CDIC shall 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's 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	2014	2013	2012	2011	2010
Operating Revenues		20,762	28,053	23,626	25,346	22,728
Interest Revenue		704	387	238	232	202
Premium Revenue		8,968	8,651	8,520	9,147	4,691
Special Premium Revenue						49
Other Operating Revenue		11,090	19,015	14,868	15,967	17,786
Operating Costs and Expenses		20,760	28,045	23,522	25,341	22,727
Deposit Insurance Payout Special Reserve Provisions		20,034	27,457	22,930	22,076	19,577
Financial Restructuring Fund Expenses		-	-	-	2,650	2,650
Interest Expenses		2	1	2	2	5
Transaction Expenses		662	522	523	545	429
General & Administrative Expenses		57	61	63	64	60
Other Operating Expenses		5	4	4	4	6
Other Expenses		-	-	-	-	-
Operating Income		2	8	104	5	1
Non-Operating Income (Loss)		(2)	(8)	(104)	(5)	(1)
Net Income before Income Tax		-	-	-	-	-
Income Tax Expenses		-	-	-	-	-
Net Income		-	-	-	-	-

Notes: 1. The figures for 2010, 2011, 2012 and 2013 were reviewed and audited by the National Audit Office; those for 2014 were based on CDIC's final accounts for that year.

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

APPENDIX:

Evolution of Taiwan's Deposit Insurance System

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
Type of Membership	Voluntary	Changed to mandatory system in January 1999	Revised in January 2007 as follows: <ol style="list-style-type: none"> 1. All financial institutions legally approved to accept deposits must apply to CDIC to join the deposit insurance system. 2. Such institutions may become insured institutions after inspection and approval by 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 	<p>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)</p> <p>Revised in October 2013: Revised "Local Branches of Foreign Banks" into "Local Branches of Foreign Banks and Mainland Chinese Banks"</p>

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)			
Premium Assessment Base	<ul style="list-style-type: none"> Covered deposits 	Same as the left column	Revised in January 2007 to total eligible deposits			
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 to: Risk-based premium rates for covered deposits within the coverage limit and a flat rate for any amounts beyond this, as follows:			
			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%	

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)												
			<p>Revised in November 2010 to: Risk-based premium rates for covered deposits within the coverage limit and a flat rate for any amounts beyond this, effective from January 1, 2011; also revised in October 2013 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:</p> <table border="1"> <thead> <tr> <th>Financial Institutions</th> <th>Risk-based Premium Rates</th> <th>Flat Premium Rate</th> </tr> </thead> <tbody> <tr> <td>Domestic banks, local branches of foreign banks and mainland Chinese banks</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> </tbody> </table>	Financial Institutions	Risk-based Premium Rates	Flat Premium Rate	Domestic banks, local branches of foreign banks and mainland Chinese banks	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	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%													
Coverage Limit	NT\$700,000	<p>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.)</p>	<ul style="list-style-type: none"> Increased to NT\$1.5 million on July 1, 2007. 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. 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. 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. 												

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
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	<ol style="list-style-type: none"> 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 Statute remained protected.) 2. Revised in January 2007 as follows: <ul style="list-style-type: none"> • Checking deposits • Demand deposits • Time deposits • Other deposits that the competent authority has approved as eligible 3. Revised in May 2008 as follows: <ul style="list-style-type: none"> • Checking deposits • Demand deposits • Time deposits • Deposits required by law to be deposited in certain financial institutions • Other deposits that the competent authority has approved as eligible 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 Measures to Support the Full Deposit Insurance Coverage 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: <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

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
			<ul style="list-style-type: none"> The payments during the period in which 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 <p>5. In October 2009, the government announced that the period of temporary full deposit insurance coverage would be extended a further 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 targets 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 Coverage	Deposit principal and interest	From January 1999, limited to deposit principal	<ul style="list-style-type: none"> 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. 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. In October 2009, the government announced that the period of temporary full coverage would be extended a further year until December 31, 2010. 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. 2014)
Scope of Capital Utilization	<ul style="list-style-type: none"> deposits at the Central Bank Investments in government bonds, bonds with principal and interest guaranteed by the government, or financial debentures 	<p>The following revisions were effective in January 1999:</p> <ul style="list-style-type: none"> Deposits at the Central Bank Deposits in financial institutions approved by the competent authority and which provide government bonds as collateral Investments in government bonds and financial debentures 	<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 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 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 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 Payment 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
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	<p>Stipulations of the <i>Government Procurement Act</i> and Articles 25 to 27 of the <i>Budget Act</i> do not apply to CDIC in the fulfilment 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>.</p>

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
Recipient of Financial Assistance and Method of Assistance	Limited to loans or the purchases of assets to enable problem financial institutions to resume operation, when such resumption is deemed necessary.	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 concern that it seriously threatens the credit order and financial stability, and the competent authority has determined a need for the institution's liquidation or market withdrawal, personnel may be dispatched 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, CDIC may provide loans, deposits or other financial assistance to the insured institution. Before providing financial assistance, 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, 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. 2014)
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 CDIC is unable to provide collateral is to be guaranteed by the National Treasury. • When the secured portion exceeds CDIC's net worth, the competent authority and the Central Bank must apply to the Executive Yuan for approval. 	Revised in January 2007 to: Through a joint request by the competent authority with the Ministry of Finance and the Central Bank and approval by the Executive Yuan, the part for which collateral cannot be provided may be guaranteed by the National Treasury.
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 to: Depending on whether the institution is a general financial institution or agricultural financial institution, 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 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 in placed into the Deposit Insurance Payout Special Reserves. • Revised in January 2007 to: The entire amount of the surplus remaining from annual income after deducting costs, expenses and losses shall be deposited into the Deposit Insurance Payout Special Reserves.
Depositor Preference	None	Same as the left column	Addition in May 2006: When an insured institution is disposed of by 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.
Establishment of Two Separate Deposit Insurance Payout Special Reserves	None	Same as the left column	Addition in January 2007: <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.

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
Inspection of Insured Institutions	If CDIC deemed it necessary, and after obtaining the prior approval of the competent authority in consultation with the Central Bank, CDIC could examine the business records and accounts of an insured institution.	Same as the left column	<p>Revised in January 2007 as follows: CDIC may in accordance with Article 24 of the <i>Deposit Insurance Act</i> conduct inspections on insured institutions on the following items:</p> <ul style="list-style-type: none"> • 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. • Any event causing the termination of the deposit insurance agreement. • Assets and liabilities of insured institutions prior to the fulfillment of insurance responsibilities. • 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: 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, CDIC shall conduct review inspections and evaluation inspections.</p>
Elimination of Limits on Payout Cost	None	Same as the left column	<p>Addition in January 2007: When there is concern of a serious threat to credit order and financial stability, after 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: Before handling any payout, CDIC Taiwan may offset the claims of a depositor against his/her liabilities in the failed insured institution.</p>

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
Termination of Membership	If an insured institution violated the laws or regulations or the deposit insurance agreement or engaged in unsound business transactions, and failed to rectify such violations within the time limit prescribed by CDIC, CDIC shall terminate its status as an insured institution and report such action to the competent authority for disposal.	Same as the left column.	<p>Revised in January 2007 to:</p> <p>The scope of reasons for termination of insured status is revised to also include the following:</p> <ul style="list-style-type: none"> 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 CDIC deem the said insured institution's condition non-improvable. 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, CDIC shall, after notifying the competent authority or the central competent authority for agricultural finance, terminate the deposit insurance membership of the insured institution and make a public announcement.</p>
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	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 to: CDIC shall continue to protect the depositors' deposits up to the coverage limit for six months after the date of termination of membership.

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