



中央存款保險公司

Central Deposit Insurance Corporation

Annual Report **2010**

CDIC



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Bring
the deposit
insurance mechanism
into full play
and ensure
financial stability.
The CDIC
has endured
challenges for
over 25 years.



Message from the Chairman and President

Two years ago, with the outbreak of the financial crisis threatening Taiwan's financial safety, the government announced the adoption of temporary full deposit insurance coverage as a preemptive measure in order to safeguard the deposits of the general public in financial institutions. In doing so, the financial market has been successfully stabilized and the role of the deposit insurance system in strengthening public confidence and maintaining financial order was also highlighted.

As the international economy gradually recovered and seeing that the Taiwan's financial environment had already been restored to a level whereby a system of limited deposit insurance coverage could once again be implemented, the government decided that the then current system of full coverage would be terminated on December 31, 2010, and that Taiwan's deposit insurance would revert to a system of limited coverage from January 1, 2011, with the maximum coverage from then on being raised to NT\$3 million.

With the maximum coverage being increased to NT\$3 million, the percentage of accounts covered by deposit insurance has increased to 98.6%. In addition, after taking into consideration the needs for wealth management of the local population as well as other major international trends in relation to national deposit insurance coverage, the *Deposit Insurance Act* has also been amended with foreign currency deposits and interest on deposits being brought within the scope of coverage.

In order to facilitate the smooth transition of the deposit insurance system, the CDIC has actively disseminated the latest information on deposit insurance in a variety of ways among the public, and has effectively increased the confidence of depositors in returning to a system of limited coverage.

Because in the past the CDIC continued to deal with problem financial institutions in line with government policy, leading to its deposit insurance fund being seriously inadequate, during 2010 the CDIC continued to carefully deliberate over adjusting the deposit insurance premium rates. To facilitate the promotion of such a proposal, the CDIC invited representatives from the banking sector, academia and various industry associations to contribute to the discussion. After a consensus was reached, approval from the competent authority was obtained for the adjustments to the deposit insurance premium rates to be implemented beginning in 2011. The new method of assessing the premium rates will help speed up the accumulation of the deposit insurance fund, and will also strengthen the CDIC's ability to assume risk.

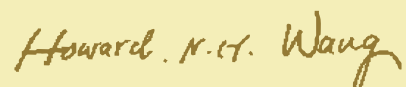
In strengthening controls over insured risk, besides adopting relevant supervisory measures in conjunction with government policies, the CDIC has continued to maintain a firm grasp of the overall operating conditions of insured institutions in a timely manner, thereby safeguarding the rights of depositors and reducing its insured risk. In addition, the CDIC has continued to be entrusted with the Executive Yuan's Financial Restructuring Fund in order to handle the sale by tender of the retained assets of problem financial institutions. To enhance international cooperation, the CDIC has also continued to promote cooperative exchanges with other deposit insurance corporations around the world as well as international financial supervisory agencies, actively participating in various activities including training, and further engaging in research into issues related to deposit insurance, so that our deposit insurance system can keep abreast of developments in other countries.

This year marks the 25th anniversary of the CDIC. As we look back, what we repeatedly see is the hard work and extraordinary perseverance of all those who have always with their sleeves rolled up stood firmly at the forefront of any financial crisis to protect the rights and interests of its depositors and maintain financial order. In the future, the CDIC will continue to fulfill its responsibility as a member of the financial safety net, to strengthen the risk management of insured institutions as well as the mechanism for handling problem financial institutions, and to hold fast to the concept of "exerting the functions of the deposit insurance system so as to ensure financial stability," as it continues to move forward.

For a long time, thanks to the support and encouragement of all sectors of society and the concerted efforts of our staff, the CDIC has been able to smoothly carry out its operations, and for this we would like to extend to all of you our sincere appreciation. In this endeavor, we shall continue to solicit your ongoing support and guidance.



Chairman Fred S. C. Chen



President Howard N. H. Wang



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Highlights of the Year 2010



Maintaining credit order
Enhancing financial stability

From the outbreak of the global financial crisis in September 2008, international financial conditions became extremely volatile. Not only did international organizations work together to find appropriate response measures, but governments also adopted a number of extraordinary measures, in the hope that they could escape from the financial difficulties at an early date. In order to stabilize the financial system and strengthen the confidence of depositors, in October 2008 Taiwan implemented full deposit insurance coverage as a preventive mechanism and this remained in effect until the end of the year 2010.

As a result of the close cooperation across the globe and the implementation of a number of global policy measures, the global economy had by 2010 gradually recovered, with the crisis also appearing to have slowed. After analyzing Taiwan's economic and financial situations, the CDIC examined the conditions for reverting from a system of full deposit insurance coverage to the system of limited coverage, it forwarded its research report and recommendations to the competent authorities for their reference. Subsequently the government commissioned the various members of the financial safety net to set up an *ad hoc* task force to convene several meetings to discuss the transition from the temporary full deposit insurance coverage to the system of limited coverage. In August 2010, Taiwan government announced that the policy of temporary full deposit insurance coverage would be carried out until the end of the year 2010, and that from the beginning of 2011 a system of limited deposit insurance coverage would be formally implemented.

The 2008-2009 global financial turmoil showed that an effective deposit insurance system serves as an important policy tool in financial stabilization. The most important work of the CDIC during the course of the year 2010, in line with government policy, was to jointly promote the return from a system of full deposit insurance coverage to a system of limited deposit

insurance coverage. In order that the transition could proceed smoothly, the CDIC worked together with the competent authorities to introduce a number of supporting measures. Besides strengthening controls over the risk and liquidity of insured institutions, the CDIC strengthened deposit insurance protection and actively advocated such measures in a variety of ways. It was thus able to effectively raise the confidence of depositors in reverting to the limited coverage deposit insurance system. Some of its achievements in this regard may be described as follows:

1 To Fulfill its Responsibility as a Member of the Financial Safety Net, the CDIC Completed a "Report on the Response Measures to the Termination of Full Deposit Insurance Coverage" and Submitted it to the Competent Authority

In response to the scheduled expiration date of the full deposit insurance coverage on December 31, 2010, the CDIC referred to the exit strategy of extraordinary measures in a variety of countries as well as macroeconomic and financial conditions both in Taiwan and internationally, as it prepared a "Report on the Response Measures to the Termination of Full Deposit Insurance Coverage" which it submitted to the competent authority, namely, the Financial Supervisory Commission (FSC) of the Executive Yuan for reference in decision-making. Subsequently, the FSC, the Ministry of Finance and the Central Bank on August 12, 2010 together announced that the temporary full deposit insurance coverage would come to an end on December 31, 2010, and on January 1, 2011 would revert to a system of limited deposit insurance coverage.



2 Enlarging the Amount and Scope of Deposit Insurance Coverage and Strengthening the Confidence of Depositors

To smoothly respond to international trends and strengthen the confidence of depositors as the deposit insurance system returned to one of limited coverage, the FSC, the Ministry of Finance and the Central Bank deliberated over the CDIC's recommendations, and announced that, beginning January 1, 2011, the maximum coverage which had previously been NT\$1.5 million would be doubled to NT\$3 million, with the result that 98.6% of deposit accounts would be fully covered by deposit insurance. In addition, the CDIC looked into ways of amending Articles 12 and 13 of the *Deposit Insurance Act*, and extended the scope of deposit insurance coverage to include foreign currency deposits and interest earned on deposits. These amendments took effect on December 29, 2010 after being promulgated by the president on that day.

3 Strengthening Risk Controls in line with the Competent Authority's Policies to Reduce Moral Hazard and Facilitate the Transition to Limited Deposit Insurance Coverage

Although implementing full deposit insurance coverage can have the effect of stabilizing financial conditions, it also leads to the negative result of a decline in market discipline. For this reason, to avoid the moral hazard that might result from the implementation of full deposit insurance coverage and reduce the costs of handling problem institutions, the CDIC in line with government policies strengthened its measures to supervise financial institutions. Besides charging insured institutions a special premium on interbank call loans and collecting punitive rates, CDIC strengthened the management of the assets and liabilities of financial institutions as well as their capital adequacy. In addition, through various measures to manage insured risk such as the financial early-warning and off-site risk monitoring mechanisms, the CDIC continued to supervise those institutions for which the Financial Early-Warning System revealed poor ratings, poor financial conditions, or whose business had been restricted by the competent authority, and urged them to make improvements. The CDIC also urged them to merge with other soundly-operating financial institutions, to enable them to quickly withdraw from the market and thereby lower handling costs. Furthermore, during the transition from a system of full deposit insurance coverage to a system of limited coverage, the CDIC continued to actively monitor the insured institutions' liquidity problems, especially those with insufficient liquidity, and required them to submit liquidity contingency plans. At the same time, the CDIC in coordination with the competent authority also handled other related matters, so that the transition to the limited coverage deposit insurance system could proceed smoothly.

4 Enhancing Public Awareness of Deposit Insurance, and Strengthening the Deposit Insurance Functions of Stabilizing Finance

Since one of the elements of an effective deposit insurance system is how well the public understand that system, enhancing public awareness of deposit insurance is indispensable to the stabilization of financial conditions. To respond to the termination of the period of full deposit insurance coverage on December 31, 2010, the CDIC, in line with the government's policies to raise the maximum coverage limit and extend the scope of deposit insurance coverage, drew up a comprehensive awareness campaign to advocate deposit insurance. Through a variety of approaches and an integrated marketing strategy, the CDIC actively advocated the content of deposit insurance coverage to increase depositors' understanding of their rights and thereby enable the deposit insurance system to function effectively.

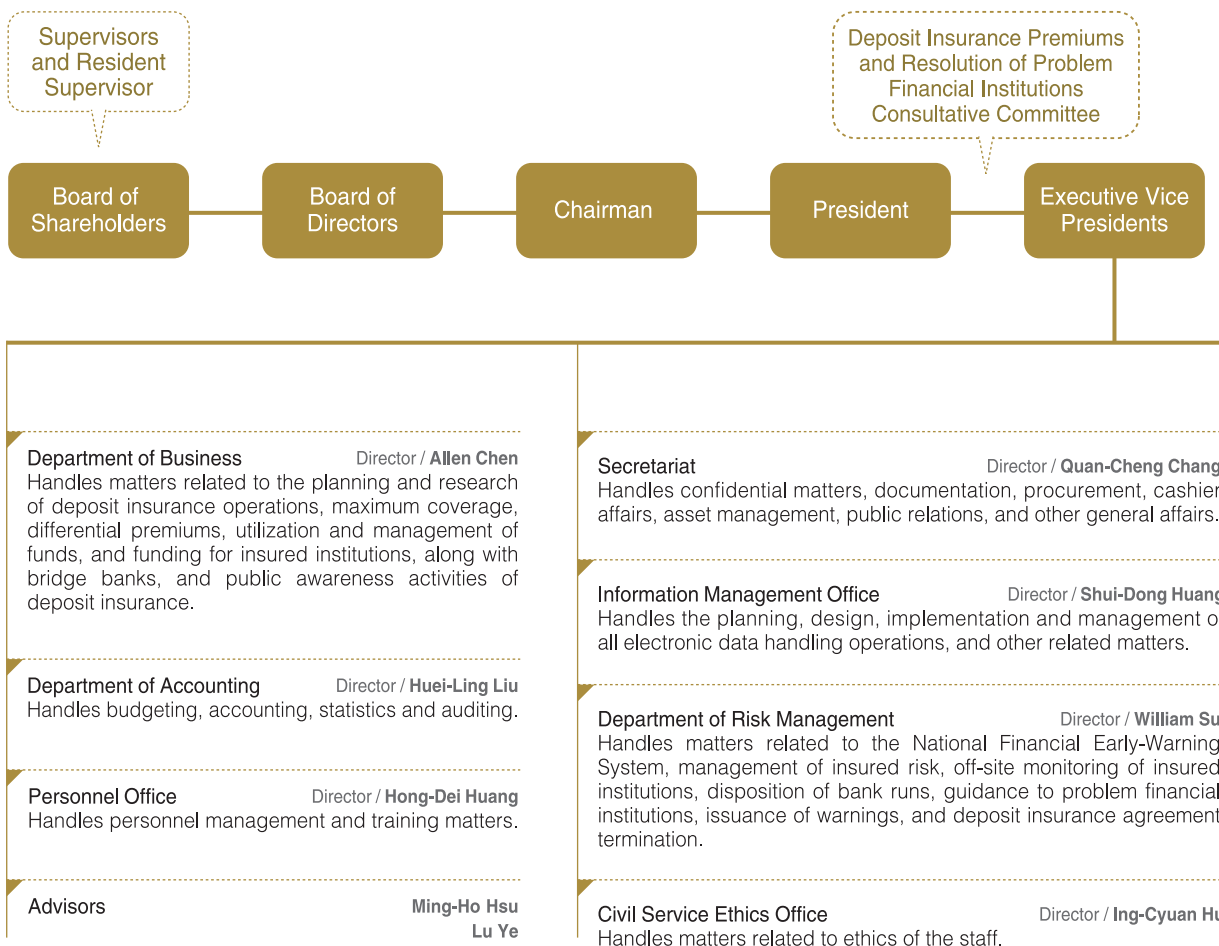
5 Adjusting the Risk-based Premium and Speeding up the Accumulation of the Deposit Insurance Fund

Given that the deposit insurance fund which had been used to handle more than 50 problem financial institutions to withdraw from the market had become seriously insufficient, and to respond to the increased cost of insured risk as the maximum deposit insurance coverage was to be raised to NT\$3 million starting January 1, 2011, after taking into consideration the fact that the banks' overall profits had already increased, the CDIC based on the user-pay principle drew up recommendations to adjust the deposit insurance premium rate. It also actively communicated these proposed policies with all of the stakeholders, including other members of the financial safety net, the Bankers' Association of the

R.O.C., and insured institutions. These premium rate adjustment proposals were later ratified by the FSC, to take effect commencing January 1, 2011. These new premium rates will help the CDIC to accumulate its deposit insurance fund, and increase the CDIC's ability to undertake risk.



Organization and Duties



Board of Directors, Supervisors and Senior Executives

Board of Directors		Supervisors	
Chairman	Fred S.C. Chen (Representative of the Ministry of Finance)	Resident Supervisor	Tsai-Chiu Hsu (Representative of the Central Bank)
Directors	Howard N.H. Wang (Representative of the Central Bank)	Supervisors	Cheng-Shang Chang (Representative of the Ministry of Finance)
	David C.Y. Sun (Representative of the Central Bank)		Ta-Tsong Lin (Representative of the Ministry of Finance)
	Wei-Ching Lue (Representative of the Ministry of Finance)	Senior Executives	
	Chih-Yuan Chen (Representative of the Ministry of Finance)	President	Howard N.H. Wang
	Ling-Yang Wu (Representative of the Ministry of Finance)	Executive Vice Presidents	W.H. Lai
Hsean-Yuan Hwang (Representative of the Ministry of Finance)	L.C. Pan		
			Robert L.I. Chen



Department of Resolution

Director / Annie Jen

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

Department of Inspection

Director / Yao-Kun Chen

Handles matters related to the financial institutions' applications for deposit insurance, the accuracy of insured institutions' premium base, the content of electronic data files, the termination of deposit insurance agreements, the financial investigation prior to the fulfillment of insurance responsibilities, as well as pursuing civil action against those personnel from failed insured institutions.

International Relations and Research Office

Director / Yvonne Fan

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

Legal Affairs Office

Director / Cyuan-Yuan Yang

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

Central Region Office

Director / Ruby Hou

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

South Region Office

Director / Yong-Huei Peng

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



Business Operations



Wealth is the basis of a dream.

The deposit insurance mechanism safeguards the wealth that creates the dream, making every today a realization of the future.

The CDIC is the sole government agency vested with the responsibility for handling deposit insurance in Taiwan. Its objectives are to safeguard the benefits of depositors in financial institutions, maintain an orderly credit system, and enhance the sound development of financial operations. To facilitate legislative objectives, the *Deposit Insurance Act* vests the CDIC with the major duties of handling deposit insurance, controlling the operational risk of insured institutions, conducting special inspections of insured institutions, handling problem insured institutions, and disposing of problem insured institutions. The following is a brief overview of the major tasks and policy missions of the CDIC in 2010:

1 Deposit Insurance

[1] Slight Increase in the Number of Insured Financial Institutions

Pursuant to Article 10 of the *Deposit Insurance Act* and the *Approval Standards for Financial Institutions Applying to Participate in Deposit Insurance*, in 2010 a total of 12 financial institutions (11 farmers' associations with newly-established credit departments and one local branch of a foreign bank in Taipei) had their applications approved by the CDIC as having met the requirements for becoming insured institutions. In addition, one farmers' association with a newly-established credit department had already submitted an insurance application, but it was still in the process of being verified by the CDIC. As of the end of December 31, 2010, a total of 391 financial institutions were insured by the CDIC, of which there were three domestic publicly-owned banks, 35 private banks, 27 branches of foreign banks in Taiwan, 26 credit cooperatives, 275 credit departments of farmers' associations and 25 credit departments of fishermen's associations.

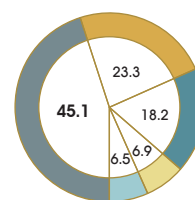
[2] Raising the Risk-based Premium to Provide an Abundance of Deposit Insurance Fund

Because the CDIC's general deposit insurance fund (hereinafter also referred to as the "Deposit Insurance Payout Special Reserve") which had been used in line with government policies and combined use with the Executive Yuan's Financial Restructuring Fund to enable 56 problem financial institutions with unsound operations to withdraw from the market

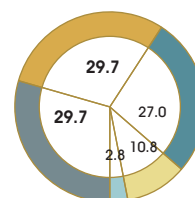
Risk-based Premium Rates by Institution Types

As of December 31, 2010

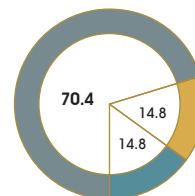
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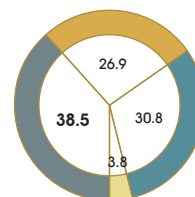
All Insured Institutions



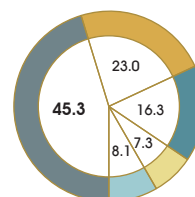
Domestic Banks



Local Branches of Foreign Banks



Credit Cooperatives



Credit Departments of Farmers' and Fishermen's Associations



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



and had become seriously insufficient, the Legislative Yuan's Finance Committee when reviewing the CDIC's annual budget for 2010 in November 2009 resolved that it would be necessary for the CDIC's outstanding reserves to achieve a target of 2% of covered deposits by the year 2016. Furthermore, on August 12, 2010 the FSC, the Ministry of Finance and the Central Bank jointly announced that following the ending of the temporary full deposit insurance coverage, from January 1, 2011 the maximum coverage limit would be raised to NT\$3 million. In addition, to strengthen the CDIC's ability to undertake risk, the government instructed the CDIC to look into ways of adjusting the deposit insurance premium, in order to speed up the accumulation of the deposit insurance fund.

Based on the above-mentioned resolution by the Legislative Yuan and the related instructions of the competent authority, as well as taking into consideration the user-pay principle and the fact that the current premium rates tended to be rather low when compared with those for advanced countries, the CDIC thereupon carefully drew up a proposal to adjust the deposit insurance premium rates and thereby speed up the accumulation of the deposit insurance fund and increase the CDIC's ability to undertake risk. In order to smoothly promote the adjustments to the deposit insurance premium rates, the CDIC starting in the middle of August 2010 made frequent visits to relevant associations, and in September 2010 organized a total of four seminars on adjusting the deposit insurance premium rates for insured institutions.

Later on November 24, 2010, the FSC approved the CDIC's proposal that the premium rate adjustments would take effect from January 1, 2011. Following the adjustments, the premium rates are as follows:

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

The first tier of the premium rate is currently applied to about 45.1% of all insured institutions, the second tier to 23.3%, the third tier to 18.2%, the fourth tier to 6.9%, and the fifth tier to 6.5%.

[3] Increasing the Amount of Deposit Insurance Coverage and Extending the Scope of Coverage

To respond to the global financial crisis, the government in October 2008 implemented temporary full deposit insurance coverage, which eventually came to an end on December 31, 2010. In this way, the government was able to successfully maintain the confidence of depositors and stabilize financial markets. As the period of temporary full deposit insurance coverage was brought to an end and in order to increase the confidence of depositors during the return to a system of limited deposit insurance coverage, on August 12, 2010 the FSC, the Ministry of Finance and the Central Bank jointly announced that, beginning January 1, 2011, the deposit

insurance coverage limit would be increased to NT\$3 million. This measure meant that the percentage of deposit accounts covered by deposit insurance would be raised to 98.6%. In addition, to respond to international trends in a timely manner and strengthen the confidence of depositors in a deposit insurance system with limited coverage, the CDIC carefully looked into amending Articles 12 and 13 of the *Deposit Insurance Act* in order to broaden the scope of coverage of deposit insurance to include foreign currency deposits and interest on deposits. These amendments became effective on December 29, 2010 after being promulgated by the president that same day.



[4] Raising Public Awareness of Deposit Insurance

In responding to the measure to bring the period of full deposit insurance coverage to an end on December 31, 2010, besides strengthening its advocacy of supplementary measures for the subsequent transition to maintain the public confidence and in conjunction with the new coverage limit would be raised to NT\$3 million, the CDIC carried out a comprehensive awareness campaign via television, radio, publicity posters, newspapers and magazines, the Internet, bus body advertisements, holding press conferences and organizing a prize game to strengthen the awareness of the general public about its rights.



2 Risk Management

[1] Early Detecting Problem Insured Institutions through Financial Early-Warning Operations

The CDIC continued to implement the National Financial Early-Warning System to closely track the operating status and financial conditions of insured institutions and early detect problem institutions, as well as to provide a reference for formulating relevant regulatory policies, making necessary adjustments and revisions to the system to meet changing financial conditions and supervisory requirements. In addition, during the period in which temporary full deposit insurance coverage was implemented, it regularly followed up on the changes made by insured institutions to their deposits, and requested that financial institutions with excessive reliance on large deposits (referring to individual accounts with deposits in excess of NT\$100 million, or corporate accounts with deposits in excess of NT\$300 million), where such deposits when aggregated as a proportion of total deposits exceeded 20%, pay attention to making improvements. In addition, the CDIC supervised some of the insured institutions with regard to the execution of their liquidity contingency plans in order to benefit financial stability.

[2] Implementing an Account Officer Analysis System to Grasp the Operating Conditions of Insured Institutions

The CDIC implemented an account officer analysis system to grasp the operating status of insured institutions and facilitate the operation of a risk-prevention management system. The key elements involved in the implementation of the account officer analysis system are as follows: conducting regular analysis of the operating status of insured

institutions; establishing specific files on significant unexpected events as well as on the operational data and special warning items of insured institutions; carefully handling public complaints and tip-offs in accordance with regulations; using internet transmission surveillance systems between the CDIC and financial institutions to immediately discover abnormal changes in the operations of financial institutions; carrying out off-site monitoring directed toward insured institutions with concentrations of business risk and making suggestions for improvement when appropriate; implementing policies to impose restrictions on the business of certain insured institutions in line with the *Measures to Support the Full Coverage of All Bank Deposits*, following up on and monitoring the improvements in these insured institutions' financial status and business operations, and thereby preventing moral hazard.

[3] Strengthening Controls on Insured Risk by Providing Guidance to Insured Institutions

The CDIC, pursuant to related regulations contained in *the Banking Act*, provided guidance to insured institutions with operational deficiencies. The items included: inviting the responsible officers or managers from relevant departments for discussions to explain their insured institutions' financial and business conditions and put forward improvement plans; dispatching specialists to adopt measures to strengthen the auditing of financial statements through the provision of off-site guidance; dispatching personnel to attend relevant guidance meetings convened by the competent authorities; and dispatching personnel to insured institutions to provide timely suggestions as a reference for the institutions in handling operational problems, thereby facilitating the institutions' return to sound business operations.

[4] Enhancing Information Sharing and Coordination Mechanisms with Supervisory and Regulatory Agencies to Increase the Effectiveness of Supervision

Besides participating in meetings of the Financial Supervisory Liaison Team and preparing research proposals, the CDIC in coordination with the operation of the “Single Window for Reporting of the Financial Supervisory Information System” promoted by the Examination Bureau of the FSC assisted with the amendments to each kind of submitted report and offered opinions. In addition, it also dispatched personnel to participate in the “New Basel Capital Accord Ongoing Recommendations Task Force” convened by the Banking Bureau of the FSC to assist in planning and setting up the simulation of macroeconomic variables and loss estimation method for stress test in order to help strengthen financial supervision.

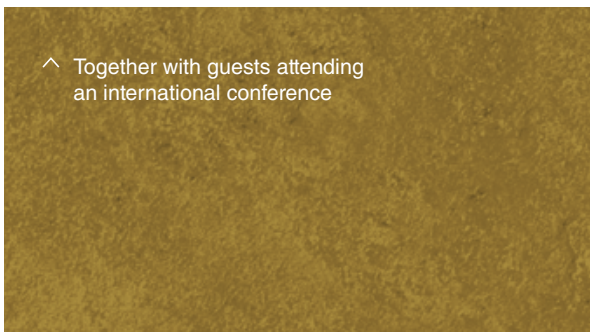
[5] Holding of Seminars on Insured Institutions’ Operating Policies and Management to Enhance Risk Management Concepts

Having in recent years been impacted by the financial crises in Europe and the U.S., each country’s economic and financial environment has been significantly impacted, with insured institutions facing relatively more of these changes in their respective operating environments than in the past. In order to effectively control insured risk, the CDIC organized Insured Institutions’ Operating Policies and Management Seminars, and invited experts and insured institutions to discuss the challenges and opportunities facing the financial sector following the financial tsunami, and to effectively upgrade the risk management skills of insured institutions in responding to the changing financial environment.



3 Resolution of Problem Institutions

On September 26, 2008 the CDIC was appointed by the FSC to assume the conservatorship of Chinfon Bank. After two failed attempts in 2009 to sell the bank’s assets and liabilities by public tender, with the consent of the Financial Restructuring Fund and the FSC, the bank was separated into four parts (the credit card business, the Vietnam branches, and Tranche A and Tranche B consisting of different domestic branches) for sale by public tender. On October 27, 2009 the sale proceeded successfully and in March and April 2010 the settlements were completed. This was the last of the problem financial institutions to be handled by the Financial Restructuring Fund, and Taiwan’s financial market was effectively rectified by upgrading the overall financial status of financial institutions. In addition, the CDIC continued to handle the retained assets and deal with unresolved litigation in the case of nine financial institutions with operational deficiencies that had already been withdrawn from the market.





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

[1] Utilizing the Financial Restructuring Fund to Enable Financial Institutions with Unsound Operations to Withdraw from the Market

From the establishment of the Financial Restructuring Fund in July 2001 up until December 31, 2010, the CDIC successfully enabled a total of 56 financial institutions with unsound operations to withdraw from the market. These 56 institutions included 38 credit departments of farmers' and fishermen's associations, nine credit cooperatives, seven banks and two investment and trust companies. However, because during this period the funds remaining in

the Financial Restructuring Fund were insufficient to deal with the financial institutions with unsound operations, in order to maintain financial stability, the Executive Yuan approved a "Mechanism for the Combined Use of the Financial Restructuring Fund and the Deposit Insurance Payout Special Reserves," thereby treating the deposit insurance fund as an auxiliary source for the combined use by the Financial Restructuring Fund, so as to provide a uniform guarantee to the creditors of institutions under the supervision of the Financial Restructuring Fund in accordance with the Fund's regulations. At the end of 2010, the total reimbursements made according to law by the Financial Restructuring Fund amounted to NT\$207 billion. In addition, the deposit insurance fund was used by the CDIC to make reimbursements amounting to approximately NT\$87.4 billion for the Enterprise Bank of Hualien and other six unsound financial institutions.

[2] Handling the Retained Assets of Financial Institutions with Unsound Operations

a. In 2010 in handling the retained assets of financial institutions with unsound operations, the CDIC recovered a total of NT\$10,070,750,000 (including NT\$6,741,060,000 for sales of real estate, NT\$827,320,000 for the collection of distressed debt, NT\$1,674,760,000 for the sale of distressed debt, and NT\$827,610,000 for the sale of antiques). These sales were described in more detail as follows:

(a) Handling the sale of Chinfon Bank's retained assets

After handling the settlement of Chinfon Bank on April 3, there were still retained antiques and real estate. In its capacity as the conservator, the CDIC continued to dispose of them. Of the 2,227 items identified as antiques, 868 were sold in 2010, with the sales proceeds totaling NT\$827,610,000. In addition, NT\$4,775,190,000 was recovered from sales of real estate. The net book value of the remaining real estate after deducting accumulated depreciation and losses was estimated to be NT\$1,450,270,000.

(b) Dealing with the real estate of China United Trust and Investment Corporation

China United Trust and Investment Corporation was completely taken over by Cathay United Bank on December 29, 2007. The assets that were not included in that tender consisted of shares in related to the Taipei Financial Building Corporation and other retained real estate. In 2010, sales of real estate totaled NT\$1,965,870,000 (with a net book value of NT\$1,501,010,000). After deducting accumulated depreciation and losses, a net book value of NT\$1,599,910,000 resulted. The shares in Taipei Financial Building Corporation had a net book value of NT\$2,222,050,000.

(c) Handling the retained loans of The Chinese Bank

To follow up on the protection of creditors' rights and the collection of debt in the case of the Chinese Bank's retained loans, the CDIC formulated guidelines on related retained loan monitoring, loan collection, and the hierarchy of authority to serve as a basis for implementation and standards for operation. A Debt Collection Review Committee was also set up to ensure the quality of loan collection. In 2010, a total of NT\$812,070,000 was recovered on these loans, and after deducting the provision for bad debts, loans outstanding to 39 borrowers remained with a net value of NT\$2,170,890,000 at the end of 2010.

(d) Others

In order to dispose of the retained loans of financial institutions with unsound operations, in 2010 the retained non-performing loans of the Chinese Bank, the Taitung Business Bank and the Bowa Bank amounting to NT\$6,258,540,000 (including bad debts of NT\$931,010,000 written off) were sold by public tender. The amount of the tender was NT\$1,674,760,000. In addition, the Chaochou Township Farmers' Association in Pingtung County had a debt of NT\$266,680,000 with the Financial Restructuring Fund. After pressing for the collection of these debts, this farmers' association still owes the Financial Restructuring Fund NT\$241,040,000. In addition, there are claims on 1,373,000 shares in the Cooperative Bank as a pledge, and rights on mortgaged immovable property of NT\$26,000,000.

b. Asia Trust and Investment Corporation

After Asia Trust and Investment Corporation was put up for sale by open tender, its net worth became positive. To speed up the process of disposing of the remaining assets and distributing the remaining property to the shareholders, in accordance with the liquidation procedures set forth in the *Company Act*, the CDIC made arrangements for Asia Trust's subsequent disposal, and in January 2010 obtained the approval of the competent authority.

c. Ongoing handling of unresolved litigation

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

[3] Handling Legal Prosecution in Conformity with Social Justice

The CDIC is entrusted with the disposition of unsound financial institutions in accordance with Article 17 of the *Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund* and, with the approval of the Fund's Management Committee, cases of illegal behavior by the responsible persons and employees of those institutions were submitted to prosecutorial agencies for investigation. The CDIC also pursues civil actions for compensation against illegal parties to make up for compensation payments by the Financial Restructuring Fund and to serve the interest of social justice. At the end of December 2010, the CDIC had submitted 183 cases of suspected criminal activity to prosecutorial agencies for investigation, and 122 cases of civil compensation were being pursued.



5 Inspection

[1] Conducting Inspections per Article 24 of the *Deposit Insurance Act* in Order to Effectively Fulfill Insurance Responsibilities

Pursuant to Article 24 of the *Deposit Insurance Act*, the CDIC shall inspect the accuracy of the deposit assessment base of insured institutions and the content of their electronic data files, whether or not there are any events causing the termination of the deposit insurance agreement, as well as the assets and liabilities of the insured institutions prior to the fulfillment of insurance responsibilities, and property information and information needed to pursue civil liabilities for illegal acts or omissions by employees of problem insured institutions. During 2010, the CDIC carried out the following:

- a. The CDIC carried out inspections regarding the accuracy of the deposit assessment base on a total of 11 insured institutions. When deficiencies regarding the calculation of the premium were discovered, the institutions involved were all asked in writing to make improvements, in order to ensure the accuracy of the calculation of the deposit insurance premiums.
- b. The CDIC carried out inspections on the content of the electronic data files established by a total of 74 insured institutions. In regard to any deficiencies discovered, the CDIC has already requested in writing that the insured institutions make improvements, so that in exercising its insurance responsibility, the CDIC can quickly make use of the computer information to handle payouts.

[2] Handling On-Site Inspection of Institutions Applying to Participate in Deposit Insurance to Reduce the CDIC's Insured Risk

Pursuant to Article 10 of the *Deposit Insurance Act*, and Article 5 of the *Approval Standards for Financial Institutions Applying to Participate in Deposit Insurance*, in regard to those financial institutions that apply to participate in deposit insurance and in addition to reviewing the written documentation submitted by the applying institution, the CDIC shall when necessary dispatch personnel to conduct on-site inspections. During 2010, the CDIC conducted 7 on-site inspections involving the reestablished credit departments of farmers' associations. As for the deficiencies discovered through these on-site inspections, the CDIC requested that the institutions inspected carry out the necessary improvements, and that based on these improvements it would then decide whether to insure them in order to reduce insured risk.



< Senior CDIC executives

> Actively participating in community activities



< Public awareness activity



6 Computerization

- [1] Completing the redesign of the CDIC's Website, thereby strengthening the CDIC's dissemination of information and enriching its Website's content.
- [2] Completing the planning, analysis and design of "Phase One of the Payout and Advance Payment System."
- [3] Modifying the "Deposit Insurance Premium Operating System" in line with the raising of the deposit insurance coverage limit to NT\$3 million and the adjustments to the risk-based premium rates.
- [4] Relaunching the CDIC's Knowledge Management System (internal Website), and adopting the latest interactive technology and real-time notification of information features to enhance the effectiveness of employees in utilizing the CDIC's various knowledge resources.
- [5] Launching a "Management Accounting System for Budget and Final settlement" in accordance with the regulations of the Directorate-General of Budget, Accounting and Statistics of the Executive Yuan to improve system operating performance.
- [6] Establishing a "Network-based Intrusion Prevention System" to monitor network traffic at all times, intercept abnormal network packet sequences in real time, and enhance the monitoring performance of network security.
- [7] Upgrading the computer anti-virus system's anti-hacking capability, and installing new features including building a smart protection network based on cloud technology, monitoring application security, and controlling access to peripheral equipment.



7 Research and Development

In view of the rapid changes taking place in the financial environment, and to ensure that the development of its business conforms more closely to the needs produced by those changes, the CDIC not only collects the opinions of insured institutions on a regular basis but also conducts studies on the latest information related to domestic and international financial operations, as well as the business of the CDIC, and compiles reports on those studies. The results of important R&D projects carried out during 2010 are briefly described as follows:

[1] Studying Response Measures to the Extension of the Period of Full Deposit Insurance Coverage

To respond to the decision to bring an end to the temporary measure of implementing full deposit insurance coverage till December 31, 2010, the CDIC was instructed by the FSC to refer to the exit strategies of measures in some specific countries as well as the outlook for macroeconomic and financial conditions both internationally and in Taiwan, and to complete a research report entitled "Related Response Measures to the Termination of Full Deposit Insurance Coverage" for submission to the FSC for reference.

[2] Ministry of Finance Research Report

To make the mechanisms of Taiwan's financial safety net as well as the deposit insurance system more complete and well-designed, and thereby more effectively respond to future challenges, the CDIC in 2009 completed a research report entitled "The Future Role of the Deposit Insurance System in the Financial Safety Net in Light of the Global Financial Crisis." In 2010, this report won a top-grade award from the Ministry of Finance.

[3] Commissioned Research Projects

In focusing on important topics such as the appropriateness of the current level of coverage, on the feasibility of adopting different levels of coverage for particular kinds of deposits, and on whether or not foreign currency deposits should be included within the scope of coverage, the CDIC commissioned specialized institutions to handle various research projects. In April 2010 a commissioned research report entitled "How to Balance both Market Function and Financial Stability After Transition from Full Deposit Insurance Coverage to Limited Coverage" was completed, and was submitted to the Ministry of Finance and the National Science Council for reference.

[4] Researching the Deposit Insurance Legal System to Strengthen the Function of Deposit Insurance

To respond to the termination of the period of temporary full deposit insurance coverage at the end of 2010, the CDIC on March 31, 2010 submitted draft amendments to 25 articles of the *Deposit Insurance Act* to the FSC for review. After consideration by the FSC and the Executive Yuan, the draft amendments to Articles 12 and 13 were passed on to the Legislative Yuan for deliberation. On December 14, 2010 these

amendments were approved by the Legislative Yuan, and on December 29, 2010 were promulgated by the President. The remaining proposed amendments will continue to be advanced in 2011, in order to strengthen the CDIC's mechanism for controlling risk and handling problem financial institutions.

[5] Survey of Deposit Insurance Awareness among Depositors

To understand how much the public know about the concept of deposit insurance, and the channels through which they gain information about deposit insurance and financial safety net, the CDIC commissioned a professional institution to conduct a questionnaire survey to serve as a reference in future publicity work and in the formulation of follow-up measures of CDIC's public awareness program.

[6] Holding the 17th and 18th Meetings of the CDIC Deposit Insurance Premiums and Resolution of Problem Financial Institutions Consultative Committee

In 2010, two meetings of the "CDIC Deposit Insurance Premiums and Resolution of Problem Financial Institutions Consultative Committee" were convened. The topics discussed included the usage of the funds appropriated for using as payouts for the credit departments of farmers' and fishermen's associations after the Financial Restructuring Fund ceases to operate at the end of 2011, and the CDIC's drafting of proposed amendments to the *Enforcement Regulations of the Deposit Insurance Act*. Those consulted put forward many valuable opinions that can serve as valuable reference in planning the future direction of Taiwan's deposit insurance system.





< Left The President presented at an international conference

< Right The Chairman together with foreign guests

> The President attended the annual meeting of the Asia Pacific Regional Committee and international conference of IADI



< The President attended the seminar hosted by the Deposit Protection Agency, Thailand

[7] International Research

- a. The CDIC participated in the development of the “Core Principles for Effective Deposit Insurance Systems – A Methodology for Compliance Assessment” together with the International Association of Deposit Insurers (IADI), the Basel Committee on Banking Supervision of the Bank for International Settlements, the International Monetary Fund, the European Forum of Deposit Insurers, the EU and other international organizations. This Methodology was completed at the end of December 2010 and forwarded to the Financial Stability Board.
- b. The CDIC concurrently participated or assisted in 15 IADI research projects, of which the CDIC took the leading role in two, namely, “Public Policy Objectives of the Deposit Insurance System,” and “Funding Mechanisms of Deposit Insurance Systems in the Asia-Pacific Region.”

[8] Research Projects and Summary Translation Reports

- a. The CDIC prepared a research report entitled: “Response Measures of Major Countries to the Financial Crisis and Developments in the Reform of Financial Supervision (from September 2009 to April 2010).”
- b. More than 20 research reports and summary translation projects on important international financial and economic information were completed in 2010. Among others, the reports included: “Recent Developments in the EU’s Financial Supervision and Measures to Reform Deposit Insurance,” and “The U.S. FDIC’s Response Measures to the Dodd-Frank Wall Street Financial Reforms and Consumer Protection Act.”

[9] Publication of the Deposit Insurance Quarterly Journal

CDIC’s Deposit Insurance Quarterly Journal features articles by experts and scholars on the operational management of financial institutions, financial theories and practice, financial supervision, and International deposit insurance systems. The Quarterly Journal is distributed to stakeholders for reference purposes and to increase awareness of deposit insurance.

[10] Publication of Deposit Insurance reports

In 2009, two CDIC personnel prepared research reports based on their overseas trips. These were compiled into publications for public reference.



8 International Exchanges

The CDIC has in line with government policies been a founding member of the IADI since 2002 and has been actively involved in its affairs. It currently serves as a member of IADI Executive Council and also chairs its Research and Guidance Committee. To strengthen international cooperation and enhance its international visibility, in 2010 the CDIC continued to participate in IADI meetings, training activities and international conferences, as well as hosting international exchange activities, the major ones being as follows:

[1] Hosting International Seminar

To give domestic financial institutions a deeper understanding of the response measures to the transition from full deposit insurance coverage to limited coverage, of the new business opportunities in cross-strait financial markets and trends in risk management following the global financial crisis, the CDIC on September 14 and 15, 2010 hosted an international seminar entitled: "Risk Management Trends and Challenges Facing the Banking Industry Following the Post Financial Crisis" at the Taipei International Convention Center. To this seminar, it invited distinguished international financial experts from IADI, the U.S.'s Federal Deposit Insurance Corporation, the Deposit Insurance Corporation of Japan (DICJ), the Malaysia Deposit Insurance Corporation, the Deposit Insurance of Vietnam (DIV), the Asia-Pacific Region of HSBC Bank and China, as well as several local financial practitioners and scholars, to deliver lectures and to share opinions on risk management and future developments and trends in the banking sector. This seminar was organized under the guidance of the Ministry of Finance and those who attended included representatives of the various members of the financial safety net and each insured institution. In total, close to 400 people attended this international seminar with an overall satisfaction rate of 98% being achieved.

[2] Participating in IADI Meetings, Conferences and International Exchange Activities

To fulfill its responsibility as a member of IADI and in view of the important roles it plays in that association, the CDIC on several occasions in 2010 dispatched personnel to participate in IADI Executive Council meetings, as well as meetings of IADI's Research and Guidance, Training and Conference, and Asia Pacific Regional committees. CDIC staff also attended other international conferences organized by various member countries. In addition, the CDIC was invited to give lectures and share Taiwan's experiences on ten occasions. The lecture topics included the transition from full deposit insurance coverage to limited coverage, experience of early detection and timely intervention of problem financial institutions and the mechanism for handling problem financial institutions, the role played by the deposit insurance system in stabilizing finance, and public awareness of deposit insurance. In 2010, the CDIC participated in the following international activities:

Date	Events	Organizer(s)
January 2010	IADI 8 th Asia Pacific Regional Meeting and International Conference (CDIC President Howard Wang was invited to speak)	IADI and Deposit Insurance and Credit Guarantee Corporation, India
February 2010	IADI 29 th Executive Council Meeting, Research and Guidance Committee, Training and Conference Committee, etc.	IADI
March 2010	The 5 th Round Table Meeting and International Conference (CDIC Executive Vice President Robert L.I Chen was invited to speak)	Deposit Insurance Corporation of Japan
April 2010	Summit Conference on "Strengthening Deposit Insurance Systems in Crisis and Post Crisis Situations" (CDIC President Howard Wang & Fiona Yeh were invited to speak)	Philippine Deposit Insurance Corporation
April 2010	IADI-2010 the first session of the "Resolution of Problem Banks" Training Meeting for Senior Managers	IADI and Federal Deposit Insurance Corporation, U.S.A.
June 2010	IADI 30 th Executive Council Meeting, Research and Guidance Committee and Conference on "The Role of Banks in Economic Stability and Growth"	IADI and Instituto Para la Protection al Ahorro Bancario, Mexico
July 2010	IADI "Claims Management: Reimbursement to Insured Depositors" Training Conference	IADI and Federal Deposit Insurance Corporation, U.S.A.
July 2010	IADI's Africa Regional Committee hosted an annual conference on "The Benefits of Deposit Insurance in Africa." (Both CDIC's Assistant Director of the International Relations and Research Office Harrison Hwang and Margaret Chuang were invited to speak)	IADI and Deposit Insurance Board of the Bank of Tanzania
August 2010	International Conference on "Resolution of Problem Banks" (CDIC Executive Vice President, Robert L.I. Chen and Division Chief of the Department of Resolution Henry Gau were invited to serve as a speaker and a facilitator)	The South East Asian Banks Research and Training Center, IADI, and Malaysia Deposit Insurance Corporation
August 2010	Seminar on "Mandate and Coordination of Safety Net Players in Intervention and Resolution" (CDIC President Howard Wang was invited to speak)	Deposit Protection Agency, Thailand
October 2010	IADI 9 th Annual General Meeting and International Conference (CDIC President Howard Wang was invited to speak)	IADI and Deposit Insurance Corporation of Japan



^ The Chairman and President together with international partners

[3] Receiving Representatives of Various Deposit Insurance and Financial Supervisory Institutions

Besides CDIC representatives attending various international conferences, representatives of deposit insurance and financial supervisory institutions around the world also made special trips to visit the CDIC, which were very helpful in facilitating the international exchange of experiences in relation to deposit insurance. In 2010, the CDIC received delegations of high-ranking officials and representatives from the Deposit Insurance of Vietnam, the Bureau of Banking Supervision and Examination of Vietnam, the Malaysia Deposit Insurance Corporation, the U.S. Federal Deposit Insurance Corporation, and the Taiwan Financial Sector Rating Group of Moody's International Credit Rating Agency.

[4] Signing Memorandums of Understanding and Letters of Exchange with other Deposit Insurance Corporations

With its many years of efforts in engaging in international affairs, the CDIC has formally signed either a Memorandum of Understanding or a Letter of Exchange with each of the Deposit Insurance Corporation of Japan, the Korea Deposit Insurance Corporation, the Korea Asset Management Corporation, the National Deposit Insurance Fund of Hungary and the Deposit Insurance of Vietnam. During 2010, the CDIC continued to facilitate exchanges to strengthen cooperative relationships with other deposit insurance corporations through visits and other means.



< Attending the
DICJ Round Table
meeting



^ Attending the IADI 9th Annual
General Meeting and Annual
Conference hosted by the DICJ

> Together with foreign guests



9 Human Resources

[1] Employee Structure

Year	No. of Employees	Avg. Age of Employees	Educational Attainment of Employees		
			Graduate School	College	Other
2010	155	46	34	118	3
2009	157	45	31	123	3
2008	158	44	30	125	3
2007	157	44	29	125	3
2006	158	43	29	125	4
2005	158	42	29	125	4

Department breakdown of CDIC staff for the year 2010:

Dept. of Risk Management (25)

Dept. of Inspection (11)

International Relations and Research office (7)

Dept. of Accounting (10)

Personnel Office (5)

Civil Service Ethics Office (2)

South Region Office (10)

Dept. of Resolution (23)

Dept. of Business (15)

Legal Affairs Office (7)

Secretariat (20)

Information Management Office (12)

Central Region Office (8)

- > The President together with DIV representatives
- ✓ The President speaks at an international conference



- < The Chairman and President together with a guest

[2] Contract Employees

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

[3] Personnel Training

To upgrade the quality of staff and enhance employees' professional knowledge, the training programs arranged by CDIC during the year involved a total of 1,588 people times. On average, each staff (including those with special contracts) participated in professional training nine times.

Financial Statements and Independent Auditors' Report



Following international
developments
Controlling insurance risk



Independent Auditors' Report

To the Board of Directors of Central Deposit Insurance Corporation

We have audited the accompanying balance sheets of the Central Deposit Insurance Corporation as of December 31, 2010, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. Nevertheless, the financial statements for the year ended December 31, 2009 were audited by other accountants of a different accounting firm and accordingly an unqualified opinion was issued on February 11, 2010.

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

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

維揚聯合會計師事務所 魏揚 謹
 

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

February 14, 2011

DECEMBER 31,

ASSETS	NOTES	2010 / 12 / 31		2009 / 12 / 31	
		AMOUNT	%	AMOUNT	%
CURRENT ASSETS					
Cash and Cash Equivalents	3	\$ 11,672,578	17.69	\$ 12,157,742	18.18
Held-to-Maturity Financial Assets	2, 4	1,948,658	2.95	1,351,619	2.02
Receivables	5	130,357	0.20	184,207	0.27
Prepayments		13,469	0.02	13,721	0.02
Other Current Assets		563	0.00	1,245	0.00
SUB-TOTAL		13,765,625	20.86	13,708,534	20.49
FIXED ASSETS					
	2, 6				
Land		228,833	0.35	228,833	0.34
Buildings		265,486	0.40	265,486	0.39
Machinery and Equipment		83,623	0.12	81,604	0.12
Transportation Equipment		11,360	0.02	11,011	0.02
Other Equipment		25,165	0.04	24,193	0.04
Sub-total		614,467	0.93	611,127	0.91
Revaluation Increment		66,149	0.10	66,149	0.10
total		680,616	1.03	677,276	1.01
Less Accumulated Depreciation					
Buildings		83,602	0.13	78,868	0.12
Machinery and Equipment		57,142	0.09	53,376	0.08
Transportation Equipment		8,415	0.01	7,806	0.01
Other Equipment		15,715	0.02	14,663	0.02
Sub-total		164,874	0.25	154,713	0.23
FIXED ASSETS-NET		515,742	0.78	522,563	0.78
INTANGIBLE ASSETS	2, 7	2,028	0.00	3,793	0.01
OTHER ASSETS					
	2, 8				
Guarantee Deposits Paid		511	0.00	511	0.00
Temporary Payments and The Account to be Carried Over		2,485	0.00	2,485	0.00
Deferral on General Financial Deposit Insurance Payout Losses		51,714,397	78.36	52,654,401	78.72
Sub-total		51,717,393	78.36	52,657,397	78.72
TOTAL ASSETS		\$ 66,000,788	100.00	\$ 66,892,287	100.00



INSURANCE CORPORATION

STATEMENTS OF FINANCIAL POSITION SHEETS

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2010 and 2009

Expressed in NT\$' 000

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTES	2010/12/31		2009/12/31	
		AMOUNT	%	AMOUNT	%
CURRENT LIABILITIES					
Marketable Securities Sold Under Repurchase Agreement	2, 9	\$ 383,664	0.58	\$ 397,361	0.59
Payables	10	106,436	0.16	97,000	0.15
SUB-TOTAL		490,100	0.74	494,361	0.74
LONG-TERM LIABILITIES					
Long-term loans	11	51,700,000	78.33	52,700,000	78.78
Reserve for Land Revaluation Increment Tax		25,551	0.04	25,551	0.04
SUB-TOTAL		51,725,551	78.37	52,725,551	78.82
OTHER LIABILITIES	12				
General Financial Deposit Insurance Payout Special Reserves		-	0.00	-	0.00
Agricultural Financial Deposit Insurance Payout Special Reserves		2,507,075	3.80	2,395,097	3.58
Guarantee Deposits Received		1,033	0.00	249	0.00
SUB-TOTAL		2,508,108	3.80	2,395,346	3.58
TOTAL LIABILITIES		54,723,759	82.91	55,615,258	83.14
Capital Stock	13	10,000,000	15.15	10,000,000	14.95
Capital Surplus					
Donated Assets Received		265	0.00	265	0.00
Retained Earnings					
Legal Reserve		235,700	0.36	235,700	0.35
Special Reserve		1,000,466	1.52	1,000,466	1.50
Others					
Unrealized Incremental Value from Revaluation		40,598	0.06	40,598	0.06
TOTAL STOCKHOLDERS' EQUITY		11,277,029	17.09	11,277,029	16.86
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$ 66,000,788	100.00	\$ 66,892,287	100.00



STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

Expressed in NT\$' 000

DESCRIPTION	NOTES	2010 / 12 / 31		2009 / 12 / 31	
		AMOUNT	%	AMOUNT	%
OPERATING INCOME					
Interest Revenue		\$ 202,515	0.89	\$ 226,843	4.77
Premiums Revenue		4,691,260	20.64	4,474,839	94.23
Special Premium Revenue		48,603	0.21	47,363	1.00
Other Operating Income	2	17,786,000	78.26	-	0.00
Sub-total		22,728,378	100.00	4,749,045	100.00
OPERATING COSTS					
Handling Fees		46	0.00	84	0.00
Insurance Expenses		76	0.00	52	0.00
Interest Expenses		5,210	0.02	1,155	0.02
Insurance Payout Reserve Provisions		19,576,769	86.13	1,608,415	33.87
Finance Restructuring Fund Expenses		2,650,000	11.66	2,650,000	55.80
Sub-total		22,232,101	97.81	4,259,706	89.69
GROSS PROFIT		496,277	2.19	489,339	10.31
OPERATING EXPENSES					
Transaction Expenses		429,039	1.89	426,569	8.98
General & Administrative Expenses		60,342	0.27	56,684	1.19
Other Operating Expenses		6,337	0.03	5,074	0.11
Sub-total		495,718	2.19	488,327	10.28
OPERATING INCOME		559	0.00	1,012	0.03
NON-OPERATING INCOME					
Indemnity Income		87	0.00	27	0.00
Other Income		3,893	0.02	2,982	0.06
Sub-total		3,980	0.02	3,009	0.06
NON-OPERATING EXPENSES					
Loss on Disposal of Assets		474	0.00	422	0.01
Other Expenses		4,065	0.02	3,599	0.08
Sub-total		4,539	0.02	4,021	0.09
INCOME BEFORE INCOME TAX		-	0.00	-	0.00
INCOME TAX		-	0.00	-	0.00
NET INCOME		\$ -	0.00	\$ -	0.00
EARNINGS PER SHARE		\$ -	0.00	\$ -	0.00

CENTRAL DEPOSIT INSURANCE CORPORATION



STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

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FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

Expressed in NT\$' 000

DESCRIPTION	CAPITAL STOCK	CAPITAL SURPLUS	RETAINED EARNINGS		UNREALIZED INCREMENTAL VALUE FROM REVALUATION	TOTAL
			LEGAL RESERVE	SPECIAL RESERVE		
BALANCE, JANUARY 1, 2009	\$ 10,000,000	\$ 265	\$ 235,700	\$ 1,000,466	\$ 40,598	\$ 11,277,029
BALANCE, DECEMBER 31, 2009	\$ 10,000,000	\$ 265	\$ 235,700	\$ 1,000,466	\$ 40,598	\$ 11,277,029
BALANCE, DECEMBER 31, 2010	\$ 10,000,000	\$ 265	\$ 235,700	\$ 1,000,466	\$ 40,598	\$ 11,277,029





STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

Expressed in NT\$' 000

DESCRIPTION	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ -	\$ -
Adjustments		
Depreciation	12,287	13,023
Amortization	2,036	2,299
Insurance Payout Reserve Provisions	19,576,769	1,608,415
Net Loss on Disposal of Fixed Assets	474	422
Changes in Assets and Liabilities:		
Receivables	53,850	89,057
Prepayments	252	(310)
Other Current Assets	682	18,898
Marketable Securities Sold Under Repurchase Agreement	(13,697)	(321,131)
Payables	9,436	(68,740)
Net Cash Inflow from Operating Activities	19,642,089	1,341,933
CASH FLOWS FROM INVESTING ACTIVITIES		
Current Financial Assets Decrease (Increase)	(597,039)	203,439
Intangible Assets and Other Assets Decrease (Increase)	(18,525,059)	1,161,412
Fixed Assets and Deferral Assets Increase	(5,946)	(7,179)
Fixed Assets and Deferral Assets Decrease	6	20
Net Cash Inflow (Outflow) from Investing Activities	(19,128,038)	1,357,692
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in Long-term Loans	89,143,000	80,500,000
Increase (Decrease) in Other Liabilities	785	(1,506,777)
(Decrease) in Long-term Loans	(90,143,000)	(82,400,000)
Net Cash (Outflow) Inflow from Financing Activities	(999,215)	(3,406,777)
EQUIVALENTS	(485,164)	(707,152)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	12,157,742	12,864,894
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 11,672,578	\$ 12,157,742

Note: The following items won't affect the cash flows from investing and financing activities. Pursuant to Article 20 of the *Deposit Insurance Act*, reserve of the other liabilities - General Financial Deposit Insurance Payout Special Reserves during this year are \$19,464,791 thousand, repeal of the Deferred assets - deferral on General Financial Deposit Insurance Payout Losses.

CENTRAL DEPOSIT INSURANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 and 2009

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

1 GENERAL

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

The Corporation is a government-run organization of which the capital is contributed by the Ministry of Finance, the Central Bank and four insured financial institutions based on the shares that each of them has purchased. The Ministry of Finance decreed that the shares were not to be issued publicly. The Corporation's approved capital stock is NT\$10,000,000,000, divided into 1,000,000,000 shares with a face value at NT\$10 each. The number of shares issued is 1,000,000,000. The Ministry of Finance and the Central Bank are the two major shareholders of the Corporation. As of December 31, 2010, the ratio of their shareholding was 99.9995%. The Corporation's major businesses range from handling deposit insurance, managing deposit insurance risk, dealing with failing and failed insured institutions, and establishing related regulations and systems of deposit insurance. Financial institutions duly approved under the law to accept deposits are required to apply for deposit insurance, including banks, the Taiwan branches of foreign banks, credit cooperatives, credit departments of farmers' and fishermen's associations, and Chunghwa Post Co., Ltd.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**[1] General Accounting Practice & Basis of Compilation for Financial Statements**

As the Corporation is a government-run organization, its accounting criteria are subject to the *Budget Act*, the *Financial Statement Act*, the *Deposit Insurance Act*, the *Unified Accounting System Regulations for Departments and Bureaus of Ministry of Finance* as approved by Directorate General of Budget, Accounting & Statistics, Executive Yuan, and other regulations for the accounting affairs of government-run organizations promulgated by the Ministry of Audit, Control Yuan. Matters not regulated in the above-mentioned law are subject to generally accepted accounting principles. Annual financial statements are all have to be audited by Directorate General of Budget, Accounting & Statistics, Executive Yuan, and the Ministry of Audit of the Control Yuan serves as the authority for final approval. The Corporation's financial statements as of the end of 2009 were audited by Directorate General of Budget, Accounting & Statistics, Executive Yuan and the Ministry of Audit, Control Yuan. Consequently, the balance at the beginning of 2010 was subject to the balance at the end of 2009, which has been audited by the Ministry of Audit, Control Yuan.

[2] Held-to-Maturity Financial Assets

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

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

[3] Marketable Securities Sold Under Repurchase Agreement

Bond for transaction purposes are listed as repurchased bond liabilities.

[4] Fixed Assets

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

[5] Intangible Assets

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

[6] Deferred Assets

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

[7] Employees’ Pension

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

Pursuant to relevant regulations, the Corporation commissions an actuary to calculate the amount of the Corporation’s contributions to the pension fund and to deposit it in the special labor pension accounts opened by the Corporation’s Employees Pension Supervision Committee and Labor Retirement Fund Supervision Committee. The latter account is deposited in the Bank of Taiwan. As for project contract employees, in order to comply with the enforcement of the *Labor Pension Act* (hereinafter referred to as the “New System”), the Corporation, beginning from July 1, 2005, contributes an amount equal to at least 6% of their monthly salaries into the pension fund. The pensions are deposited into employees’ exclusive labor retirement accounts. The Corporation’s contributions are listed as current expense at the year of occurrence.

[8] Limitation of Earning Allocation

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

[9] Asset Impairment

The Corporation shall recognize an impairment loss of the owned assets when the environment has changed or a certain event occurs in order to reflect that recoverable amount of the owned assets is less than carrying amount. Recoverable amount refers to the higher of an asset's net fair value and its value in use. Net fair value refers to the amount obtainable from the sale of an asset less costs to sell in an arm's length transaction. Value in use refers to the discounted present value of the future cash flows to arise from the continuing use of an asset. When the situation resulting in recognition of the accumulated impairment loss in the previous years does not exist any more or has improved, accumulated impairment loss can be reversed to the extent of the amount of such loss recognized in the previous year.

[10] Other Operating Income

Income derived from levies are the financial industry business tax increased during 2006~2010 pursuant to Article 3.3 of the *Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund*, and the limit that the Financial Restructuring Fund to use the tax income is 110 billion. The remaining business tax should be deposited to the General Financial Deposit Insurance Payout Special Reserves.

3 CASH AND CASH EQUIVALENTS

	2010	2009
Petty Cash	\$ 350	\$ 350
Checking Deposits	46,227	27,391
Demand Deposits	1	1
Time Deposits	11,626,000	12,130,000
Total	\$ 11,672,578	\$ 12,157,742

4 HELD-TO-MATURITY FINANCIAL ASSETS

	2010	2009
Bonds	\$ 1,948,658	\$ 1,351,619

The interest rates at year ends of 2010 and 2009 range from 1.375%~7.3% and 1.41%~8%, respectively.

5 RECEIVABLES

	2010	2009
Tax Refund Receivable	\$ 20,226	\$ 79,317
Interest Receivable	103,770	100,557
Others	6,361	4,333
Total	\$ 130,357	\$ 184,207

6 FIXED ASSETS

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

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

- (1) The fire insurance coverage on fixed assets as of December 31, 2010 and 2009 was \$229,180 thousand and \$229,180 thousand, respectively.
- (2) In accordance with the regulations as stated in official letter No. Tai-(83)-Chu-Hsiao-5-Tzu-Ti-05739 from Directorate General of Budget, Accounting & Statistics, Executive Yuan on June 22, 1994, the Corporation has revaluated lands after the approval of Ministry of Audit. The recognition of land value was increased by \$66,149 thousand. Long-term Liabilities – Reserve for Land Revaluation Increment Tax was \$25,551 thousand, and Others of Stockholders' Equity-Unrealized Incremental Value from Revaluation was \$40,598 thousand. In addition, the Corporation undertook land value re-evaluation pursuant to official letter No. Tai-Tsai-Jung(2)-Tzu-Ti 0920031415 from the Ministry of Finance with the purpose of transferring official letter No. Tai-Shen-Pu-Szu-Tzu-Ti 921710 from the Ministry of Audit. The Chung Cheng Branch of Taipei Tax Collection Office estimated that the land value increment tax was \$14,861 thousand based on the present land value released by government land administration authorities in 2003, which is less than the latest land re-evaluation of \$25,551 thousand in 1995. Moreover, since the Consumer Price Index rose for merely 6.2%, there were no need for adjustment on the book values of land and the details of such fact thereof were stated in official letter No. Tsun-Pao-Mi-Tzu-Ti 930000793 from the Corporation which has been submitted to the Ministry of Audit for reference.

7 INTANGIBLE ASSETS

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

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

8 OTHER ASSETS

	2010	2009
Guarantee Deposits Paid	\$ 511	\$ 511
Temporary Payments and The Account to be carried over	2,485	2,485
Deferral on General Financial Deposit Insurance Payout Losses	51,714,397	52,654,401
Total	\$ 51,717,393	\$ 52,657,397

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

9 MARKETABLE SECURITIES SOLD UNDER REPURCHASE AGREEMENT

	2010	2009
Marketable Securities Sold under Repurchase Agreement	\$ 383,664	\$ 397,361

The Bond Repurchase rates at year ends of 2010 and 2009 range from 0.17%~0.44% and 0.18%~0.20%, respectively.

10 PAYABLES

	2010	2009
Interest Payable	\$ 30,740	\$ 17,852
Accrued Expenses	75,189	75,642
Advance Collections for Customers	507	3,506
Total	\$ 106,436	\$ 97,000

11 LONG-TERM LOANS

	2010	2009
Bank SinoPac	\$ 5,000,000	\$ -
Chinatrust Commercial Bank	-	6,500,000
Far Eastern International Bank	1,200,000	1,000,000
Bank of Taiwan	8,100,000	16,400,000
Hua Nan Bank	14,200,000	2,700,000
Taishin Bank	1,000,000	-
Taiwan Cooperative Bank	14,200,000	26,100,000
First Bank	2,600,000	-
Land Bank	1,200,000	-
Chang Hwa Bank	2,800,000	-
Taiwan Business Bank	1,400,000	-
Total	\$ 51,700,000	\$ 52,700,000

(1) These are the credit loans. At the year ends of 2010 and 2009, the total credit lines respectively are 51.7 billion and 56.4 billion, and revolving credit was available within the amount. Repayment can be spread over time or made in lump sum within the financing period. The Corporation has proceeded in accordance with the approval documents issued by competent authorities and Executive Yuan, and the budget passed by Legislative Yuan.

(2) The loan interest rates at the year ends of 2010 and 2009 range from 0.54%~0.76% and 0.29%~0.51%, respectively.

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

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

The changes are as follows:

	General Financial Deposit Insurance Payout Special Reserves	Agricultural Financial Deposit Insurance Payout Special Reserves	Total
January 1, 2010	\$ -	\$ 2,395,097	\$ 2,395,097
Reserve of The Current Period	19,464,791	111,978	19,576,769
Repeal of The Deferred Assets	(19,464,791)	-	(19,464,791)
December 31, 2010	\$ -	\$ 2,507,075	\$ 2,507,075

13 CAPITAL STOCK

	December 31, 2010 & 2009
Authorized Capital	10,000,000
Paid-in Capital	10,000,000
Authorized Shares	1,000,000,000 Shares
Outstanding Shares	1,000,000,000 Shares

The Corporation is a government-run organization of which the capital is contributed by the Ministry of Finance, the Central Bank and four insured financial institutions based on the shares that each of them has purchased. The Ministry of Finance decreed that the shares were not to be issued publicly. The Corporation's approved capital stock is NT\$10,000,000,000, divided into 1,000,000,000 shares with a face value at NT\$10 each. The number of shares issued is 1,000,000,000. The Ministry of Finance and the Central Bank are the two major shareholders.

14 OTHER : None

Statistics

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

Unit: number of institutions

Type of Institution / Year	2010	2009	2008	2007	2006
Domestic Banks	38	38	38	41	45
Credit Cooperatives	26	26	27	27	28
Credit Departments of Farmers' Associations	275	264	264	252	253
Credit Departments of Fishermen's Associations	25	25	25	25	25
Local Branches of Foreign Banks	27	30	30	31	32
Total	391	383	384	376	383

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

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

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

Unit: %

Type of Institution / Year	2010	2009	2008	Ratio of Covered Deposits to Total Eligible Deposits	
				2007	2006
Domestic Banks	Full Deposit Insurance Coverage			48.7	42.2
Credit Cooperatives				61.1	51.1
Credit Departments of Farmers' Associations				69.8	59.9
Credit Departments of Fishermen's Associations				75.1	64.7
Local Branches of Foreign Banks				17.7	13.8
Total				49.3	42.7

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

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

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

(4) Covered deposits refer to the total deposit amount of each depositor under the maximum coverage limit in an insured institution. On July 1, 2007, the maximum coverage was raised from NT\$1 million to NT\$1.5 million. The covered deposits for 2007 therefore refer to deposits under the NT\$1.5 million limit, while those for 2006 refer to deposits under the NT\$1 million limit.

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

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

Unit: NT\$ million

Year	Insured Institutions					Premiums	Deposit Insurance Fund	Ratio of Deposit Insurance Fund to 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)							
2010	General	90	Full Deposit Coverage			4,389	0	0			
	Agricultural	301				302	2,507	-			
2009	General	93				4,184	0	0			
	Agricultural	290							291	2,395	-
2008	General	94				4,067	0	0			
	Agricultural	290							301	2,293	-
2007	General	98				21,764,787	10,472,346	48.1	3,965	0	0
	Agricultural	278				1,298,495	900,009	69.3	365	2,189	0.24
2006	All	383				22,670,064	9,686,080	42.7	4,109	15,125	0.16
2005	All	390				21,850,180	9,528,182	43.6	4,019	13,579	0.14
2004	All	396	20,444,435	9,018,811	44.1	3,909	12,154	0.13			
2003	All	401	19,183,842	8,613,531	44.9	3,766	10,946	0.13			
2002	All	405	18,339,760	8,273,608	45.1	3,597	9,662	0.12			
2001	All	417	17,894,174	8,116,092	45.4	3,408	8,528	0.11			

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

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

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

(4) Covered deposits refer to the total deposit amount of each depositor under the maximum coverage limit in an insured institution. On July 1, 2007, the maximum coverage was raised from NT\$1 million to NT\$1.5 million. The 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) On July 1, 1999, the deposit insurance system shifted from a flat premium rate (0.015%) to a risk-based differential rate with the three levels of 0.015%, 0.0175%, and 0.02%. On January 1, 2000, the rates were adjusted to 0.05%, 0.055%, and 0.06%. On July 1, 2007, the premium assessment base shifted from covered deposits to total eligible deposits. For covered deposits, a risk-based premium was adopted, and for deposits exceeding the maximum insurance coverage a flat premium rate was adopted. The annual deposit insurance premium rates following the adjustment are as follows:

a. The premium for general financial institutions is divided into five-tiered differential premium rates of 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%, respectively, and a flat premium rate of 0.0025%. From January 1, 2010, this flat premium rate was raised to 0.0005%.

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

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

(7) Beginning in September 2007 the CDIC's deposit insurance fund was used to share some of the compensation paid in relation to the disposition of failed financial institutions in line with the "Mechanism for the Combined Use of the Financial Restructuring Fund and the Deposit Insurance Fund" as approved by the Executive Yuan. As a result from 2007 to 2010 the Deposit Insurance Fund for general financial institutions as well as this was recorded as 0 per law.

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

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

Unit: NT\$ million

Item / Year	2010	2009	2008	2007	2006
Operating Revenues	22,728	4,749	4,804	4,923	4,701
Interest Revenue	202	227	429	593	591
Premium Revenue	4,691	4,475	4,368	4,330	4,110
Special Premium Revenue	49	47	7		
Insured Banks Business Operating Tax Revenue	17,786				
Operating Costs and Expenses	22,727	4,748	4,800	4,920	4,697
Provision for Insurance Payout Special Reserves	19,577	1,608	1,649	1,773	1,546
Financial Restructuring Fund Expenses	2,650	2,650	2,650	2,650	2,684
Interest Expenses	5	1	15	16	18
Transaction Expenses	429	427	424	412	386
General & Administrative Expenses	60	57	56	58	57
Other Operating Expenses	6	5	5	5	5
Other Expenses			1	6	1
Net Operating Income	1	1	4	3	4
Net Non-Operating Income (Lose)	(1)	(1)	(4)	(3)	(4)
Net Income before Income Tax					
Income Tax Expenses					
Net Income					

Notes: (1) The figures for 2006, 2007, 2008 and 2009 are reviewed and audited by the Ministry of Audit; those for 2010 are based on CDIC's final accounts for that year.

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



	Year CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2010)
Type of Participation	Voluntary	Changed to mandatory coverage in January 1999	Revised in January 2007 as follows: 1. All financial institutions legally approved to accept deposits must apply to the CDIC to join the deposit insurance system. 2. Such institutions may become insured institutions after examination and approval by the CDIC. 3. The two preceding items do not apply to insured institutions that have joined the deposit insurance system prior to the enactment of the revised statute.
Capital	<ul style="list-style-type: none"> ◆ Legally prescribed capital NT\$2 billion ◆ Paid in NT\$800,050,000 	<ul style="list-style-type: none"> ◆ Legally prescribed capital raised to NT\$5 billion in July 1992 ◆ Prescribed capital raised to NT\$10 billion in November 1995 	Same as left column
Participating Institutions	<ul style="list-style-type: none"> ◆ Domestic banks (excluding Chunghwa Post Co., Ltd.) ◆ Small and medium business banks ◆ Credit cooperatives ◆ Credit departments of farmers' and fishermen's associations ◆ Foreign bank branches in Taiwan (even if their deposits are protected in their home countries) ◆ Other financial institutions designated by the Ministry of Finance 	<ul style="list-style-type: none"> ◆ Revised January 1999, to include the financial institutions listed on the left and Chunghwa Post Co., Ltd. ◆ Beginning January 1999, local branches of foreign banks whose deposits were protected in their home countries might not participate. 	Same as left column (Note: Chunghwa Post Co., Ltd. was renamed Taiwan Post Co., Ltd. on February 9, 2007, but the name reverted back to Chunghwa Post Co., Ltd. on August 1, 2008)
Premium Assessment Base	<ul style="list-style-type: none"> ◆ Covered deposits (Total deposit liabilities minus uninsured deposit items and deposit amounts exceeding the maximum coverage) 	Same as left column	Revised in January 2007 to: Total eligible deposits (Total deposit liabilities minus uninsured deposit items)

	Year CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2010)																					
Insurance Premium Rates	Flat rate of 0.05% of insured deposits	<ul style="list-style-type: none"> Still flat rate, but reduced to 0.04% in July 1987 Reduced to 0.015% in January 1988 Risk-based premium system adopted on July 1, 1999, and three rates instituted: 0.015%, 0.0175%, and 0.02% Three rates adjusted to 0.05%, 0.055% and 0.06% on January 1, 2000 	<p>Revised in July 2007 to:</p> <p>A differential premium rate for insured deposits within the maximum amount of coverage and a flat rate for any amounts beyond this, as follows:</p> <table border="1"> <thead> <tr> <th>Financial Institutions</th> <th>Differential premium rates</th> <th>Flat premium rate</th> </tr> </thead> <tbody> <tr> <td>Domestic banks, local branches of foreign banks, trust and investment companies, and credit cooperatives</td> <td>Five tiers of 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%</td> <td>Formerly 0.0025%, but from January 1, 2010 the flat premium rate was adjusted to 0.005%</td> </tr> <tr> <td>Credit departments of farmers' and fishermen's associations</td> <td>Five tiers of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%</td> <td>0.0025%</td> </tr> </tbody> </table> <p>Revised November 2010 to:</p> <p>A differential premium rate for insured deposits within the maximum amount of coverage and a flat rate for any amounts beyond this, effective from January 1, 2011 as follows:</p> <table border="1"> <thead> <tr> <th>Financial Institutions</th> <th>Differential premium rates</th> <th>Flat premium rate</th> </tr> </thead> <tbody> <tr> <td>Domestic banks, local branches of foreign banks</td> <td>Five tiers of 0.05%, 0.06%, 0.08%, 0.11%, and 0.15%</td> <td>0.005%</td> </tr> <tr> <td>Credit Cooperatives</td> <td>Five tiers of 0.04%, 0.05%, 0.07%, 0.10%, and 0.14%</td> <td>0.005%</td> </tr> <tr> <td>Credit departments of farmers' and fishermen's associations</td> <td>Five tiers of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%</td> <td>0.0025%</td> </tr> </tbody> </table>	Financial Institutions	Differential premium rates	Flat premium rate	Domestic banks, local branches of foreign banks, trust and investment companies, and credit cooperatives	Five tiers of 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%	Formerly 0.0025%, but from January 1, 2010 the flat premium rate was adjusted to 0.005%	Credit departments of farmers' and fishermen's associations	Five tiers of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%	0.0025%	Financial Institutions	Differential premium rates	Flat premium rate	Domestic banks, local branches of foreign banks	Five tiers of 0.05%, 0.06%, 0.08%, 0.11%, and 0.15%	0.005%	Credit Cooperatives	Five tiers of 0.04%, 0.05%, 0.07%, 0.10%, and 0.14%	0.005%	Credit departments of farmers' and fishermen's associations	Five tiers of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%	0.0025%
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Maximum coverage	NT\$700,000	Increased to NT\$1 million on August 15, 1987. (In July 2001, the government passed the <i>Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund</i> (Financial Restructuring Fund Statute) and established the Financial Restructuring Fund to dispose of unsound financial institutions. During the period of the Fund's operation, there was no maximum coverage limit on the deposits in unsound institutions under disposal or listed for disposal.)	<ol style="list-style-type: none"> 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, up until December 31, 2009, the deposits of depositors in insured institutions would be insured in their entirety by the CDIC and would not be subject to the maximum insured amount. The government in October 2009 announced that the period of full 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 from January 1, 2011 the maximum insured amount would be increased to NT\$3 million. 																					

	Year CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2010)
Scope of Coverage	Deposit principal and interest	From January 1999, limited to deposit principal	<ol style="list-style-type: none"> Limited to principal as in left column. However, beginning in July 2001, the principal and interest of deposits in failed financial institutions disposed of by the Financial Restructuring Fund were both guaranteed. The government in October 2008 announced that until December 31, 2009 the coverage of deposits under the temporary full deposit insurance coverage would encompass both principal and interest. The government in October 2009 announced that the period of full deposit insurance coverage would be extended a further year until December 31, 2010, and that the scope of coverage would be in accordance with point 2 above. 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 extended to encompass both foreign currency deposits and interest on deposits.
Items Covered	<ul style="list-style-type: none"> ◆ Checking deposits ◆ Demand deposits ◆ Time deposits ◆ Savings deposits ◆ Trust funds ◆ Other deposits that the competent authority has approved as insurable 	Same as left column	<ol style="list-style-type: none"> Same as left column (Beginning in July 2001, all deposits and non-deposit liabilities of insured institutions that were disposed of by the Financial Restructuring Fund were guaranteed. In June 2005, after a revision of the <i>Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund</i> was implemented, the non-deposit liabilities of failed financial institutions were not eligible for compensation. However, those non-deposit liabilities that were incurred prior to the implementation of the revised <i>Statute</i> remained protected.) Revised in January 2007 as: <ul style="list-style-type: none"> ◆ Checking deposits ◆ Demand deposits ◆ Time deposits ◆ Other deposits that the competent authority has approved as insurable Revised in May 2008 as follows: <ul style="list-style-type: none"> ◆ Checking deposits ◆ Demand deposits ◆ Time deposits ◆ Deposits required by law to be deposited in certain financial institutions ◆ Other deposits that the competent authority has approved as insurable

	Year CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2010)
			<p>4. The government in October 2008 announced that until December 31, 2009, the deposits of depositors in insured institutions would be covered in their entirety by the CDIC. According to the <i>Measures to Support the Full Coverage of All Deposits</i> jointly promulgated by the Financial Supervisory Commission of the Executive Yuan, the Ministry of Finance and the Central Bank on October 28, 2008, the scope of the full coverage encompasses the following:</p> <ul style="list-style-type: none"> ◆ The principal and interest of deposits pursuant to Paragraphs 1 and 2 of Article 12 of the <i>Deposit Insurance Act</i> ◆ Interbank call loans ◆ The payments during the period in which the CDIC acts as the conservator that are necessary to keep an insured institution operating as well the pensions, severance fees, and related taxes that shall be paid according to law ◆ Bank debentures issued on or before June 23, 2005 <p>5. The government in October 2009 announced that the period of full coverage would be extended a further year until December 31, 2010, and that the items that would be fully covered would be in accordance with point 4 above.</p> <p>6. On December 29, 2010, amendments to Articles 12 and 13 of the <i>Deposit Insurance Act</i> were promulgated by Presidential decree, whereby the following deposits within the territory of the Republic of China would be the targets of deposit insurance:</p> <ul style="list-style-type: none"> ◆ Checking deposits ◆ Demand deposits ◆ Time deposits ◆ Deposits required by law to be deposited in certain financial institutions ◆ Other deposits that the competent authority has approved as insurable <p>The above deposits referred to as being within the territory of the Republic of China do not include the deposits accepted by offshore banking branches.</p>
Scope of Capital Utilization	Limited to the Central Bank	<p>The following revisions were effective in January 1999:</p> <ul style="list-style-type: none"> ◆ Deposits at the Central Bank ◆ Financial institutions approved by the competent authority and which provide government bonds as collateral 	<p>Revised in January 2007 as:</p> <ul style="list-style-type: none"> ◆ Deposits at the Central Bank ◆ Investments in government bonds ◆ Utilization by methods approved by the CDIC Board of Directors

	Year CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2010)
Means of Fulfilling Insurance Obligation	<ul style="list-style-type: none"> ◆ Cash payouts ◆ Deposit transfers ◆ Temporarily continued operation in the name of the CDIC 	According to revisions enacted in January 1999, the provision of financial assistance to encourage a merger or acquisition by other insured institutions was added to the three means listed to the left.	Revised in January 2007 to: <ul style="list-style-type: none"> ◆ Deletion of temporarily continued operation in the name of the CDIC. ◆ In addition to providing financial assistance to encourage acquisition or assumption of insured institutions that have been ordered to close, personnel may be dispatched to assume conservatorship or acting management of the institution according to law.
Advance Payment for Deposit and Non-Deposit Debt in Excess of Maximum Coverage	None	According to revisions made in January 1999, advance payment was allowed to resolve the needs of debtor liquidity at problem institutions, under the principle that no additional costs are incurred.	Same as left column
Exemption from Invitation for Tender, Price Comparison, Price Negotiation, and the Provisions of Articles 25~27 of the <i>Budget Act</i> When Disposing of Unsound and Problem Financial Institutions	None	Added in January 1999	Stipulations of the <i>Government Procurement Act</i> and Articles 25 to 27 of the <i>Budget Act</i> do not apply to CDIC in the performance of its insurance responsibility, provision of financial assistance, establishment of bridge banks and handling of advance payments in accordance with the <i>Deposit Insurance Act</i> .
Recipient of Financial Assistance and Method of Assistance	Limited to loans or the purchases of assets to enable problem financial institutions to resume operation, when such resumption was deemed necessary.	The following revisions were effective in January 1999: <ul style="list-style-type: none"> ◆ The CDIC may provide loans to or deposits in institutions under guidance, superintendence, or conservatorship. ◆ Other financial institutions that merge with or acquire institutions that are under assistance, supervision, or conservatorship, or that have failed, may be assisted with loans, deposits, or the provision of funds and guarantees. 	Revised in January 2007 as follows: <ul style="list-style-type: none"> ◆ If an insured institution has a seriously deficient net worth, or there is concern that it seriously threatens the credit order and financial stability, and the competent authority has determined a need for the institution's liquidation or market withdrawal, personnel may be dispatched prior to liquidation or market withdrawal to assume conservatorship or acting management of the institution. In such cases, the CDIC may provide loans, deposits or other financial assistance to the insured institution. ◆ Before providing financial assistance, the CDIC shall request the full amount of collateral from the financial holding company of the insured institution or from any insured institution or credit departments of farmers' and fishermen's associations with a dominant share in the institution. ◆ In cases where the competent authority has dispatched personnel to assume conservatorship or acting management over an insured institution, the CDIC may encourage the acquisition or assumption of the institution by providing funds or arranging loans, deposits, or guarantees to other insured institutions or financial holding companies or by purchasing the subordinated bonds issued by the said insured institutions or financial holding companies.

	Year CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2010)
Borrowing of Funds from Other Financial Institutions	None	Added in January 1999	Same as left column
Provision of Collateral when Applying to Central Bank for Accommodation	Full collateral must be provided	Provisions added in January 1999 as follows: <ul style="list-style-type: none"> ◆ That part for which the CDIC is unable to provide collateral is to be guaranteed by the National Treasury. ◆ When the secured portion exceeds the CDIC's net worth, the competent authority and the Central Bank must apply to the Executive Yuan for approval. 	Revised in January 2007 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 Participate in Deposit Insurance	None	Provision added in January 1999: A fine of double the amount of the insurance premium was to be imposed.	Revised in January 2007 to: Depending on whether the institution is a general financial institution or agricultural financial institution, the CDIC shall report to the competent authority to order the financial institution to replace its persons in charge or to terminate its business permit.
Method of Allocation of the CDIC's Surplus	As stipulated in the <i>Company Act</i>	Same as left column	<ul style="list-style-type: none"> ◆ Beginning in July 2001, the entire amount of the surplus remaining after the accounts are closed is placed into the deposit insurance fund for insurance payout. ◆ Revised in January 2007 to: The entire amount of the surplus remaining from annual income after payment of costs and accounting for losses shall be deposited into the deposit insurance fund.
Priority Repayment of Deposit Liabilities	None	Same as left column	Addition in May 2006: In handling compensation in the course of the disposal of insured institutions by market withdrawal or liquidation at the direction of the competent authority or the competent authority for agricultural finance in accordance with the <i>Deposit Insurance Act</i> , the CDIC shall give priority to the repayment of the insured institution's deposit liabilities over non-deposit liabilities.
Creation of Two Separate Deposit Insurance Payout Special Reserves	None	Same as left column	Addition in January 2007: <ul style="list-style-type: none"> ◆ The special reserve fund was divided into separate deposit insurance payout special reserves for general financial institutions and agricultural financial institutions. ◆ Both reserve funds established a target amount of 2% of the amount of deposits covered.

	Year CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2010)
Examination of Insured Institutions	If the CDIC deemed it necessary, and after obtaining the prior approval of the competent authority in consultation with the Central Bank, the CDIC could examine the business records and accounts of an insured institution.	Same as left column	Revised in January 2007 to: The CDIC may inspect an insured institution to confirm the accuracy of its deposit insurance premium base in accordance with the <i>Deposit Insurance Act</i> .
Elimination of Limits on Payout Cost	None	Same as left column	Addition in January 2007: When there is concern of a serious threat to credit order and financial stability, after obtaining the prior approval of the competent authority in consultation with the Ministry of Finance and the Central Bank and ratification by the Executive Yuan, the limit on payout cost may be eliminated.
Allowable Creditor Right Offsets before Payout	None	Same as left column	Addition in January 2007: Before handling claims, the CDIC may offset the creditor's rights of depositors in the problem institution.
Termination of Membership	If an insured institution violated the laws or regulations or the insurance agreement or engaged in unsound business transactions, and failed to rectify such violations within the time limit prescribed by the CDIC, the CDIC could terminate its status as an insured institution and report such action to the competent authority for disposal.	Same as left column.	Revised in January 2007 to: The scope of reasons for termination of insured status is revised to also include the following: 1. It is ordered and required by the competent authority or central competent authority for agricultural finance to be recapitalized or improve its financial or business condition, and fails to meet such requirements within the prescribed time-limit; or the time-limit is not due but the competent authority or the CDIC deems the said insured institution's condition non-improvable. 2. There is serious fraud or other illegal cases occurred at the said insured institution that might increase the compensation burden. In the afore-mentioned situations, the CDIC shall, after notifying the competent authority or central competent authority for agricultural finance, terminate the deposit insurance membership of the insured institution and make a public announcement.
Financial Products must State whether they are Protected by Deposit Insurance	None	Same as left column	Added in January 2007
Depositor Protections Upon Termination of an Insured Institution's Insured Status	The CDIC would continue to protect the depositor's deposits up to the maximum coverage limit for one year after the institution stopped participating in the deposit insurance system.	Same as left column	Revised in January 2007 to: The CDIC will continue to protect the depositor's deposits up to the maximum coverage limit for six months from the day the deposit insurance contract is terminated.

Economic & Financial Indicators / Year	2010	2009	2008	2007	2006
1. Economic Growth					
* Economic Growth Rate (GDP) (%)	10.82	-1.93	0.73	5.98	5.44
* Gross Domestic Product (GDP) (US\$ billion)	430.5	377.4	400.1	393.1	376.4
* Average Per Capita GDP (US\$)	18,603	16,353	17,399	17,154	16,491
2. Foreign Trade					
※ Export Annual Growth Rate (%)	34.8	-20.30	3.6	10.1	12.9
※ Import Annual Growth Rate (%)	44.2	-27.50	9.7	8.2	11.0
○ Foreign Exchange Reserves at Year-end (US\$ billion)	382.0	348.2	291.7	270.3	266.1
3. Economic Indices (Year-end)					
◎ Monitoring Indicator	Yellow-red	Yellow-red	Blue	Green	Blue
◎ Score of Monitoring Indicator	33	37	9	29	16
◎ Leading Index	121.8	116.0	88.1	109.1	104.2
◎ Coincident Index	130.6	112.4	86.1	113.1	102.8
4. Population & Unemployment Rate					
* Population at Year-end (Million Persons)	2,316	2,312	2,304	2,296	2,288
* Avg. Unemployment Rate for Whole Year (%)	5.21	5.85	4.14	3.91	3.91
5. Inflation (Whole Year)					
* Consumer Price Index (CPI) Annual Change Rate (%)	0.96	-0.87	3.53	1.80	0.6
* Wholesale Price Index (WPI) Annual Change Rate (%)	5.46	-8.74	5.15	6.47	5.63
6. Interest and Exchange Rates (Year-end)					
○ Central Bank Discount Rate (%)	1.625	1.25	2	3.375	2.75
○ Central Bank Accommodations with Collateral Rate (%)	2	1.625	2.375	3.750	3.125
○ Exchange Rate (NT\$/US\$)	30.368	32.03	32.86	32.443	32.596
7. Monetary Aggregates (Year-end)					
○ M2 Annual Growth Rate (%)	5.34	5.74	7.00	0.93	5.27
○ M1b Annual Growth Rate (%)	8.99	28.92	-0.81	-0.03	4.47
○ M1a Annual Growth Rate (%)	9.15	21.79	2.08	2.82	2.91
8. Lending by Financial Institutions (Year-end)					
□ Total Loans (NT\$ billion) ¹	19,862.2	18,603.5	18,461.6	18,008.0	17,623.1
□ Non-Performing Loan Ratio (%) ²	0.60	1.14	1.52	1.79	2.08

Sources:

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

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

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

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