



中央存款保險公司
Central Deposit Insurance Corporation

2017 Annual Report



Deposit Insurance: Lifting Dreams Higher

The CDIC provides solid deposit insurance protection to help you reach your dreams.

CDIC: Your Deposits are Covered

NT Dollars + Foreign Currency + Interest =
A maximum coverage of NT\$3 million per depositor at each insured institution

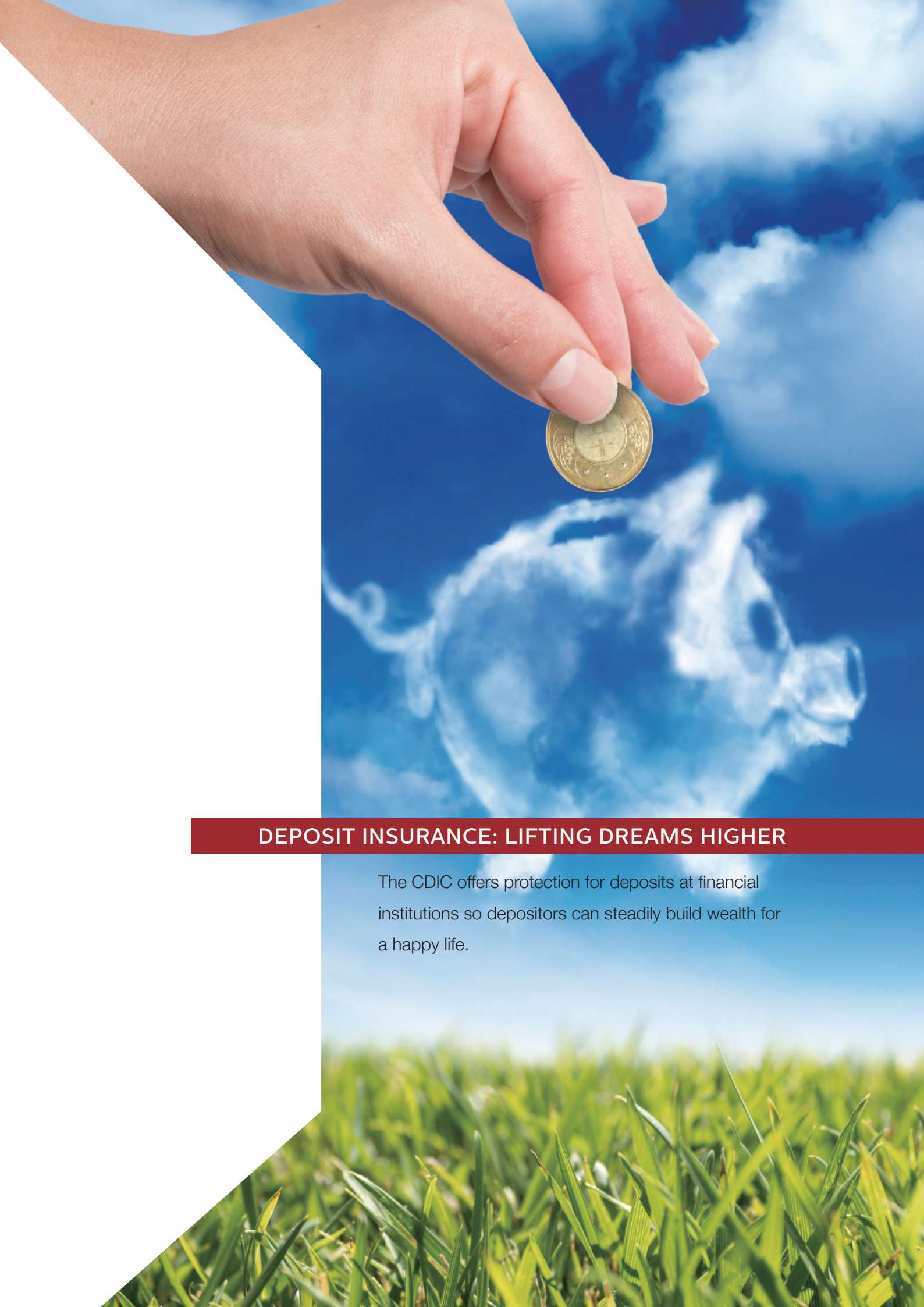


This publication is printed with organic soy ink which is environmentally friendly and easy for recycle.
Let's green our planet together!

2017 Annual Report



中央存款保險公司
Central Deposit Insurance Corporation



DEPOSIT INSURANCE: LIFTING DREAMS HIGHER

The CDIC offers protection for deposits at financial institutions so depositors can steadily build wealth for a happy life.



中央存款保險公司

Central Deposit Insurance Corporation

Contents

- 04 MESSAGE FROM THE CHAIRMAN AND
PRESIDENT
- 06 ORGANIZATION CHART AND DEPARTMENT
OVERVIEW
- 07 BOARD OF DIRECTORS AND SUPERVISORS
- 11 BUSINESS OPERATIONS
- 33 FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT
- 49 STATISTICS
- 52 APPENDIX: EVOLUTION OF TAIWAN'S
DEPOSIT INSURANCE SYSTEM

CDIC

Message from the Chairman and President

The global economy gathered momentum in 2017 as the United States, Euro area, Japan, and other economies all continued to grow. Taiwan's economy also benefited from the global recovery as foreign trade, domestic production, and financial markets all steadily gained. Nevertheless, the emergence of "America First" trade protectionism and geopolitical conflicts in the Middle East posed potential risks for Taiwan's future economic development. The Central Deposit Insurance Corporation (CDIC) serves dual policy roles to ensure financial stability and to protect the rights and interests of depositors. Over the years, the CDIC has closely aligned with the government's financial reform policies to smoothly remove failed financial institutions from the market and to improve the operating structure of financial institutions. Its contributions to protecting the rights and interests of depositors and maintaining financial stability are widely recognized. In 2017, the CDIC continued to cooperate with the competent authorities on entrusted matters and regulatory policies, including utilization and management of the Financial Industry Special Reserve Fund. The CDIC also strengthened monitoring of insured institutions' risk exposure on assets overseas (including in New Southbound Policy countries), and their undertaking of over-the-counter (OTC) financial derivative products and domestic structured products, as well as cooperated with competent authority to deliberate the "Plan of Identification and Supervisory Measures for Systemically Important Banks and Financial Holding Companies in Taiwan" to effectively realize the function of deposit insurance in stabilizing the financial order.

Facing a changing international economy and financial environment, the CDIC strengthened control and management of the insurance risk of insured institutions. It also implemented risk-oriented off-site monitoring mechanisms through the National Financial Early-Warning System (NFEWS) and the Account Officer Analysis System to effectively keep abreast of the business information of insured institutions. In coordination with the supervision policies of the competent authority, the CDIC strengthened monitoring of the operations of financial institutions, as well as regularly collected information and submitted it to the competent authority for reference. The CDIC also controlled the business risk of insured institutions in a timely manner and collected comprehensive information on financial supervision and management through participation in the mechanism of information exchange and coordination among financial regulators.

To solidify the basis of the deposit insurance protection and strengthen risk assumption capacity, the CDIC continued to accumulate the Deposit Insurance Payout Special Reserves and promote the deposit insurance system to the general public, as well as to strengthen depositor awareness of their personal rights and interests and the deposit insurance system. The CDIC also continued as the conservator or receiver to handle the disposal of the retained assets, unresolved litigations, and pursuit of civil liabilities for the illegal acts of employees of failed financial institutions disposed by the Executive Yuan's Financial Restructuring Fund (FRF) to accelerate recovery of funds and maintain social fairness, justice, and the interests of the national treasury.

To enhance the functions of Taiwan's deposit insurance system and promote international cooperation, the CDIC continued to promote cooperation and exchanges with deposit insurers and financial supervisory agencies around the world. The CDIC's designated representative Mr. William Su, Executive Vice President, serves important posts of the International Association of Deposit Insurers (IADI), including a member of the



Executive Council and the Chairperson of the Core Principles and Research Council Committee (CPRC). Meanwhile he was also elected this year as the Chairperson of the IADI Asia-Pacific Regional Committee (APRC). In addition, the CDIC held international seminars on "Deposit Insurance Policies and Management" and "Recovery and Resolution Plans of Systemically Important Financial Institutions." Experts from Europe, America, Asia and other advanced jurisdictions were invited to serve as speakers. The CDIC also actively kept contact with international deposit insurance peers on the signing of Memorandums of Understanding (MOUs). As of the end of 2017, the CDIC had established formal partnerships with 18 international peer institutions to promote and share Taiwan's experience through international exchange. The CDIC also participated in various international researches and training activities related to global deposit insurance systems under the auspices of the IADI.

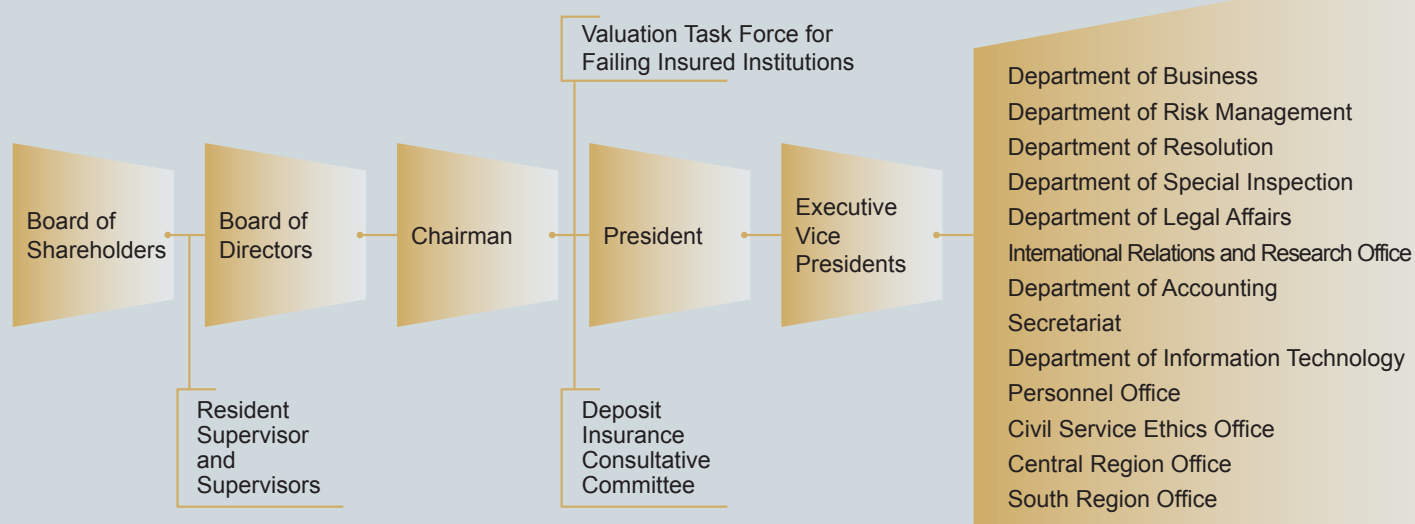
At a time of increasing complexity in the domestic and international economic and financial environments, the CDIC will continue in an industrious and professional spirit to develop financial safety net function, speed up the accumulation of the Deposit Insurance Payout Special Reserves, strengthen control over insurance risk, improve resolution mechanisms for insured institutions, propose amendments to the *Deposit Insurance Act* and related bylaws, and actively raise public awareness of deposit insurance. Moreover, in conjunction with the supervisory policies of the competent authority, the CDIC will continue to analyze banks' OTC financial derivatives and other operations. These measures aim to establish a more comprehensive deposit insurance system to promote the sound operation of the financial sector and protect the rights and interests of depositors.

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

A handwritten signature in black ink that reads "Michael Lin".

Acting Chairman and President Michael M.K. Lin

Organization Chart and Department Overview



Overview of Departments

Department of Business

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

Department of Risk Management

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

Department of Resolution

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

Department of Special Inspection

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

Department of Legal Affairs

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

Board of Directors and Supervisors

Board of Directors

Acting Chairman	Michael M.K. Lin (Representative of the Financial Supervisory Commission)
Directors	Michael M.K. Lin (Representative of the Financial Supervisory Commission)
	Tsui-Wen Hsu (Representative of the Financial Supervisory Commission)
	Su-Fen Chen (Representative of the Financial Supervisory Commission)
	Yeh-Ning Chen (Representative of the Financial Supervisory Commission)
	Wen-Heng Chao (Representative of the Financial Supervisory Commission)
	Robert L.I. Chen (Representative of the Financial Supervisory Commission)
	Mei-Ping Yang (Representative of the Financial Supervisory Commission)
	Wei Chi (Representative of the Financial Supervisory Commission)

Supervisors

Resident Supervisor	Tsuey-Ling Hsiao (Representative of the Central Bank)
Supervisor	Nan-Chi Chen (Representative of the Central Bank)
Supervisor	Ming-Yi Lee (Representative of the Central Bank)

International Relations and Research Office

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

Department of Accounting

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

Secretariat

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

Department of Information Technology

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

Personnel Office

Handles matters related to personnel management and training.

Civil Service Ethics Office

Handles matters related to ethics of the staff.

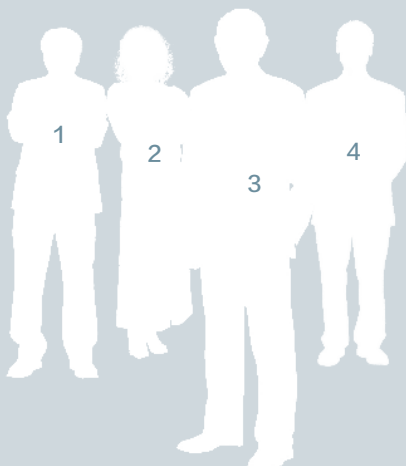
Central Region Office

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

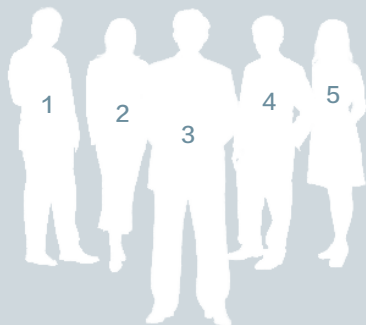
South Region Office

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

Executive Vice Presidents and Directors



1. Director / Department of Special Inspection / Lu Ye
2. Director / Department of Information Technology / Gina Chi
3. Executive Vice President / Robert L.I. Chen
4. Director / Secretariat / Shun-Ching Su



1. Director / Civil Service Ethics Office / Hui-Chin Lin
2. Director / International Relations and Research Office / Yvonne Fan
3. Executive Vice President / William Su
4. Director / Department of Business / Kuan-Jong Chen
5. Director / Department of Resolution / Ying-Ying Lin



1. Director / Central Region Office / Chuan-Kuei Cheng
2. Director / Department of Accounting / Li-Chueh Lu
3. Director / Department of Risk Management / Annie Cheng
4. Executive Vice President / Anita S. Chou
5. Director / Department of Legal Affairs / Jenny Yang
6. Director / Personnel Office / Bin-Lian Jan
7. Director / South Region Office / Yong-Huei Peng

Assertiveness

Protecting Depositors

Enhancing deposit insurance mechanisms

Protecting rights and interests of depositors





Business Operations

The CDIC is the sole government agency responsible for handling deposit insurance in Taiwan. Its public policy objectives include safeguarding the rights and interests of depositors in financial institutions, maintaining an orderly credit system, and improving the sound development of financial operations. To achieve these legislative objectives, the *Deposit Insurance Act* entrusts the CDIC with the major duties of handling deposit insurance, controlling the operational risks of insured institutions, conducting special inspections of insured institutions, and disposing problem or failed insured institutions. The following is a brief overview of the CDIC's major tasks and policy missions in 2017:

I. Deposit Insurance

1. Participation of Financial Institutions in Deposit Insurance

In accordance with Article 10 of the *Deposit Insurance Act* and the "Approval Standards for Financial Institutions Applying to Participate in Deposit Insurance," the Taiwan branch of one foreign bank and the newly established credit department of one farmers' association became insured institutions in 2017. One foreign bank terminated the deposit insurance agreement after ceasing operations in Taiwan. As of December 31, 2017, a total of 401 financial institutions were insured, including three domestic government-owned financial institutions, 36 private banks, 28 Taiwan branches of foreign and mainland Chinese banks, 23 credit cooperatives, 283 credit departments of farmers' associations and 28 credit departments of fishermen's associations.

2. Risk-based Premium Rate Implementation

A. According to Paragraph 3, Article 16 of the *Deposit Insurance Act*, deposit insurance premium rates shall be drawn up by the CDIC and submitted to the competent authority, the Financial Supervisory Commission (FSC), for its approval. The premium rates are as follows:



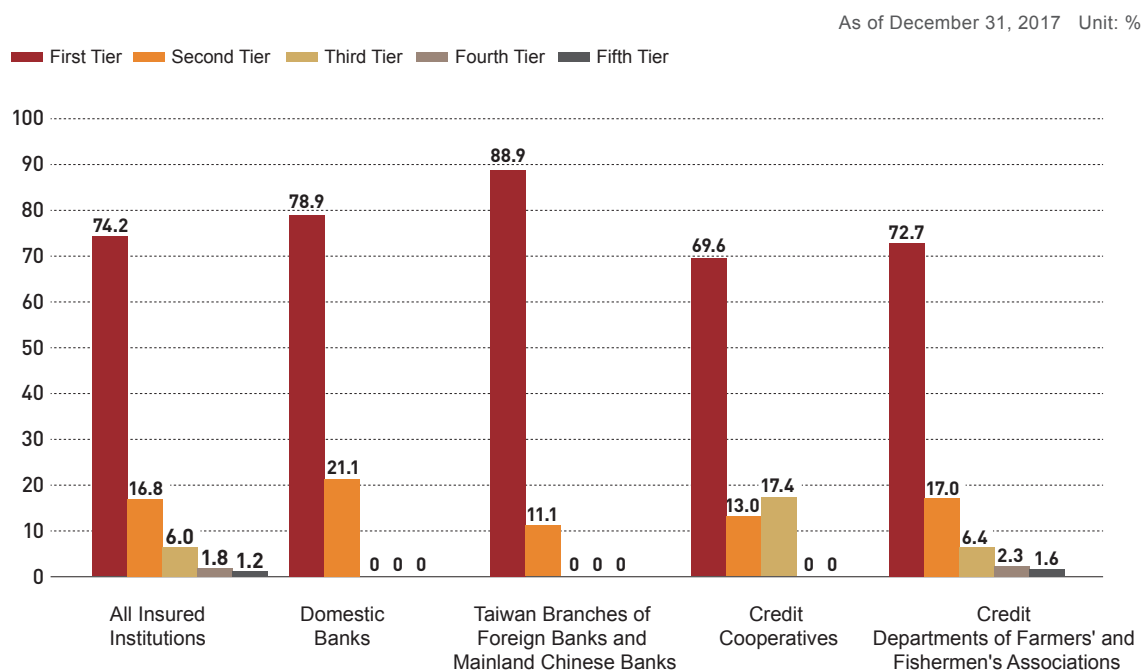
■ President Michael Lin and other CDIC staffs participated in the 2017 Financial Services Charity Fair in Kaohsiung.

- a. The five-tiered risk-based premium rates for domestic banks and Taiwan branches of foreign and mainland Chinese banks are 0.05%, 0.06%, 0.08%, 0.11%, and 0.15% of covered deposits, respectively, with a flat premium rate of 0.005% for eligible deposits in excess of the coverage limit.
 - b. The five-tiered risk-based premium rates for credit cooperatives are 0.04%, 0.05%, 0.07%, 0.10%, and 0.14% of covered deposits, respectively, with a flat premium rate of 0.005% for eligible deposits in excess of the coverage limit.
 - c. The five-tiered risk-based premium rates for the credit departments of farmers' and fishermen's associations are 0.02%, 0.03%, 0.04%, 0.05%, and 0.06% of covered deposits, respectively, with a flat premium rate of 0.0025% for eligible deposits in excess of the coverage limit.
- B. As of December 31, 2017, the first tier of the premium rates was applied at 74.2% of all insured institutions, the second tier at 16.8%, the third tier at 6%, the fourth tier at 1.8%, and the fifth tier at 1.2%.



■ Executive Vice President William Su participated in a CDIC public awareness kick-off campaign.

Risk-based Premium Rates for Insured Institutions



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.

3. Coverage Limit and Coverage Status

According to the data submitted by insured institutions, the total amount of eligible deposits reached approximately NT\$42 trillion as of December 31, 2017. Deposits within the NT\$3 million coverage limit totaled roughly NT\$22 trillion after the coverage limit was raised to NT\$3 million and the scope of coverage was expanded to include foreign currency deposits and interest on deposits in 2011. The ratio of deposits within the coverage limit to all eligible deposits was 51.7%, while the ratio of covered deposit accounts to the total number of deposit accounts was 98.2%. This indicates that the NT\$3 million deposit insurance coverage limit has protected the majority of small depositors, effectively increasing the confidence of depositors in financial institutions.

4. Active Promotion of Public Awareness of the Deposit Insurance System

The CDIC continued to promote the public awareness of the deposit insurance system to ensure depositors aware of deposit protection through insured institutions and various other channels, including television, the internet, radio, posters and brochures, magazines, and public transportation, as well as through active participation in public interest fairs. These measures informed depositors that the coverage limit has been increased to NT\$3 million and that foreign currency deposits and interest on deposits are now included within the scope of coverage. This is in the hope of strengthening depositors' awareness of their rights and knowledge of the deposit insurance system.

II. Risk Management

To control insurance risk, the CDIC continued to strengthen risk management of insured institutions according to provisions in Article 22 of the *Deposit Insurance Act*. In the role of a risk-minimizer, it has developed the benefits of deposit insurance in protecting the rights and interests of depositors and stabilizing financial order.

Since 2013, the CDIC has standardized and clarified the information, warning alerts, and exception management items in off-site monitoring mechanisms to more effectively control risks. It has also established different monitoring frequencies based on the insured institution's risk level for more standardized and clarified risk-oriented off-site monitoring mechanisms that are dynamically adjusted based on risks in the financial sector. The main achievements in this area in 2017 are as follows:

1. Operations of the National Financial Early-warning System (NFEWS) for Implementation of Off-site Monitoring

To encourage insured institutions to put emphasis on information security management, the CDIC added information security items for score addition/deduction on the "Declaration Form for Risk-Adjusted Management Ability of Insured Institutions" and requested the insured institutions for trial reporting from the end of September 2016. After compiling the status reports submitted by insured institutions in 2017 and to conform to the amendments to the financial supervisory goals, the CDIC will officially implement the revised Declaration Form in 2018 to steer insured institutions to strengthen information security controls. In addition, the CDIC produces monthly or quarterly management reports and shares information with the relevant competent authorities. In line with the government's policies to gradually increase public disclosure of the information of financial institutions, the CDIC also published excerpted information from each of the "Quarterly Report on the Analysis of Business Operations of Credit Cooperatives and the Credit Departments of Farmers' and Fishermen's Associations" on its website and in the "Deposit Insurance Quarterly Bulletin."

2. Strengthening Assessment and Analysis of Financial Institutions' Businesses to Control Insurance Risk

The CDIC regularly produces reports on the operational risks of insured institutions to control insurance risk. In conjunction with the supervision policies of the competent authority, the CDIC prepared an "Analysis Report on Risk Exposure of Overseas Asset of Domestic Banks" to strengthen the monitoring of specific risks upon businesses of insured institutions.

3. Implementation of the Account Officer System and Risk-oriented Off-site Monitoring Mechanism

The CDIC account officers continued to extensively collect and analyze the financial and operational data of insured institutions through various channels, including warning alerts detected by the NFEWS, financial examination reports, mechanisms for sharing financial supervision information, CPA-certified financial reports, and various channels for public information disclosure. In addition, operation analysis reports were prepared at various frequencies according to the risk level of insured institutions. Special audits were conducted on the financial reports of insured institutions with high insurance risk or subpar financial positions. The CDIC tracked improvements made by the institutions in risk-adjustment or in financial performance. Where deficiencies were found, the CDIC asked the insured institutions to make improvements or submitted to the competent authority for compliance monitoring.

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

The CDIC Chairman regularly participates in the FSC's Financial Supervisory Coordination Council. Moreover, according to the "Operating Guidelines of the Financial Supervisory Commission for Off-Site Monitoring," the CDIC proposes analysis report on the financial and business conditions of insured institutions, shares information on risk monitoring, and assigns staff to participate in the Task Force on Financial Supervisory Information Reporting Window for Banks and Bills Finance Companies on handling amendments and changes to the single window reporting system. CDIC personnel also attended meetings of the Stress Testing Task Force, Market Risk Task Force, Credit Risk Task Force, and Capital Task Force of the Working Group for Basel Accord III established by the Bankers Association to assist regulatory amendments and other matters. In addition, the CDIC participated in meetings convened by the competent authority for agricultural finance to provide guidance to the credit departments of farmers' and fishermen's associations, as well as coordinated closely with the competent authority for agricultural finance to strengthen guidance on business operations of such entities.



III. Resolution of Problem Insured Institutions

The CDIC as a conservator or receiver has continued to manage some undisposed retained assets of failed financial institutions handled by the FRF after the termination of the FRF at the end of 2011. The retained assets include real estate, stocks, creditor's rights, and artwork. The CDIC sells these assets through direct or commissioned public tender depending on the nature of the assets and market demand to accelerate funds recovery.

1. Continued Handling of Retained Assets and Unresolved Issues as a Receiver of Failed Insured Institutions

- A. The CDIC continued to perform liquidation-related affairs for five banks, including the Kaohsiung Business Bank (KBB), the Chung Shing Commercial Bank(CSB), the Enterprise Bank of Hualien (EBH), the Taitung Business Bank (TBB), and the Chinese Bank.
- B. Status of the recovery of retained loans of the Chinese Bank:
 - a. In 2017, the CDIC recovered the full amount of NT\$11.52 million for one retained loan, and in September, the CDIC Board of Directors reviewed and approved the write-off of another Bank's non-performing loan totally amounting to NT\$822.36 million.
 - b. The obligor of a non-performing credit card loan that the CDIC wrote off in 2010 formally requested that the court initiate consumer insolvency proceedings. The court rendered a judgment on the obligor's rehabilitation program on October 17, 2017, resulting in a recovery of NT\$482 that year.
- C. The CDIC recovered NT\$1.45 million in 2017 following a partial favorable ruling in a lawsuit over the retained loans of EBH.



2. Actively Handling Retained Assets and Unresolved Issues as A Conservator of Failed Insured Institutions

A. Chinfon Commercial Bank:

- a. Retained artwork: NT\$30,000 was recovered through the sale of one painting in 2017, leaving 12 paintings and one bronze statue with a combined book value of NT\$288,300.
- b. Retained real estate: The bank's three pieces of remaining real estate have a net book value NT\$844.5 million.

B. China United Trust and Investment Corporation (CUTIC):

- a. The CUTIC held shares in the Taipei Financial Center Corporation (Taipei 101) valued at NT\$2.22 billion. According to a resolution of the 93rd FRF Management Committee meeting, the competent authority instructed that the equity stake in Taipei 101 should be disposed by the tender sale at an appropriate time in the future.
- b. On June 28, 2017, Taipei 101 resolved at the regular general shareholders' meeting to pay cash dividends of NT\$1.308 per share for 2016. The total amount of the cash dividends based on the number of shares held by the CUTIC was NT\$290.64 million. This amount was apportioned to the CDIC and the FRF.

3. Drafting and Amending the *Deposit Insurance Act* and Affiliated Regulations

In line with the recommendations in the IADI's "Core Principles for Effective Deposit Insurance Systems" that deposit insurance organizations eliminate obstacles preventing prompt payout, the CDIC reviewed and removed related regulations that could affect payout efficiency. Upon review of its deposit insurance payout mechanisms, the CDIC amended Items 4, 5, and 9 of the "Operating Procedures Regarding the Payout to Depositors by the CDIC." The amended procedures were approved by the FSC on September 28, 2017.

IV. Handling of Legal Prosecution Following Expiration of the FRF

1. In accordance with Article 17 of the *Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund* and the resolutions of the FRF Management Committee meetings, the CDIC has actively pursued civil liabilities against individuals in violation of the laws at failed financial institutions to compensate the losses of the FRF and serve the interests of social justice. Furthermore, following termination of the FRF at the end of 2011, the aforementioned civil liabilities were to be pursued by the National Treasury (the FSC). The FSC subsequently entrusted the CDIC to continuously handle these cases. By the end of 2017, 143 civil liability claims were made.
2. Three unresolved litigation cases concerning failed insured institutions were resolved in 2017.

V. Inspection

In accordance with the inspection power provided by the *Deposit Insurance Act*, the CDIC continued to conduct inspections of insured institutions in relation to statutory matters, as well as performed on-site underwriting inspections at newly established financial institutions applying for deposit insurance membership. In 2017, the CDIC carried out the following inspections:

1. The CDIC conducted an on-site inspection of one newly established Taiwan branch of a foreign bank that applied to participate in deposit insurance. Where deficiencies were found, the CDIC supervised the completion of improvements before permitting the membership.
2. The CDIC conducted on-site inspections to verify the accuracy of the deposit insurance assessment base and the deposit insurance premium calculation reported by 85 insured institutions. Where the deficiencies and/or errors were detected in the above-mentioned inspections, the CDIC requested in writing that the inspected insured institutions make improvements.
3. The CDIC conducted on-site inspections at 35 insured institutions to verify the accuracy of the format and content of the electronic data files they established according to the law to help the CDIC calculate payout amount in a timely manner in fulfilling insurance responsibilities. Where deficiencies were found, the CDIC supervised the completion of improvements.
4. The CDIC conducted on-site inspections of the data and files for differential premium risk indicators submitted by 51 insured institutions to verify the accuracy of information. Where deficiencies and/or errors were detected, the CDIC requested in writing that the inspected insured institutions make corrections.



VI. Information Management

1. The CDIC completed development of several systems including "Reserve Fund Utilization and Management System," "Accounting System," and "Cashier System" for the operations of the Financial Industry Special Reserve Fund entrusted by the FSC to its management.
2. The CDIC completed modifications to software for the "Funds Utilization and Management System" in conjunction with revisions for Taiwan 50 ETF investment risk control and revision of settlement of reverse repo.
3. The CDIC completed modifications to software for the "Call Report Data Rating System" and "Risk-based Premium Indicator Examination System" in conjunction with revisions to the "Items for Risk-adjusted Management Abilities of Insured Institution" and "Exception Management Items."
4. The CDIC completed modifications to software for the "Deposit Insurance Premium Operating System" in response to the replacement of online reported data with data reviewed/assessed by CDIC inspection personnel for the capital adequacy ratio of domestic banks, Taiwan branches of foreign and mainland Chinese banks, and credit cooperatives.
5. Software related to overtime administration in the "Employee Leave Online Application System" and "Human Resource System" was modified according to the *Labor Standards Act*.
6. The CDIC replaced aging network switches and installed online monitoring modules to enhance network management performance.
7. The CDIC adopted a 10M fiber optic leased line on the government service network (GSN) as the internet connection for its public service website to improve service quality.
8. The CDIC continued to entrust a specialist provider to carry out network traffic analysis and operation monitoring to adjust information security control measures and improve information security protection.

VII. Research and Development

To ensure that its business development conforms to changes in the financial environment, the CDIC conducted various researches in conjunction with the IADI, collected and studied the latest local and international information related to its business, and developed specific reports. The following important studies were carried out in 2017:

1. IADI International Research

- A. The CDIC chaired a research project on "Public Policy Objectives."
- B. The CDIC participated in research projects on "Financial Inclusion and Innovation," "Bail-in Implications for Deposit Insurance and Funding," "Purchase and Assumption," "Resolution Issues for Financial Cooperatives," "Deposit Insurance Fund Target Ratio," and the "Deposit Insurers' Role in Contingency Planning and System-wide Crisis Preparedness and Management."

2. Summary Translation Reports

- A. The CDIC prepared a summary translation of cybersecurity requirements for financial services companies enacted by the New York State Department of Financial Services on March 1, 2017.
- B. The CDIC prepared a summary translation of Federal Deposit Insurance Corporation Vice Chairman Thomas M. Hoenig's proposal on "Regulatory Relief and Accountability for Financial Holding Companies."

3. Meeting of the CDIC Deposit Insurance Consultative Committee

The CDIC convened the 30th meeting of the Deposit Insurance Consultative Committee. The meeting deliberated provisions on the deadline for refunding/supplementing insurance premium surpluses/shortfalls resulting from errors in the total amount of liabilities and assessment base of insured deposits reported by insured institutions. The committee members presented numerous valuable inputs and suggestions with significant reference value.

4. Publication of Deposit Insurance Quarterly Bulletin

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

5. Publication of the CDIC Monograph Series

The CDIC published five research reports as a series for public reference:

- A. Report on participation in the FSI-IADI's international seminar on "Bank Resolution, Crisis Management and Deposit Insurance" and a visit to the Financial Services Compensation Scheme, United Kingdom.
- B. Report on participation in the 15th IADI Annual Conference on "Gearing Up for the Next Crisis."
- C. Report on participation in the 14th IADI Asia-Pacific Regional Committee (APRC) Annual Meeting and International Conference.
- D. Summary report on the International Training Seminar on "Payout Operations, Mechanisms and Case Studies."
- E. Summary report on the International Training Seminar on "Deposit Insurance Policies and Management."





■ The CDIC hosted the International Training Seminar on Deposit Insurance Policies and Management.

VIII. International Affairs

Since international cooperation with other deposit insurance organizations can enhance financial stability, the CDIC in line with government policies, joined the IADI as a founding member in 2002 and has been actively involved in its affairs. In 2017, the CDIC served as a member of the IADI Executive Council, Chairperson of the CPRC and Chairperson of the Research and Guidance Technical Committee (RGTC). In addition, the CDIC's representative was elected as Chairperson of the APRC by a plenary vote of the committee. To promote international cooperation and enhance its international visibility, the CDIC continued to participate in international affairs and activities in 2017, including the following:

1. Holding the International Training Seminar on Deposit Insurance Policies and Management

The CDIC invited experts from the Korea Deposit Insurance Corporation (KDIC) to make presentations for CDIC staff and representatives of the FSC and the Central Bank on Korea's policies and practical experience in the exit and resolution of financial institutions, risk monitoring, and fund management and investment. The seminar helped to strengthen substantive international exchanges and cooperation.



■ The CDIC hosted the International Seminar on Recovery and Resolution Plans of Systemically Important Financial Institutions.

2. Holding the International Seminar on Recovery and Resolution Plans of Systemically Important Financial Institutions

The CDIC held the International Seminar on Recovery and Resolution Plans of Systemically Important Financial Institutions in early November 2017 to strengthen substantive international exchanges and cooperation and to elevate Taiwan's international professional reputation in the field of deposit insurance. The CDIC invited experts from developed countries in the Americas, Europe, and Asia as speakers to share practical experience in establishing and developing frameworks and mechanisms for recovery and resolution plans (RRPs), and experience in implementing RRP. The seminar also discussed an orderly resolution mechanism of systemically important financial institutions and other issues. More than 150 representatives from 14 jurisdictions attended, including CDIC's international partners, the FSC, the Central Bank, and the banking industry of Taiwan.



- | | | |
|---|---|---|
| 1 | 2 | ■ 1. President Michael Lin was invited to serve as a moderator at the IADI 15 th APRC International Conference.
2. Participation in the IADI 16 th Annual General Meeting and the International Conference.
3. CDIC senior executives received a delegation of Asian financial supervisors.
4. Participation in the IADI 53 rd Executive Council Meeting. |
| 3 | 4 | |

3. Participation in International Activities and Speaking at International Conferences to Share Taiwan's Experience and Enhance Taiwan's Professional Image Internationally

In 2017, the CDIC on several occasions dispatched personnel to attend or chair meetings of the IADI's Executive Council, the CPRC, the RGTC, and the APRC. In addition, the CDIC received international acknowledgement for its experience in handling failed insured institutions and implementation of measures to improve the deposit insurance system. The representatives of the CDIC were invited several times to speak at international conferences or training seminars hosted by the IADI or its member organizations. For example, the President of the CDIC was invited to moderate the second session on "Resolving Financial Crises through Bank Restructuring Programs" at the IADI 15th APRC Annual Conference.

Furthermore, the CDIC provided specific training courses or exchanged information with representatives of deposit insurance organizations and financial supervisory agencies from other countries according to their business needs, including representatives from the Deposit Protection of Swiss Banks and Securities Dealers, the Deposit Insurance of Vietnam, the KDIC, and Asian financial supervisors. These activities were highly beneficial in promoting Taiwan's experience and international image.

4. Signing and Renewing MOUs with International Peer Organizations to Expand International Relations

In 2017, the CDIC continued to enter MOUs with international peer organizations, including the signing of MOUs with the Philippine Deposit Insurance Corporation and Deposit Protection of Swiss Banks and Securities Dealers. The CDIC also renewed MOUs to extend cooperation with the KDIC and the National Deposit Insurance Fund of Hungary. As of the end of 2017, the CDIC had signed MOUs or Letters of Exchange with 18 international financial safety net members.



- | | | | | |
|---|---|---|---|---|
| 1 | 3 | 4 | ■ | 1. The CDIC and the National Deposit Insurance Fund of Hungary renewed the MOU. |
| 2 | | | | 2. The CDIC signed the MOU with the Deposit Protection of Swiss Banks and Securities Dealers (esisuisse). |
3. The CDIC and the Korea Deposit Insurance Corporation renewed the MOU.
4. The signing ceremony of MOU between the CDIC and the Philippine Deposit Insurance Corporation.

CDIC's International Activities in 2017

Date	Name of Activity	Organizer(s)
January	CDIC President Michael Lin led a delegation to Manila, the Philippines to jointly witness with the Philippine Deposit Insurance Corporation the signing of a MOU between the Taipei Economic and Cultural Office in the Philippines (TECO) and Manila Economic and Cultural Office (MECO).	TECO and MECO
February	The CDIC and Deposit Protection of Swiss Banks and Securities Dealers signed a new MOU.	CDIC and Deposit Protection of Swiss Banks and Securities Dealers
February	CDIC Executive Vice President William Su led a delegation to participate in meetings of the IADI 51 st Executive Council, the CPRC, the RGTC, the APRC Strategic Priorities and Action Plans Committee, and other committees.	IADI
April	The CDIC and KDIC renewed the MOU.	CDIC and KDIC
April	The CDIC held the International Training Seminar on Deposit Insurance Policies and Management.	CDIC
May	CDIC Executive Vice President William Su led a delegation to participate in the meeting of the IADI Council Committee Terms of Reference Working Group (TORWG) and visited the KDIC for bilateral exchanges.	IADI and KDIC
May	CDIC Chairman Dr. Paul C.D. Lei led a delegation to attend the meetings of the IADI 52 nd Executive Council, the CPRC, Membership and Communications Committee, and other committees.	IADI



■ Executive Vice President William Su led a delegation to visit the Hong Kong Deposit Protection Board.

Date	Name of Activity	Organizer(s)
June	CDIC Chairman Dr. Paul C.D. Lei led a delegation to Hungary to officially extend the MOU with the National Deposit Insurance Fund of Hungary.	CDIC and National Deposit Insurance Fund of Hungary
July	CDIC President Michael Lin led a delegation to participate in meetings of the IADI 15 th APRC Annual Meeting, Regional Workshop, and International Conference. (President Lin was invited to serve as a moderator)	IADI
September	Representatives of the Deposit Insurance of Vietnam and Vietnam Ministry of Finance visited the CDIC.	CDIC
September	Asian financial supervisors visited the CDIC.	CDIC
October	CDIC Executive Vice President William Su led a delegation to participate in meetings of the IADI 16 th Annual General Meeting, International Conference and International Deposit Insurance Exhibition.	IADI
November	The CDIC held the International Seminar on Recovery and Resolution Plans of Systemically Important Financial Institutions.	CDIC
December	CDIC Executive Vice President William Su led a delegation to Hong Kong to visit the Hong Kong Deposit Protection Board.	Hong Kong Deposit Protection Board



■ ■ Participation in the IADI 52nd Executive Council Meeting and the Research Conference.



IX. Human Resources

1. Employee Structure

Year	No. of Employees	Avg. Age of Employees	Educational Attainment of Employees		
			Graduate School	College	Other
2017	151	50	44	104	3
2016	155	49	46	106	3
2015	152	49	39	110	3
2014	156	49	35	118	3
2013	156	48	35	118	3
2012	155	47	35	117	3

Department breakdown of CDIC staff for 2017:

Senior officers and Secretariat (21)

Dept. of Resolution (7)

Dept. of Business (14)

Dept. of Legal Affairs (11)

Personnel Office (5)

Civil Service Ethics Office (2)

South Region Office (9)

Dept. of Risk Management (30)

Dept. of Special Inspection (16)

International Relations and Research Office (8)

Dept. of Accounting (8)

Dept. of Information Technology (13)

Central Region Office (7)

2. Leadership and Management Workshop for Senior Executives

The CDIC held a Senior Executive Leadership and Management Workshop in August 2017 to enhance leadership and management knowledge and skills of directors and deputy directors, build team spirit, and continue the CDIC's excellent organizational development and vitality.

3. Personnel Training

To upgrade the quality of staff and enhance employees' professional knowledge, training programs arranged by the CDIC during 2017 involved a total of 2,206 person-times, averaging 14.6 times per staff member. Training programs include the following:

- A. Staff participated in professional training programs arranged by the Taiwan Academy of Banking and Finance, Civil Service Protection and Training Commission, and other institutes.
- B. The CDIC regularly arranged business seminars lectured by outstanding senior employees or outside expert speakers, as well as held case study workshops.
- C. Selected colleagues were sent abroad to study and participate in international conferences to strengthen research on topics related to deposit insurance.
- D. The CDIC arranged one to two English and Japanese language classes per week to improve employees' language ability.

4. Human Resource Streamlining Project

Four positions were streamlined this year to promote human resource revitalization.



X. Internal Controls

1. Internal Control System

On March 3, 2011, the CDIC set up an Internal Controls Task Force, which was convened by an executive vice president of the CDIC and consisted of the directors of each CDIC department and office. The task force convened two meetings in 2017. It is responsible for implementing works related to internal audits and advocating important measures. It also continued to arrange educational training on internal controls and internal audits, as well as to review and strengthen internal control operations, to carry out internal audit self-assessment operations, and to progressively implement internal control mechanisms.

2. Internal Audits

- A. The CDIC established an Internal Audit Task Force in August 2011 to implement internal audits. The task force is convened by an executive vice president of the CDIC and consists of senior staff from all CDIC departments and offices. The Internal Audit Task Force amended the "Internal Audit Guidelines of the Central Deposit Insurance Corporation" and the "Handbook for Internal Audits of the Central Deposit Insurance Corporation" as a basis for the execution of internal audit and regulatory compliance.
- B. In 2017, the Internal Audit Task Force conducted a general internal audit of nine departments and offices, and one selected item. Its findings were compiled into audit reports that were signed and presented to the Chairman for approval. Improvements by the audited units in areas of deficiency were tracked through semiannual follow-up reviews and on-site reviews during the next audit.
- C. In 2017, a total of 14 departments and offices conducted general self-assessments, and five departments and offices conducted monthly special self-assessments of realizable assets. The Internal Audit Task Force audited these self-assessment reports and regularly tracked improvements in areas of deficiency.
- D. The chief audit executive semiannually reported the results of internal audits, the implementation status of self-assessments, and improvements made in areas of deficiency to the board of directors.
- E. The Internal Audit Task Force compiled the internal control self-assessment tables provided by all departments and offices for 2017. After assessing the effectiveness of implementation of the CDIC's internal controls, it requested in April 2017 that the Chairman and convener of the Internal Audit Task Force sign the "Internal Control Statement of the Central Deposit Insurance Corporation."



XI. Cooperation with the Competent Authority to Implement Major Financial Policies

1. Utilization and Management of the Financial Industry Special Reserve Fund under Commission of the Financial Supervisory Commission

On May 5, 2017, the FSC announced that, pursuant to Paragraph 2, Article 2 of the *Regulations on the Utilization and Management of the Financial Industry Special Reserve Fund*, it entrusted the CDIC to handle the utilization and management of the said fund from May 17, 2017. On May 31, 2017, the FSC began to transfer the Financial Industry Special Reserve Fund to the CDIC. As of December 31, 2017, the CDIC had been entrusted to utilize and manage approximately NT\$19.9 billion of the fund.

2. Strengthening the Monitoring of Specific Risk Business Items in Conjunction with the Supervision Policy of the Competent Authority

According to the "Operating Guidelines of the Financial Supervisory Commission for Off-site Monitoring," the CDIC proposed an analysis report on the financial and business conditions of insured institutions to share supervision and management information. It was also entrusted by the decree of the competent authority to analyze or monitor domestic banks' risk exposures overseas (including in New Southbound Policy countries) and in mainland China, OTC financial derivative products undertaken by banks, and other risk-related operations. Moreover, the CDIC presented periodical and unperiodical reports to the competent authority and arranged the handling and follow-up tracking of major credit risk cases notified by insured institutions to assist supervision and strengthen the CDIC's risk management measures.

3. Cooperating with Competent Authority to Deliberate the "Plan of Identification and Supervisory Measures for Systemically Important Banks and Financial Holding Companies in Taiwan" in Conjunction with the Supervision Policy of the Competent Authority

To prevent systemic risk from causing future business crises at major banks and financial holding companies in Taiwan, the FSC convened a meeting to study and discuss the "Plan of Identification and Supervisory Measures for Systemically Important Banks and Financial Holding Companies in Taiwan." A task force was established to deliberate and assess the screening of domestic systemically important banks and important financial holding companies in Taiwan, as well as to develop relevant supervisory measures. The CDIC was primarily responsible for deliberations on bank resolution plans and data reporting mechanisms. In the future, the CDIC will continue to establish various mechanisms according to the implementation plan and schedule of the competent authority.

Perseverance

Safeguarding Credit Markets

Strengthening risk management

Promoting orderly transactions and advancing financial stability



Financial Statements and Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Central Deposit Insurance Corporation

We have audited the accompanying balance sheets of the Central Deposit Insurance Corporation as of December 31, 2017 and 2016, and the related statements of comprehensive income, changes in equity, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's executive management. Our responsibility is to express an opinion on these financial statements based on our auditing results.

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

In our opinion based on our audits, the financial statements referred to in the first paragraph present fairly, in all material aspects, the financial position of the Central Deposit Insurance Corporation as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the year of 2017 and 2016, in conformity with the related domestic laws and International Financial Reporting Standards applied on a consistent basis.

Hui-Ling Chang



Hui-Ling Chang (Chartered Accountant)

Evershine CPAs Firm

Jan 26, 2018

DECEMBER 31,

ASSETS	NOTES	2017.12.31		2016.12.31	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and Deposits in the Central Bank	3.4	\$ 60,812,790	64.97	\$ 60,815,537	73.64
Assets for Bills and Bonds under Resell Agreement	2.5	22,993	0.02	-	-
Held-to-Maturity Financial Assets-Current	2.6	31,494,412	33.65	20,665,293	25.02
Receivables	2.7	533,073	0.57	426,024	0.52
Current Tax Assets		262,635	0.28	169,150	0.20
Prepayments		15,005	0.02	14,715	0.02
Temporary Advances		331	-	651	-
Sub-total		93,141,239	99.51	82,091,370	99.40
PROPERTY, PLANT AND EQUIPMENT	2.8				
Land		215,548	0.23	228,833	0.28
Buildings		265,486	0.28	265,486	0.32
Machinery and Equipment		67,841	0.07	77,837	0.09
Transportation Equipment		14,281	0.02	14,111	0.02
Other Equipment		27,132	0.03	28,567	0.03
Sub-total		590,288	0.63	614,834	0.74
Revaluation Increment-Land		62,022	0.07	66,149	0.08
Cost and Revaluation Increment		652,310	0.70	680,983	0.82
Less: Accumulated Depreciation					
Buildings		(116,745)	(0.13)	(112,010)	(0.13)
Machinery and Equipment		(47,445)	(0.05)	(55,050)	(0.07)
Transportation Equipment		(11,125)	(0.01)	(10,480)	(0.01)
Other Equipment		(19,423)	(0.02)	(20,323)	(0.02)
Sub-total		(194,738)	(0.21)	(197,863)	(0.23)
PROPERTY, PLANT AND EQUIPMENT-NET		457,572	0.49	483,120	0.59
INTANGIBLE ASSETS	2.9	2,044	-	4,635	0.01
OTHER ASSETS					
Guarantee Deposits Paid		654	-	657	-
Collateral Deposits		228,400	0.24	262,600	0.32
Securities Serving as Collateral Deposits		(228,400)	(0.24)	(262,600)	(0.32)
Sub-total		654	-	657	-
TOTAL ASSETS		\$ 93,601,509	100.00	\$ 82,579,782	100.00



INSURANCE CORPORATION

FINANCIAL POSITION

2017 and 2016

(Expressed in NT\$'000)

LIABILITIES AND EQUITY	NOTES	2017.12.31		2016.12.31	
		Amount	%	Amount	%
CURRENT LIABILITIES					
Liabilities for Bills and Bonds under Repurchase Agreement	2.10	\$ 773,402	0.83	\$ -	-
Payables	11	83,413	0.09	75,684	0.09
Sub-total		856,815	0.92	75,684	0.09
OTHER LIABILITIES					
General Financial Deposit Insurance Payout Special Reserves	2.8 12.15	75,555,906	80.72	65,665,140	79.52
Agricultural Financial Deposit Insurance Payout Special Reserves	2.8 12.15	4,677,907	5.00	4,338,203	5.25
Provision for Employee Benefits	2	226,547	0.24	197,722	0.24
Deferred Income Tax Liabilities	8	23,957	0.03	25,551	0.03
Guarantee Deposits Received		1,130	-	1,127	-
Temporary Receipts and the Account to be Carried Over	13	1,069,285	1.14	1,065,851	1.29
Sub-total		81,554,732	87.13	71,293,594	86.33
TOTAL LIABILITIES		82,411,547	88.05	71,369,278	86.42
CAPITAL STOCK	14	10,000,000	10.68	10,000,000	12.11
CAPITAL SURPLUS					
Donated Assets Received		265	-	265	-
RETAINED EARNINGS					
Legal Reserve		235,700	0.25	235,700	0.29
Special Reserve		1,000,466	1.07	1,000,466	1.21
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)					
Remeasurement for Defined Employee Benefit Plan	2	(20,402)	(0.02)	(2,392)	-
ADJUSTMENTS FOR THE FIRST ADOPTION OF IFRS	15	(26,067)	(0.03)	(23,535)	(0.03)
TOTAL EQUITY		11,189,962	11.95	11,210,504	13.58
TOTAL LIABILITIES AND EQUITY		\$ 93,601,509	100.00	\$ 82,579,782	100.00

CENTRAL DEPOSIT INSURANCE CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Expressed in NT\$'000)

DESCRIPTION	NOTES	2017		2016	
		Amount	%	Amount	%
OPERATING INCOME					
Interest Revenue		\$ 957,512	9.14	\$ 874,740	8.58
Premiums Revenue		9,513,456	90.82	9,325,719	91.42
Realized Gain on Disposal Available-for-Sale Financial Assets	2	-	-	2	-
Agency Revenue	2	3,920	0.04	-	-
Sub-total		10,474,888	100.00	10,200,461	100.00
OPERATING COSTS					
Interest Expenses		2,246	0.02	4,971	0.05
Insurance Expenses		160	-	275	-
Handling Fees		1,399	0.01	854	0.01
Insurance Payout Reserve Provisions	2	9,642,970	92.06	9,305,235	91.22
Sub-total		9,646,775	92.09	9,311,335	91.28
GROSS PROFIT		828,113	7.91	889,126	8.72
OPERATING EXPENSES					
Transaction Expenses		835,028	7.97	812,020	7.96
General & Administrative Expenses		58,194	0.56	57,268	0.56
Other Operating Expenses		4,072	0.04	4,754	0.05
Sub-total		897,294	8.57	874,042	8.57
OPERATING INCOME		(69,181)	(0.66)	15,084	0.15
NON-OPERATING INCOME					
Indemnity Income		12	-	84	-
Gain on Disposal of Assets	8	71,890	0.69	-	-
Other Income		3,260	0.03	572	0.01
Sub-total		75,162	0.72	656	0.01
NON-OPERATING EXPENSES					
Loss on Disposal of Assets		2,546	0.03	161	-
Other Expenses		3,435	0.03	15,579	0.15
Sub-total		5,981	0.06	15,740	0.15
NON-OPERATING INCOME (LOSS)		69,181	0.66	(15,084)	(0.15)
INCOME BEFORE INCOME TAX		-	-	-	-
INCOME TAX	2	-	-	-	-
NET INCOME FROM CONTINUING OPERATIONS		-	-	-	-
NET INCOME		\$ -	-	\$ -	-
NOTES:					
OTHER COMPREHENSIVE INCOME					
Unrealized Gain or Loss on Available-for-Sale Financial Assets	2	-	-	35	-
Remeasurement for Defined Employee Benefit Plan	2	(18,010)	-	(10,442)	-
TOTAL COMPREHENSIVE INCOME		\$ (18,010)	-	\$(10,407)	-
EARNINGS PER COMMON SHARE		\$ -	-	\$ -	-

CENTRAL DEPOSIT INSURANCE CORPORATION

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Expressed in NT\$'000)

DESCRIPTION	CAPITAL STOCK	CAPITAL SURPLUS	RETAINED EARNINGS			ACCUMULATED OTHER COMPREHENSIVE INCOME		ADJUSTMENTS FOR THE FIRST ADOPTION OF IFRS	TOTAL
			Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Gain or Loss on Available-for-Sale Financial Assets	Remeasurement for Defined Employee Benefit Plan		
Balance, January 1, 2016	\$ 10,000,000	\$ 265	\$ 235,700	\$ 1,000,466	\$ -	\$ (35)	\$ 8,050	\$ (23,535)	\$11,220,911
Net Income for the Year Ended December 31, 2016	-	-	-	-	-	-	-	-	-
Other Comprehensive Income (Loss), Net of Tax for the Year Ended December 31, 2016	-	-	-	-	-	35	(10,442)	-	(10,407)
Balance, December 31, 2016	10,000,000	265	235,700	1,000,466	-	-	(2,392)	(23,535)	11,210,504
Land Revaluation Reversing Entry	-	-	-	-	-	-	-	(2,532)	(2,532)
Net Income for the Year Ended December 31, 2017	-	-	-	-	-	-	-	-	-
Other Comprehensive Income (Loss), Net of Tax for the Year Ended December 31, 2017	-	-	-	-	-	-	(18,010)	-	(18,010)
Balance, December 31, 2017	\$ 10,000,000	\$ 265	\$ 235,700	\$ 1,000,466	\$ -	\$ -	\$ (20,402)	\$ (26,067)	\$11,189,962

CENTRAL DEPOSIT INSURANCE CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Expressed in NT\$'000)

DESCRIPTION	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before Tax from Continuing Operations (Loss)	\$ -	\$ -
Net Income before Tax (Loss)	-	-
Adjustment for the Interests and Dividends	(955,266)	(869,769)
Net Income (Loss) Excluding Interests and Dividends	(955,266)	(869,769)
Adjustments	9,602,890	9,325,590
Net Cash Inflow (Outflow) Excluding Interests and Dividends	8,647,624	8,455,821
Interests Received	760,835	849,230
Interests Paid	(2,196)	(4,979)
Net Cash Inflow (Outflow) from Operating Activities	9,406,263	9,300,072
CASH FLOWS FROM INVESTING ACTIVITIES		
Current Financial Assets Decrease (Increase)	(10,829,119)	(9,205,622)
Property, Plant and Equipments Decrease	87,708	1
Intangible Assets and Other Assets Decrease (Increase)	(547)	(2,214)
Property, Plant and Equipments Increase	(4,411)	(6,832)
Net Cash Inflow (Outflow) from Investing Activities	(10,746,369)	(9,214,667)
CASH FLOWS FROM FINANCING ACTIVITIES		
Current Financial Liabilities Increase (Decrease)	773,402	(350,000)
Increase (Decrease) in Other Liabilities	586,950	265,167
Net Cash Inflow (Outflow) from Financing Activities	1,360,352	(84,833)
EQUIVALENTS	\$ 20,246	\$ 572
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	815,537	814,965
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 835,783	\$ 815,537

CENTRAL DEPOSIT INSURANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 and 2016

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

I. GENERAL

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

The CDIC is a government-owned organization. Its capital was originally contributed by the Ministry of Finance, the Central Bank and other insured financial institutions based on the shares that each of them has subscribed. The Ministry of Finance decreed that the shares were not to be issued publicly. The CDIC's approved capital stock is NT\$10,000,000,000, divided into 1,000,000,000 shares with a face value at NT\$10 each. The number of shares issued is 1,000,000,000. In accordance with the official letter NO. Yuan-Tai-Tsai 0990102146 from the Executive Yuan on August 17, 2010, share management of the CDIC was transferred from the Ministry of Finance to the Financial Supervisory Commission. As of December 31, 2017, the Financial Supervisory Commission and the Central Bank held 50.95% and 49.05% of the shares respectively. The CDIC's major businesses range from handling deposit insurance, managing deposit insurance risk, conducting special on-site inspection to insured institutions, dealing with failing and failed insured institutions, and establishing related regulations and systems of deposit insurance. Financial institutions duly approved under the law to accept deposits are required to apply for deposit insurance, including banks, the Taiwan branches of foreign and mainland Chinese banks, credit cooperatives, credit departments of farmers' and fishermen's associations, and Chunghwa Post Co., Ltd.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. General Accounting Practice & Basis of Compilation for Financial Statements

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

The CDIC's financial statements as of the end of 2016 were audited by Directorate-General of Budget, Accounting & Statistics, Executive Yuan and the Ministry of Audit, Control Yuan.

2. Financial Assets

The financial products held or issued by the CDIC, after being originally recognized, are classified into the following categories based on the purpose of the transactions:

- A. Available-for-Sale Financial Assets are recognized at fair value. Changes in fair value from subsequent remeasurement are reported as a separate component of shareholders' equity.
- B. Held-to-Maturity Financial Assets are measured at the amortized cost using the interest method.
- C. Assets for Bills and Bonds under Resell Agreement are listed based on the amounts under resell agreements.

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

3. Liabilities for Bills and Bonds under Repurchase Agreement

Bills and bonds under repurchase agreements are listed as liabilities for bills and bonds under repurchase agreements.

4. Property, Plant and Equipment on Evaluation Basis and Depreciation Method

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

5. Intangible Assets

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

6. Employee Benefits

- A. The CDIC dealing with its employees' retirement, consolation and dismissal applies to the "Retirement, Consolation and Dismissal Regulations for Government-run Financial and Insurance Institutions under the Ministry of Finance" approved by the Executive Yuan. Pursuant to Article 41-1 of the Regulations, the pension offered shall be calculated in accordance with the *Labor Standards Act* based on the length of an employee's service in the CDIC effective from Mar. 1, 1998. Prior to the *Labor Standards Act* being effective, the length of the employee's service in the CDIC will be reserved and the pension fund, appropriated from the CDIC (4%~8.5% of salary) and the employees (3% of salary) per month during the time of the employees working for the CDIC, will also be reserved. The

calculation of the employees' pension offered by the CDIC is based on the length of each employee's service (seniority) and salary at the time of retirement.

Pursuant to relevant regulations and the IAS19 Employee Benefits, the CDIC commissioned an actuary to calculate the amount of the CDIC's contributions to the pension fund. The CDIC deposits its contributions in the special labor pension accounts in the Bank of Taiwan and in the Bureau of Labor Insurance opened by the CDIC's Employees Pension Fund Supervision Committee and Labor Retirement Reserved Fund Supervision Committee. The actuarial gains or losses are recorded on "Remeasurement for Defined Employee Benefit Plan" account under the Equity.

- B. According to the amended *Civil Servant and Teacher Insurance Act* effective from June 19, 2015, if employees of the CDIC retire and their conditions meet the criteria set in the Section 3 of Article 16 of the *Civil Servant and Teacher Insurance Act*, they are eligible to apply for civil servant retirement annuity. Beside the basic retirement annuity, the civil servant and teacher insurance department of Bank of Taiwan will review and approve the excess annuity, which is the retirement annuity amount exceeding the amount calculated by statutory basic annuity rate, and inform the CDIC to pay the excess annuity to retired employees.

Pursuant to relevant regulations and the IAS19 Employee Benefits, the CDIC commissioned an actuary to calculate the amount of excess annuity. The CDIC records enough amount in "Other Liabilities-Provision for Employee Benefits" account, and actuarial gains or losses are recorded on "Remeasurement of Defined Employee Benefit Plan" account under the Equity.

7. Payout Special Reserves and Income Before Income Tax

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

8. Asset Impairment

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

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

9. Agency Revenue

Pursuant to the official letter NO. Jin-Guan-Bao-Tsai 10602502356, released by the Financial Supervisory Commission (the FSC) on May 15, 2017, the agency revenue was the administration revenue generated from the CDIC's being entrusted by the FSC with management of the special reserve for the financial industry.

III. CASH

	Dec. 31, 2017	Dec. 31, 2016
Petty Cash	\$ 350	\$ 350
Checking Deposits	12,350	8,512
Demand Deposits	-	1
Treasury Deposits	798,500	798,453
Total	\$ 811,200	\$ 807,316

IV. DEPOSITS IN THE CENTRAL BANK

	Dec. 31, 2017	Dec. 31, 2016
Checking Deposits	\$ 1,590	\$ 8,221
Maturity Deposits over Three Months from the Date of Deposit	60,000,000	60,000,000
Total	\$ 60,001,590	\$ 60,008,221

V. ASSETS FOR BILLS AND BONDS UNDER RESELL AGREEMENT

	Dec. 31, 2017	Dec. 31, 2016
Assets for Bills and Bonds under Resell Agreement	\$ 22,993	\$ -

VI. HELD-TO-MATURITY FINANCIAL ASSETS-CURRENT

	Dec. 31, 2017	Dec. 31, 2016
Bonds	\$ 31,494,412	\$ 20,665,293

The interest rates at year ends of 2017 and 2016 ranged from 0.54%~2.2%.

VII. RECEIVABLES

	Dec. 31, 2017	Dec. 31, 2016
Interest Receivable	\$ 529,153	\$ 425,961
Notes Receivable	3,920	63
	\$ 533,073	\$ 426,024

VIII. PROPERTY, PLANT AND EQUIPMENT

Dec. 31, 2017			
	Cost	Accumulated Depreciation	Book Value
Land	\$ 215,548	\$ -	\$ 215,548
Revaluation Increment-Land	62,022	-	62,022
Buildings	265,486	116,745	148,741
Machinery and Equipment	67,841	47,445	20,396
Transportation Equipment	14,281	11,125	3,156
Other Equipment	27,132	19,423	7,709
Total	\$ 652,310	\$ 194,738	\$ 457,572

Dec. 31, 2016			
	Cost	Accumulated Depreciation	Book Value
Land	\$ 228,833	\$ -	\$ 228,833
Revaluation Increment-Land	66,149	-	66,149
Buildings	265,486	112,010	153,476
Machinery and Equipment	77,837	55,050	22,787
Transportation Equipment	14,111	10,480	3,631
Other Equipment	28,567	20,323	8,244
Total	\$ 680,983	\$ 197,863	\$ 483,120

1. In accordance with the official letter NO. Fu-Di-Yong 10631364603, released by the Taipei City Government on June 6, 2017, the CDIC-owned land situated in the Nanhai Section of the Zhongzheng District of Taipei City was expropriated for the construction of the "WANDA Line" project of the MRT system. The book value of land was thereby reduced by an amount of 17,412 thousand (including the revaluation increment in land 4,127 thousand).

Pursuant to Article 5 of the *Deposit Insurance Act*, any remainder of the annual gross income of the CDIC, after deducting costs, expenses and losses, shall be fully appropriated for deposit insurance payout special reserves. The taxable income is therefore zero. The following accounts shall be adjusted because of the reduced amount of revaluation increment in land:

- A. The liability account of "Land Value Increment Tax Payable" was reduced by an amount of 1,594 thousand, and then transferred to "Gain on Disposal of Assets."
- B. The equity account of "Adjustments for the First Adoption of the IFRS" was reduced by an amount of 2,532 thousand and turned into a realized gain. In addition, it shall be transferred to "General Deposit Insurance Payout Special Reserves" with an amount of 2,443 thousand and to the "Agricultural Deposit Insurance Payout Special Reserves" with an amount of 89 thousand.
2. The fire and burglary insurance coverages on property, plant and equipment as of December 31, 2017 and 2016 were \$188,580 thousand and \$200,337 thousand, respectively.

IX. INTANGIBLE ASSETS-COMPUTER SOFTWARE

	2017	2016
Balance as of Beginning of the Year	\$ 4,635	\$ 6,272
Increase	550	2,439
Decrease	(3,141)	(4,076)
Balance as of the End of the Year	\$ 2,044	\$ 4,635

X. LIABILITIES FOR BILLS AND BONDS UNDER REPURCHASE AGREEMENT

	Dec. 31, 2017	Dec. 31, 2016
Liabilities for Bills and Bonds under Repurchase Agreement	\$ 773,402	\$ -

The bond repurchase rate was 0.34% at year end of 2017.

XI. PAYABLES

	Dec. 31, 2017	Dec. 31, 2016
Interest Payable	\$ 51	\$ -
Accrued Expenses	3,973	2,934
Collection Payable	4,026	751
Other Payables	75,363	71,999
Total	\$ 83,413	\$ 75,684

XII. PAYOUT SPECIAL RESERVES

	Dec. 31, 2017	Dec. 31, 2016
General Financial Deposit Insurance Payout Special Reserves	\$ 75,555,906	\$ 65,665,140
Agricultural Financial Deposit Insurance Payout Special Reserves	4,677,907	4,338,203
Total	\$ 80,233,813	\$ 70,003,343

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

XIII. TEMPORARY RECEIPTS AND THE ACCOUNT TO BE CARRIED OVER

	Dec. 31, 2017	Dec. 31, 2016
Temporary Receipts and the Account to be Carried Over	\$ 1,069,285	\$ 1,065,851

According to the *Deposit Insurance Act* and the "Plan for the Expiration of the Financial Restructuring Fund", the unresolved issues under the Financial Restructuring Fund, with the amounts of \$270,332 thousand and \$264,446 thousand at year ends of 2017 and 2016 respectively, were transferred to the CDIC to handle.

XIV. CAPITAL STOCK

Dec. 31, 2017 and 2016	
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

XV. ADJUSTMENTS FOR THE FIRST ADOPTION OF IFRS

In order to handle the project of "WANDA Line" project of the MRT system, Taipei City Government expropriated a part of the land in Nanhai Section of Zhongzheng District of Taipei, which was held by the Company. The unrealized gain of the revaluation increment-land was calculated the realized gain of 2,532 thousand. Pursuant to Article 5 of the *Deposit Insurance Act*, any remainder of the annual gross income of the CDIC, after deducting costs, expenses and losses, shall be fully appropriated for deposit insurance payout special reserves, the taxable income is zero. These amounts are transferred to "General Financial Deposit Insurance Payout Special Reserves" and "Agricultural Financial Deposit Insurance Payout Special Reserves" accounts.

XVI. OTHER

There were \$270,952 thousand under the total assets and liabilities as of Dec. 31, 2017, respectively, which were the unresolved issues transferred to the CDIC to handle based on the "Plan for the Expiration of the Financial Restructuring Fund." The book value of deposits in banks was \$382 thousand, deposits in the Central Bank \$269,950 thousand, prepaid expenses \$620 thousand, accrued expenses \$620 thousand and temporary receipts and the account to be carried over \$270,332 thousand.

XVII. CONTINGENCY

1. After the Chinatrust Commercial Bank had assumed the assets, liabilities, and business of the Enterprise Bank of Hualien, it discovered an undisclosed liability, \$270 thousand, and required the CDIC to compensate. The Financial Restructuring Fund approved to make the compensation. Once the Chinatrust Commercial Bank actually pays off this liability, the CDIC will handle this case based on the "Plan for the Expiration of the Financial Restructuring Fund"; however, until the end of 2017, the Chinatrust Commercial Bank has not yet applied for the compensation.
2. The amount \$19,994,950 thousand is on the assets under trust, agency, and guaranty, as well as on the liabilities under trust, agency, and guaranty each. As the items belong to contingencies, they are not recorded on the balance sheet.
 - A. Pursuant to the official letter NO. Jin-Guan-Bao-Tsai 10602502356, released by the Financial Supervisory Commission on May 15, 2017, the entrust assets amount \$19,994,680 thousand, as well as the liability.
 - B. The collateral deposits amounted \$270 thousand on the assets under trust, agency, and guaranty, as well as the liabilities under trust, agency, and guaranty.

Vitality

Enhancing Financial Development

Solidifying the foundation for the international economy and trade

Expanding cooperation and exchanges with financial supervisors around the world



Statistics

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

Unit: number of institutions

Type of Institution \ Year	2017	2016	2015	2014	2013
Domestic Banks	39	39	39	40	40
Credit Cooperatives	23	23	23	23	24
Credit Departments of Farmers' Associations	283	282	281	278	277
Credit Departments of Fishermen's Associations	28	28	25	25	25
Taiwan Branches of Foreign Banks and Mainland Chinese Banks	28	28	29	29	29
Total	401	400	397	395	395

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

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

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

Unit: %

Type of Institution/Year	Ratio of Covered Deposits to Total Eligible Deposits (%)				
	2017	2016	2015	2014	2013
Domestic Banks	51.3	51.9	51.8	52.8	52.7
Credit Cooperatives	65.6	66.4	67.1	68.3	69.4
Credit Departments of Farmers' Associations	78.8	79.2	79.4	79.0	80.0
Credit Departments of Fishermen's Associations	81.9	82.3	83.4	82.5	83.4
Taiwan Branches of Foreign Banks and Mainland Chinese Banks	1.9	1.7	2.4	2.4	3.0
Average Ratio	51.7	52.3	52.5	53.5	53.6

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

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

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

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

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

Unit: NT\$ million

Year	Insured Institutions					Premium Revenue	Deposit Insurance Payout Special Reserves	Ratio of Deposit Insurance Payout Special Reserves to Covered Deposits (%)
	Type	No. of Institutions	Total Eligible Deposits	Covered Deposits	Ratio of Covered Deposits to Total Eligible Deposits (%)			
			(a)	(b)	(b)/(a)		(c)	(c)/(b)
2017	General	89	39,853,676	20,490,920	51.42	9,179	75,556	0.37
	Agricultural	312	2,434,855	1,374,364	56.45	335	4,678	0.34
2016	General	89	38,318,605	19,917,155	51.98	8,994	65,665	0.33
	Agricultural	311	2,406,935	1,364,142	56.68	332	4,338	0.32
2015	General	90	36,903,038	19,263,169	52.20	8,799	56,428	0.29
	Agricultural	307	2,349,858	1,336,231	56.86	325	4,007	0.30
2014	General	91	34,980,573	18,636,378	53.28	8,646	47,343	0.27
	Agricultural	304	2,314,523	1,299,574	56.15	322	3,690	0.29
2013	General	92	33,053,762	17,667,896	53.45	8,328	27,133	0.15
	Agricultural	303	2,243,395	1,263,214	56.31	322	3,368	0.27
2012	General	88	31,305,920	17,007,656	54.33	8,196	0	0
	Agricultural	303	2,166,797	1,230,068	56.77	324	3,054	0.25
2011	General	89	30,127,900	16,255,949	53.96	8,792	0	0
	Agricultural	303	2,093,921	1,194,099	57.03	355	2,744	0.23
2010	General	90	Blanket Guarantee			4,389	0	0
	Agricultural	301				302	2,507	-
2009	General	93				4,184	0	0
	Agricultural	290				291	2,395	-
2008	General	94				4,067	0	0
	Agricultural	290				301	2,293	-

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

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

3. According to stipulations under Article 6 of the *Deposit Insurance Act*, the Deposit Insurance Payout Special Reserves were divided into two accounts from 2007. One is for general financial institutions and the other one for agricultural financial institutions. The term "General Account" refers to general financial institutions including domestic banks, Chunghwa Post Co., Ltd., Taiwan branches of foreign banks and mainland Chinese banks, and credit cooperatives, whereas the term "Agricultural Account" refers to agricultural financial institutions including the Agricultural Bank of Taiwan, and the credit departments of farmers' and fishermen's associations.

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

5. Deposit Insurance Premium Rates:

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

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

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

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

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

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

Unit: NT\$ million

Item \ Year	2017	2016	2015	2014	2013
Operating Revenues	10,475	10,200	9,979	20,762	28,053
Interest Revenue	958	875	855	704	387
Premium Revenue	9,513	9,325	9,124	8,968	8,651
Agency Revenue	4	-	-	-	-
Other Operating Revenue	-	-	-	11,090	19,015
Operating Costs and Expenses	10,544	10,185	9,791	20,760	28,045
Deposit Insurance Payout Special Reserve Provisions	9,643	9,305	8,914	20,034	27,457
Interest Expenses	2	5	1	2	1
Transaction Expenses	835	812	812	662	522
General & Administrative Expenses	58	57	58	57	61
Other Operating Expenses	4	5	5	5	4
Other Expenses	2	1	1	-	-
Operating Income	(69)	15	188	2	8
Non-Operating Income (Loss)	69	(15)	(188)	(2)	(8)
Net Income before Income Tax	-	-	-	-	-
Income Tax Expenses	-	-	-	-	-
Net Income	-	-	-	-	-

Notes: 1. The figures for 2013, 2014, 2015 and 2016 were reviewed and audited by the National Audit Office; those for 2017 were based on CDIC's final accounts for that year.

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

Appendix:

Evolution of Taiwan's Deposit Insurance System

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
Type of Membership	Voluntary	Changed to mandatory system in January 1999	Revised in January 2007 as follows: <ul style="list-style-type: none"> ● All financial institutions legally approved to accept deposits must apply to CDIC to join the deposit insurance system. ● Such institutions may become insured institutions after inspection and approval by CDIC. ● The two preceding items do not apply to insured institutions that have joined the deposit insurance system prior to the enactment of the revised <i>Deposit Insurance Act</i>.
Capital	<ul style="list-style-type: none"> ● Legally prescribed capital NT\$2 billion ● Paid-in capital NT\$800,050,000 	<ul style="list-style-type: none"> ● Legally prescribed capital raised to NT\$5 billion in July 1992 ● Prescribed capital raised to NT\$10 billion in November 1995 	Same as the left column
Insured Institutions	<ul style="list-style-type: none"> ● Domestic banks (excluding Chunghwa Post Co., Ltd.) ● Small and medium business banks ● Trust and investment companies ● Credit cooperatives ● Credit departments of farmers' and fishermen's associations ● Taiwan branches of foreign banks (even if their deposits are protected in their home countries) ● Other financial institutions designated by the Ministry of Finance 	<ul style="list-style-type: none"> ● Revised in January 1999, to include the financial institutions listed on the left and Chunghwa Post Co., Ltd. ● Beginning in January 1999, Taiwan branches of foreign banks whose deposits are protected in their home countries may not participate 	<p>Same as the left column (Note: Chunghwa Post Co., Ltd. was renamed Taiwan Post on February 9, 2007, but the name reverted back to Chunghwa Post Co., Ltd. on August 1, 2008)</p> <p>Revised in October 2013: Revised "Taiwan Branches of Foreign Banks" into "Taiwan Branches of Foreign Banks and Mainland Chinese Banks"</p>
Premium Assessment Base	Covered deposits	Same as the left column	Revised in January 2007 to total eligible deposits

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)		
Insurance Premium	Flat rate: 0.05%	<ul style="list-style-type: none">● Flat rate, but reduced to 0.04% in July 1987● Further reduced to 0.015% in January 1988● Risk-based premium system adopted on July 1, 1999, and three-tier rates instituted: 0.015%, 0.0175%, and 0.02%● Three-tier rates adjusted to 0.05%, 0.055% and 0.06% on January 1, 2000	Revised in July 2007: Risk-based premium rates for covered deposits within the coverage limit and a flat rate for any amounts beyond this, as follows:		
			Financial Institutions	Risk-based Premium Rates	Flat Premium Rate
			Domestic banks, Taiwan branches of foreign banks, trust and investment companies, and credit cooperatives	Five-tier rates: 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%	Formerly 0.0025%, but from January 1, 2010 the flat premium rate was adjusted to 0.005%
			Credit departments of farmers' and fishermen's associations	Five-tier rates: 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%	0.0025%
			Revised in November 2010: Risk-based premium rates for covered deposits within the coverage limit and a flat rate for any amounts beyond this, effective from January 1, 2011; also revised in October 2013 the term "Taiwan Branches of Foreign Banks" into "Taiwan Branches of Foreign Banks and Mainland Chinese Banks" and applying the same risk-based premium rate as follows:		
			Financial Institutions	Risk-based Premium Rates	Flat Premium Rate
			Domestic banks, Taiwan branches of foreign banks and mainland Chinese banks	Five-tier rates: 0.05%, 0.06%, 0.08%, 0.11%, and 0.15%	0.005%
			Credit cooperatives	Five-tier rates of 0.04%, 0.05%, 0.07%, 0.1%, and 0.14%	0.005%
			Credit departments of farmers' and fishermen's associations	Five-tier rates of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%	0.0025%

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
Coverage Limit	NT\$700,000	Increased to NT\$1 million on August 15, 1987. (In July 2001, the government passed the <i>Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund</i> and established the Financial Restructuring Fund to dispose of unsound financial institutions. During the period of the Fund's operation, there was no coverage limit on the deposits in unsound institutions under disposal or listed for disposal.)	<ol style="list-style-type: none"> 1. Increased to NT\$1.5 million on July 1, 2007. 2. To stabilize the financial system and strengthen the confidence of depositors, the government announced in October 2008 that, until December 31, 2009, the deposits of depositors in insured institutions would be provided with temporary full coverage and would not be subject to the coverage limit. 3. In October 2009, the government announced that the period of temporary full deposit insurance coverage would be extended one more year until December 31, 2010. 4. On August 12, 2010, the Financial Supervisory Commission, the Ministry of Finance and the Central Bank jointly announced that the coverage limit would be increased to NT\$3 million from January 1, 2011.
Types of Eligible Deposits	<ul style="list-style-type: none"> ● Checking deposits ● Demand deposits ● Time deposits ● Savings deposits ● Trust funds ● Other deposits that the competent authority has approved as eligible 	Same as the left column	<ol style="list-style-type: none"> 1. Same as the left column. (Beginning in July 2001, all deposits and non-deposit liabilities of insured institutions disposed of by the Financial Restructuring Fund were fully guaranteed. In June 2005, after a revision of the <i>Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund</i>, the non-deposit liabilities of unsound financial institutions were not eligible for protection. However, those non-deposit liabilities that were incurred prior to the implementation of the revised Statute remained protected.) 2. Revised in January 2007 as follows: <ul style="list-style-type: none"> ● Checking deposits ● Demand deposits ● Time deposits ● Other deposits that the competent authority has approved as eligible 3. Revised in May 2008 as follows: <ul style="list-style-type: none"> ● Checking deposits ● Demand deposits ● Time deposits ● Deposits required by law to be deposited in certain financial institutions ● Other deposits that the competent authority has approved as eligible

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
			<p>4. In October 2008, the government announced that until December 31, 2009, the deposits of depositors in insured institutions would be provided with temporary full coverage. According to the Measures to Support the Full Deposit Insurance Coverage jointly promulgated by the Financial Supervisory Commission, the Ministry of Finance and the Central Bank on October 28, 2008, the scope of the temporary full deposit insurance coverage includes the following:</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 CDIC acts as a conservator that are necessary to keep an insured institution operating as well as the pensions, severance pay, and related taxes that shall be paid according to law ● Bank debentures issued on or before June 23, 2005 <p>5. In October 2009, the government announced that the period of temporary full deposit insurance coverage would be extended a further year until December 31, 2010.</p> <p>6. On December 29, 2010, amendments to Articles 12 and 13 of the <i>Deposit Insurance Act</i> were promulgated by Presidential decree, whereby the following deposits within the territory of the Republic of China would be the targets of deposit insurance:</p> <ul style="list-style-type: none"> ● Checking deposits ● Demand deposits ● Time deposits ● Deposits required by law to be deposited in certain financial institutions ● Other deposits that the competent authority has approved as eligible <p>The above deposits referred to as being within the territory of the Republic of China do not include the deposits accepted by offshore banking branches.</p>
Scope of Coverage	Deposit principal and interest	From January 1999, limited to deposit principal	<p>1. Limited to principal as in the left column. However, beginning in July 2001, the principal and interest of deposits in unsound financial institutions disposed of by the Financial Restructuring Fund were both guaranteed.</p> <p>2. In October 2008, the government announced that the coverage of deposits under the temporary full deposit insurance coverage would encompass both principal and interest until December 31, 2009.</p> <p>3. In October 2009, the government announced that the period of temporary full coverage would be extended a further year until December 31, 2010.</p> <p>4. On December 29, 2010, amendments to Articles 12 and 13 of the <i>Deposit Insurance Act</i> were promulgated by Presidential decree, whereby the scope of coverage was enlarged to encompass both foreign currency deposits and interest on deposits.</p>

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
Scope of Capital Utilization	<ul style="list-style-type: none"> ● deposits at the Central Bank ● Investments in government bonds, bonds with principal and interest guaranteed by the government, or financial debentures 	<p>The following revisions were effective in January 1999:</p> <ul style="list-style-type: none"> ● Deposits at the Central Bank ● Deposits in financial institutions approved by the competent authority and which provide government bonds as collateral ● Investments in government bonds and financial debentures 	<p>Revised in January 2007 as follows:</p> <ul style="list-style-type: none"> ● Deposits at the Central Bank ● Investments in government bonds ● Utilization by methods approved by CDIC Board of Directors
Means of Fulfilling Insurance Responsibilities	<ul style="list-style-type: none"> ● Cash payouts ● Deposit transfers ● Temporarily continued operation in the name of CDIC 	<p>According to revisions enacted in January 1999, the provision of financial assistance to encourage acquisitions or assumptions by other insured institutions was added to the three means listed to the left.</p>	<p>Revised in January 2007 as follows:</p> <ul style="list-style-type: none"> ● Deletion of temporarily continued operation in the name of CDIC. ● In addition to providing financial assistance to encourage acquisitions or assumptions of insured institutions that have been ordered to close, such financial assistance can also be provided to insured institutions being put under conservatorship or taken over by the authorities according to law.
Advance Payment for Deposit and Non-deposit Liabilities in Excess of Coverage Limit	None	<p>According to revisions made in January 1999, advance payment is allowed to resolve the needs of creditors' liquidity at failed institutions, under the principle that no additional costs are incurred.</p>	Same as the left column
Exemption from Open Tender, Price Comparison, Price Negotiation, and the Provisions of Articles 25~27 of the <i>Budget Act</i> When Disposing of Problem Insured Institutions	None	Added in January 1999	<p>Stipulations of the <i>Government Procurement Act</i> and Articles 25 to 27 of the <i>Budget Act</i> do not apply to CDIC in the fulfilment of its insurance responsibility, provision of financial assistance, establishment of bridge banks and handling of advance payments in accordance with the <i>Deposit Insurance Act</i>.</p>

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
Recipient of Financial Assistance and Method of Assistance	Limited to loans or the purchases of assets to enable problem financial institutions to resume operation, when such resumption is deemed necessary.	<p>Revised in January 1999 as follows:</p> <ul style="list-style-type: none"> Insured institutions under guidance, superintendence, or conservatorship, may be assisted by provision of loans or deposits. Other insured institutions that acquire or assume insured institutions that are under guidance, superintendence, or conservatorship, or that have failed, may be assisted with loans, deposits, or the provision of funds and guarantees. 	<p>Revised in January 2007 as follows:</p> <ul style="list-style-type: none"> If an insured institution has a seriously deficient net worth, or there is concern that it seriously threatens the credit order and financial stability, and the competent authority has determined a need for the institution's liquidation or market withdrawal, personnel may be dispatched to assume conservatorship or take over the powers of the board of directors and supervisors of the institution prior to liquidation or market withdrawal. In such cases, CDIC may provide loans, deposits or other financial assistance to the insured institution. Before providing financial assistance, CDIC shall request the full amount of collateral from the financial holding company of the insured institution or from any other insured institution that it has a dominant shareholding. In cases where the competent authority has dispatched personnel to assume conservatorship or take over the powers of the board of directors and supervisors of an insured institution, CDIC may encourage the acquisition or assumption of the institution by the other insured institutions or financial holding companies, by providing funds, arranging loans, deposits or guarantees, or purchasing the subordinated securities issued by the acquiring or assuming insured institutions or financial holding companies.
Borrowing of Funds from Other Financial Institutions	None	Added in January 1999	Same as the left column
Provision of Collateral when Applying to the Central Bank for Accommodation	Full collateral must be provided.	<p>Provisions added in January 1999 as follows:</p> <ul style="list-style-type: none"> That part for which CDIC is unable to provide collateral is to be guaranteed by the National Treasury. When the secured portion exceeds CDIC's net worth, the competent authority and the Central Bank must apply to the Executive Yuan for approval. 	<p>Revised in January 2007:</p> <p>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.</p>
Penalty for Refusal to Apply to Participate in Deposit Insurance	None	<p>Provision added in January 1999:</p> <p>A fine of double the amount of the deposit insurance premium for penalty is to be imposed.</p>	<p>Revised in January 2007:</p> <p>Depending on whether the institution is a general financial institution or agricultural financial institution, CDIC shall report to the competent authority to order the financial institution to replace its persons in charge or to revoke its business license.</p>

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
Method of Allocation of CDIC's Surplus	As stipulated in the <i>Company Act</i> .	Same as the left column	<ol style="list-style-type: none"> Beginning in July 2001, the entire amount of the surplus remaining after the accounts are closed is placed into the Deposit Insurance Payout Special Reserves. Revised in January 2007: The entire amount of the surplus remaining from annual income after deducting costs, expenses and losses shall be deposited into the Deposit Insurance Payout Special Reserves.
Depositor Preference	None	Same as the left column	<p>Addition in May 2006: When an insured institution is disposed of by CDIC with the stipulation of the <i>Deposit Insurance Act</i> by the competent authority or the central competent authority for agricultural finance for resolution or liquidation upon clearing the debt, its deposit liabilities shall take precedence over non-deposit liabilities.</p>
Establishment of Two Separate Deposit Insurance Payout Special Reserves	None	Same as the left column	<p>Addition in January 2007:</p> <ul style="list-style-type: none"> The reserves were divided into separate deposit insurance payout accounts for general financial institutions and agricultural financial institutions. Both reserve funds have a target ratio of 2% of covered deposits.
Inspection of Insured Institutions	If CDIC deemed it necessary, and after obtaining the prior approval of the competent authority in consultation with the Central Bank, CDIC could examine the business records and accounts of an insured institution.	Same as the left column	<p>Revised in January 2007 as follows: CDIC may in accordance with Article 24 of the <i>Deposit Insurance Act</i> conduct inspections on insured institutions on the following items:</p> <ul style="list-style-type: none"> Accuracy of deposit assessment base and the content of the electronic data files for the calculation of deposit insurance premiums and the amount of the payout. Any event causing the termination of the deposit insurance agreement. Assets and liabilities of insured institutions prior to the fulfillment of insurance responsibilities. Property information and information needed to pursue civil liabilities for illegal acts or omissions by employees of failed insured institutions and for those of problem insured institutions that receive financial assistance. <p>Addition in January 2012: Pursuant to Subparagraph 1, Paragraph 1, Article 24 of the <i>Deposit Insurance Act</i> and Item 4, Point 3 of the Implementation Scheme of the Deposit Insurance Premium System approved by the Financial Supervisory Commission, in order to confirm the accuracy of the data and files related to the risk indicators reported by insured institutions, CDIC shall conduct review inspections and evaluation inspections.</p>

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
Elimination of Limits on Payout Cost	None	Same as the left column	Addition in January 2007: When there is concern of a serious threat to credit order and financial stability, after CDIC obtains the consent of the competent authority in consultation with the Ministry of Finance and the Central Bank and with the final approval of the Executive Yuan, the limit on payout cost may be eliminated.
Set-off	None	Same as the left column	Addition in January 2007: Before handling any payout, CDIC may offset the claims of a depositor against his/her liabilities in the failed insured institution.
Termination of Membership	If an insured institution violated the laws or regulations or the deposit insurance agreement or engaged in unsound business transactions, and failed to rectify such violations within the time limit prescribed by CDIC, CDIC shall terminate its status as an insured institution and report such action to the competent authority for disposal.	Same as the left column	Revised in January 2007: The scope of reasons for termination of insured status is revised to also include the following: <ul style="list-style-type: none"> ● An insured institution is ordered and required by the competent authority or the central competent authority for agricultural finance to be recapitalized or improve its financial or business condition, but fails to meet such requirements within the prescribed time limit; or the time limit is not due but the competent authorities or CDIC deem the said insured institution's condition non-improvable. ● There is a major fraud or other illegal activities occurring at an insured institution with the potential to increase the deposit insurance payout cost. In the aforementioned situations, CDIC shall, after notifying the competent authority or the central competent authority for agricultural finance, terminate the deposit insurance membership of the insured institution and make a public announcement.
Disclosure Requirement of Eligibility of Deposit Insurance in Financial Products	None	Same as the left column	Added in January 2007
Depositor Protections upon Termination of Membership	CDIC shall continue to protect the depositors' deposits up to the coverage limit for one year after the date of termination of membership.	Same as the left column	Revised in January 2007 : CDIC shall continue to protect the depositors' deposits up to the coverage limit for six months after the date of termination of membership.

Central Deposit Insurance Corporation, Taiwan

2017 Annual Report

Distributed by	Central Deposit Insurance Corporation, Taiwan Address: 11F, 3, Nanhai Rd., Taipei, 10066, Taiwan (R.O.C.) Tel: 886-2-2397-1155 http://www.cdic.gov.tw
Date of Publication	June 2018
Price	NT\$ 300

This Annual Report was produced based on the English translation of the original Annual Report in Chinese. In the event of discrepancy in interpretation between the two versions, the Chinese version shall prevail.

The publishing organization owns the copyright and is protected by the *Copyright Law*. Only third parties that are not-for-profit and that acknowledge the copyright owner may use the content of this publication.

GPN: 2007500044

ISSN: 1726-7366



CDIC 2017 Annual Report

is licensed under the Creative Commons Attribution 3.0 License.



中央存款保險公司

Central Deposit Insurance Corporation

Head Office

11F, 3, Nanhai Rd., Taipei, 10066 Taiwan, R.O.C.

Tel : 886-2-2397-1155

Toll-free line : 0800-000-148

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

E-mail : cdic@cdic.gov.tw

Central Region Office

16F, 2-107, Wuquan Rd., West District,

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

Tel : 886-4-2371-2756

South Region Office

10F-5, 31, Haibian Rd., Lingya District,

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

Tel : 886-7-331-1226

