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## **Deposit Insurance: Bringing Happiness**

The CDIC strives to ensure safety of deposits and enhance deposit insurance mechanisms.

## **CDIC: Your Deposits are Covered**

NT Dollars + Foreign Currency + Interest =

Deposit insurance coverage limit: NT\$3 million per depositor per each insured institution



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# Contents



# Message from the Chairman and President

In the first half of 2018, Taiwan's exports and overall economic activities exceeded expectations, buoyed by continued steady global economic growth. But in the latter half of the year, growth momentum in the domestic economy tailed off as global economic growth slowed down in response to the US government's trade policy adjustments and interest rate hikes. This in turn affected Taiwan's economic and financial development. Our government has been actively pursuing its New Southbound Policy and helping financial institutions get on more robust footing by carrying out deregulation and enhancing financial supervision. The government has been also bringing Taiwan more closely in line with international practices, expanding the business scope of financial services firms, encouraging Fintech innovation, and developing a Bank 3.0 digital banking environment. The point of all these undertakings is to upgrade Taiwan's financial industry and make it more internationally competitive.

As Taiwan's sole provider of deposit insurance, the Central Deposit Insurance Corporation (CDIC) has the dual responsibility of maintaining financial stability and safeguarding the rights and interests of depositors. In 2018, the CDIC continued to be in line with the supervisory policies and to handle the tasks entrusted by the Financial Supervisory Commission (FSC), the competent authority for Taiwan's financial sector. These tasks included utilization and management of the Financial Industry Special Reserve Fund, as well as carrying out closer monitoring of domestic banks' risk exposures overseas (including countries targeted by the Taiwan government's New Southbound Policy) and in mainland China, and risks arising from banks' handling of OTC derivatives and domestic structured products. The objective was to effectively fulfill the function of deposit insurance in maintaining financial stability.

Taiwan is easily impacted by international economic and financial market conditions, so the CDIC, in addition to strengthening the control over the insured risks of insured institutions, also uses the National Financial Early-Warning System (NFEWS) and the Account Officer System to carry out risk-based off-site monitoring in order to dynamically adjust and enhance the company's risk control operations. By doing so, the CDIC can actively play its role as a risk minimizer, thereby protecting the rights and interests of depositors and maintaining financial stability.

In order to bolster the deposit insurance and strengthen its risk-bearing capacity, the CDIC this year continued building up its Deposit Insurance Payout Special Reserves, and conducted campaigns to raise public awareness of the deposit insurance system. At the same time, in the capacity of either conservator or receiver, the CDIC continued accelerating the recovery of funds while maintaining social fairness, justice, and the interests of the national treasury by disposing of the retained assets of failed financial institutions resolved by the Executive Yuan's Financial Restructuring Fund (FRF), concluding such institutions' pending litigations, and pursuing civil liabilities for the illegal acts of such institutions' employees.

To promote international cooperation, the CDIC officials hold a number of important posts at the International Association of Deposit Insurers (IADI). For example, the CDIC officials serve on the Executive Council and chair both the Core Principles and Research Council Committee (CPRC) and the Asia-Pacific Regional Committee (APRC). They are principally responsible in these positions for promoting research on global deposit insurance systems and specific subjects, formulating international deposit insurance standards, and administering cooperation, exchange, and information sharing among IADI members in the Asia-Pacific region. In addition, the CDIC held an international seminar on "Case Studies and Experiences in the Resolution of Problem and Failed Insured Institutions," and actively sought to enter into Memorandums of Understanding (MOUs) for cooperation with peer deposit insurers around the world. As of year-end 2018, the CDIC had established formal cooperative relations with 22 international peer institutions to promote and share Taiwan's experience through international exchange. The CDIC also participated in various international research projects and training activities related to global deposit insurance systems under the auspices of the IADI.

Looking to the future, the CDIC will continue to build up the Deposit Insurance Payout Special Reserves, actively control insured risks, improve resolution mechanisms for insured institutions, draft amendments to deposit insurance related laws and affiliated regulations, and actively raise public awareness of deposit insurance. Also, to be in line with the supervisory policies of the competent authority, the CDIC will continue to analyze banks' OTC derivatives and other lines of business. These measures are designed to establish a more fully developed deposit insurance system, promote the sound operation of the financial sector, and protect the rights and interests of depositors.

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

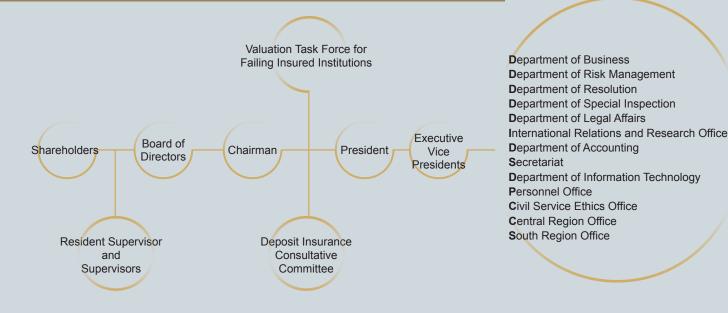
Mihael Lin

Willram Su

President William Su

Chairman Michael Lin

# Organizational 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 insured risk, off-site monitoring of insured institutions, guidance or superintendence to problem insured institutions, issuance of warnings of termination of 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**

Chairman	Michael Lin (Representative of the Financial Supervisory Commission)
Directors	William Su (Representative of the Financial Supervisory Commission)
	Tsui-Wen Hsu (Representative of the Financial Supervisory Commission)
	Su-Fen Chen (Representative of the Financial Supervisory Commission)
	Wen-Heng Chao (Representative of the Financial Supervisory Commission)
	Shuen-Chiao Chang (Representative of the Financial Supervisory Commission)
	Anita S. Chou (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	Ming-Yi Lee (Representative of the Central Bank)
Supervisor	Nan-Chi Chen (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 planning, design, implementation and management of businesses of Information Technology as well as control, protection and monitoring of Information Security 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**



Executive Vice President Anita S. Chou

Director Department of Risk Management Kuan-Jong Chen Acting Director Department of Special Inspection Li-Ying Teng

Director Secretariat Shun-Ching Su

**CDIC** EXECUTIVE VICE PRESIDENTS AND DIRECTORS



Director Department of Accounting Li-Chueh Lu Director Director South Region Office Departmen Yong-Huei Peng Ying-Ying

Accounting Director Department of Resolution Ying-Ying Lin Executive Vice President Annie Cheng

> Acting Director Department of Business Lisa Hsi

Director Central Region Office Chuan-Kuei Cheng



Director Personnel Office Bin-Lian Jan Executive Vice President Yvonne Fan Acting Director International Relations and Research Office Margaret Chuang

Director Civil Service Ethics Office Hui-Chin Lin



## **Protecting Depositors' Rights**

Enhancing deposit insurance mechanisms Strengthening risk management

# **Business Operations**

As Taiwan's sole provider of deposit insurance, the CDIC was established for the purposes of safeguarding the rights and interests of depositors, maintaining an orderly credit system, and promoting the sound development of financial businesses. To achieve these legislative objectives, the *Deposit Insurance Act* assigns to the CDIC the major duties of administering deposit insurance, controlling insured risks, conducting special inspections of insured institutions, and resolving problem or failed insured institutions. The following is a brief overview of the CDIC's major tasks and policy missions in 2018:

#### **I. Deposit Insurance**

#### **1.** Participation of Financial Institutions in Deposit Insurance

As of December 31, 2018, a total of 400 financial institutions were insured, including three domestic government-owned financial institutions, 35 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. Implementation of Differential Premium Rates**

A. Article 16, paragraph 3 of the *Deposit Insurance Act* stipulates that deposit insurance premium rates shall be drawn up by the CDIC and submitted to the FSC for its approval. The premium rates are as follows:



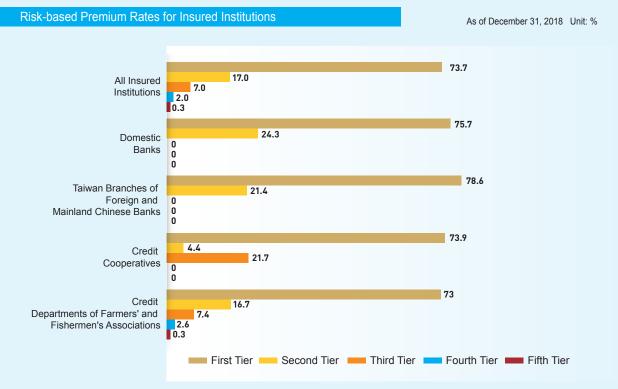


2018 Financial Services Charity Fair in Taoyuan

- a. Domestic banks and Taiwan branches of foreign and mainland Chinese banks have a fivetiered system of differential premium rates (0.05%, 0.06%, 0.08%, 0.11%, and 0.15%) for covered deposits, with a flat premium rate of 0.005% for eligible deposits in excess of the coverage limit.
- b. Credit cooperatives have a five-tiered system of differential premium rates (0.04%, 0.05%, 0.07%, 0.10%, and 0.14%) for covered deposits, with a flat premium rate of 0.005% for eligible deposits in excess of the coverage limit.
- c. The credit departments of farmers' and fishermen's associations have a five-tiered system of differential premium rates (0.02%, 0.03%, 0.04%, 0.05%, and 0.06%) for covered deposits, with a flat premium rate of 0.0025% for eligible deposits in excess of the coverage limit.
- B. As of December 31, 2018, first-tier premium rate was applied at 73.7% of all insured institutions, second-tier rate at 17.0%, third-tier rate at 7.0%, fourth-tier rate at 2.0%, and fifth-tier rate at 0.3%.

#### **3.** Coverage Limit and Status

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. As of December 31, 2018, the total amount of eligible deposits stood at approximately NT\$43 trillion, and deposits within the NT\$3



Note: The term "all insured institutions" does not include Chunghwa Post Co., Ltd.; the term "domestic banks" includes the Agricultural Bank of Taiwan but excludes Chunghwa Post Co., Ltd.

million coverage limit totaled roughly NT\$22 trillion. 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 and effectively increased the confidence of depositors in financial institutions.

#### 4. Switch to Fully Paperless Deposit Insurance Premium Operations in 2<sup>nd</sup> Half of 2018

To handle premium operations more efficiently, provide insured institutions with a wider range of paperless services, and reduce environmental impact, the CDIC switched in the second half of 2018 to fully paperless handling of deposit insurance premium operations. Insured institutions can download and print out premium payment notices and receipts, and visit the CDIC official website to read related rules and check for information on account aggregation errors. This change has effectively streamlined insured institutions' procedures for paying premiums, increased the efficiency of paperless services, and helped to achieve the government policy objective of conserving energy and reducing carbon emissions.

#### 5. Amendments to the Implementation Scheme for the Deposit Insurance Premium System Approved by the FSC on December 18, 2018

In order to ensure that the business performance of the credit departments of farmers' and fishermen's associations is promptly reflected in their capital adequacy ratios, which serve as the basis for setting their differential deposit insurance premium rates, in addition to maintaining the practice of using CPA-reviewed information at the end of December, the amended Scheme further introduces the end-June use of information reported by the credit departments of farmers' and fishermen's associations to the Internet Transmission Reporting System of the Council of Agriculture's Bureau of Agricultural Finance. This new feature will take effect from January 1, 2020. For the sake of comprehensiveness, the amended Scheme also specifies, among other things, the date to be treated as the date of record for the capital adequacy information reported by insured institutions. These provisions took effect on December 13, 2018.

#### 6. Deposit Insurance Coverage Calculator added to CDIC official website

In order to raise public awareness of the deposit insurance system and enhance its website content, the CDIC set up a web-based Insurance Coverage Calculator modeled after referring to the practices of the deposit insurers in the United States, Canada, and other advanced countries. Depositors can use the Deposit Insurance Coverage Calculator to find out how much of their deposits are covered. Also, the CDIC has posted related information to the calculator section of the website to effectively improve the public's understanding of deposit insurance.

#### 7. Active Promotion of Public Awareness of the Deposit Insurance System

Acting via insured institutions as well as various other channels—television, the Internet, radio, posters and brochures, newspapers, magazines, public transportation, and outdoor events—the CDIC continued to promote public awareness of the deposit insurance system. These measures informed depositors that the coverage limit is NT\$3 million and that foreign currency deposits and interest on deposits are now included within the scope of coverage. The aim was to enhance depositors' awareness of their rights and interests, and their knowledge of the deposit insurance system.

#### **II. Risk Management**

To control insured risks, the CDIC continued acting pursuant to Article 22 of the *Deposit Insurance Act* to improve its risk control capabilities, and actively played the role of a risk minimizer so that deposit insurance can safeguard the rights and interests of depositors and stabilize financial order.

Since 2013, in order to exercise better risk control, the CDIC has standardized and clarified the types of off-site monitoring information, alerts, and non-standard conditions that it uses. It has also established different monitoring frequencies depending on each insured institution's risk level to allow for more standardized and clarified risk-based off-site monitoring mechanisms, and has made dynamic adjustments based on each financial institution's changing risks. Principal measures taken in 2018 include the following:

## **1.** Operated the National Financial Early-warning System (NFEWS) to Implement Off-site Monitoring

To encourage insured institutions to properly emphasize the importance of information security management, the CDIC in 2018 began factoring additional information security items into the scoring formula of the "Declaration Form for Risk-Adjusted Management Ability of Insured Institutions," and included them among the items to be considered when conducting inspections to check the accuracy of risk indicators for differential premium rates. The CDIC also increased the frequency with which it checks the information security certifications and the evidence related to security assessments, in order to monitor the quality of insured institutions' reporting on information security management. In addition, the CDIC produced monthly or quarterly routine management reports and shared information with the competent authorities. And in line with the government's policy objective of gradually increasing public disclosure of the information of financial institutions, the CDIC also published excerpted information from each "Quarterly Analytical Report on the 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." Depositors can also visit the CDIC official website and link from there to the websites of various competent authorities to obtain recently disclosed financial and business information on insured institutions. Access to such information helps improve discipline.

#### 2. Strengthened Assessment and Analysis of Financial Institutions' Businesses to Control Insured Risks

In order to control insured risks, the CDIC regularly produces reports on the key operational risks of insured institutions, and in line with the competent authority's supervisory policies, prepares reports on domestic banks' risk exposures overseas and in mainland China, as well as risks arising from banks' handling of OTC derivatives. The purpose of such reports is to strengthen the monitoring and control of specific-risk businesses, thereby effectively controlling insured risks.

#### 3. Implemented the Account Officer System and Risk-oriented Off-site Monitoring

CDIC account officers continued to collect and analyze the financial and business information of insured institutions through various channels, including NFEWS alerts, financial examination reports, mechanisms for sharing financial supervisory information, CPA-certified financial reports, and public information disclosure. The CDIC also continued to monitor insured institutions' changing risks, and prepared business management reports at varying frequencies depending on the risk levels of different insured institutions. Also, special audits were conducted on the financial reports of insured institutions that had highly concentrated credit risks or were in poor financial condition, and the CDIC tracked risk adjustments or improvements in financial performance. Where deficiencies were found, the CDIC either asked the insured institutions to make improvements or reported their cases to the competent authority for compliance monitoring.

#### 4. Participated in Information Sharing and Coordination Mechanisms with Domestic Financial Supervisory Agencies

The CDIC regularly attends meetings of the FSC's Financial Supervisory Coordination Council to discuss the operational risks of insured institutions and put forward suggestions. Moreover, acting in accordance with the "*Operating Guidelines of the Financial Supervisory Commission for Off-Site Monitoring*," the CDIC issues reports on the financial and business conditions of insured institutions to share risk monitoring information, and assigns staff to participate in the Task Force on Financial Supervisory Information Reporting Window for Banks and Bills Finance Companies, where they have been working on amendments to the Single Reporting Window System's reporting forms, and changes to the system itself. CDIC personnel also attended meetings of the various task forces set up by the R.O.C. Bankers Association under its Working Group for Basel Accord III—the Stress Testing Task Force, Market Risk Task Force, Credit Risk Task Force, and Capital Task Force. In addition, the CDIC participated in guidance meetings convened by the competent authority for the credit departments of farmers' and fishermen's associations, and coordinated closely with the competent authority to strengthen guidance for the 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 resolved by the Financial Restructuring Fund (FRF) since the termination of the FRF at the end of 2011. The retained assets include real estate, stocks, creditor's claims, and artwork. The CDIC either sells these assets itself or contracts with a third party to sell them via public tender, depending on the nature of the assets and market demand, to accelerate funds recovery.

## **1.** Actively Handled Retained Assets and Unresolved Issues as Conservator of Failed Insured Institutions

A. Chinfon Commercial Bank:

a. Retained artwork: The bank's 12 remaining paintings and one bronze statue have a combined book value of NT\$288,300.

BUSINESS OPERATI

- b. Retained real estate: The bank's three pieces of remaining real estate have a net book value of approximately NT\$844.37 million.
- c. Retained claims: The CDIC recovered approximately NT\$806.93 million on claims of NT\$391 million against Kuo-Shin Foods Co., Ltd.
- B. China United Trust and Investment Corporation (CUTIC):
  - a. The CUTIC held a 15.116% equity stake in the Taipei Financial Center Corporation (Taipei 101) valued at approximately NT\$2.22 billion. With approval from the FSC, the CDIC nominated members of staff to be supervisors at Taipei 101.
  - b. On June 27, 2018, Taipei 101 adopted a resolution at the regular general shareholders' meeting to pay cash dividends of NT\$1.304 per share for 2017. The total amount of the cash dividends was approximately NT\$289.76 million.

## 2. Continued Handling Retained Assets and Unresolved Issues as Receiver of Failed Insured Institutions

- A. The CDIC continued working on resolution of the following five banks: 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. Chinese Bank: In 2018, the CDIC recovered NT\$616,408 through the second distribution on one reorganization claim. The entire reorganization process has been completed, so the portion of the reorganization claim not recovered was extinguished without further recourse. The CDIC also continued working to rehabilitate one nonperforming credit card debt that had already been written off.
- C. KBB: After resolution of KBB, the bank's books no longer carried any assets that could be used to retire debts, and there were no unfinished matters, which meant that the resolution had been concluded. Hence the CDIC completed the resolution proceedings in 2018 and announced completion of resolution on May 11, 2018; obtained FSC approval on June 7, 2018 to void KBB's banking permit; the Ministry of Economic Affairs registered the completion of resolution on August 22, 2018; and the National Taxation Bureau of Kaohsiung confirmed the bank's income during the resolution period on November 23, 2018, and then contacted the tax authority with jurisdiction over KBB to apply for voidance of the bank's business entity registration.
- D. EBH: A partial favorable court judgment was issued in the lawsuit over the retained loans of EBH, and the CDIC is currently pursuing follow-up enforcement procedures against the obligor. There was no significant change in 2018 regarding the retained assets of the other two banks.

#### **IV. Handling of Litigation Following Expiration of the FRF**

- Acting in accordance with Article 17 of the Act for the Establishment and Administration of the Financial Restructuring Fund and the resolutions of the FRF Management Committee meetings, the CDIC has actively pursued civil liabilities against law-breaking individuals at failed financial institutions to recoup the losses of the FRF and serve the interests of social justice. After termination of the FRF at the end of 2011, responsibility for pursuing the aforementioned civil liabilities was handed off to the FSC, which subsequently entrusted the CDIC to handle these cases. By the end of 2018, 143 civil liability claims were made, resulting in 105 favorable judgments and 23 unfavorable judgments. In addition, 15 cases are still being litigated.
- There were eight pending lawsuits over failed insured institutions at year-end 2017. Eight lawsuits were concluded in 2018, of which three cases were newly filed in 2018 and concluded within the year.

#### **V. Inspections**

Exercising the power of inspections conferred by the *Deposit Insurance Act*, the CDIC continued to conduct inspections of statutorily specified matters at insured institutions, and provided inspected institutions with guidance on how to correct any problems discovered. In 2018, the CDIC carried out the following inspections:

- 1. Conducted inspections of 44 insured institutions to check the accuracy of the premium assessment bases.
- Conducted on-site inspections at 64 insured institutions to verify the accuracy of the format and content of their electronic data files.
- Conducted on-site inspections of the data and files for risk indicators of the differential premium rating system submitted by 61 insured institutions to verify the accuracy of information.

#### VI. Information Management

- To streamline processing procedures for premium revenues, the CDIC Declaration System for Deposit Insurance Premiums was upgraded to include various new online functions. Insured institutions can now go online to, for example, read or print out deposit insurance premium payment notices and receipts, or check for information on account aggregation errors.
- To provide depositors with a quick and easy access to coverage figures, the CDIC set up a webbased Deposit Insurance Coverage Calculator to enhance promotion of the benefits of deposit insurance. The Deposit Insurance Coverage Calculator can be used in both online and offline modes.
- 3. To coordinate with adjustments to the "Declaration Form for Risk-Adjusted Management Ability of Insured Institutions"—which has been modified by adding an "Information Security Item" and amending the banking category's "Potential Asset Losses" calculation formula—the CDIC completed software programs to run the "Call Report Data Rating System" and the "System for Inspecting Risk Indicators for Differential Premium Rates."
- 4. To meet the needs of off-site monitoring, the CDIC completed software programs that enable downloading of: (a) condensed financial and business reports submitted by the overseas

banking subsidiaries and overseas branches of domestic banks; and (b) data from accounts pertaining to overseas risk exposures.

- 5. To coordinate with the 2018 adoption of IFRS 9, the CDIC completed software programs to run various systems, including the "Single-Window Reporting System," the "Financial Holding Company Financial Reporting System," the "Account Servicing System," and the "Budgeting and Final Accounting System."
- 6. The CDIC installed database safety audit equipment that supports real-time monitoring of database activities, thus improving database security.
- The CDIC replaced the wireless network at the Taipei head office, installed new wireless networks at the Central and South Region Offices, and configured them in compliance with the Government Configuration Baseline.
- 8. The CDIC continued to monitor internet traffic volume and strengthened information security control measures, thus improving the ability to safeguard information security.

#### **VII. Research and Development**

To ensure that its business develops in a way that conforms to changes in the financial environment, the CDIC conducted various research projects in collaboration with the IADI, collected and studied the latest local and international information related to its business, and used it to prepare special reports. The following important studies were carried out in 2018:

#### **1. IADI International Research**

- A. The CDIC chaired a research project on "Public Policy Objectives of Deposit Insurance Systems."
- B. The CDIC took part in a research project on "Core Principles for Effective Islamic Deposit Insurance Systems."
- C. The CDIC participated in research projects on "Financial Inclusion and Innovation," "Purchase and Assumption," "Deposit Insurers' Role in Contingency Planning and Systemwide Crisis Preparedness and Management," "Risk Management and Internal Control Systems of Deposit Insurance Systems," and "Differential Premium Systems."
- D. The CDIC took part in the publication of research reports on "Resolution Issues for Financial Cooperatives," "Deposit Insurance Fund Target Ratio," "Bail-in Implications for Deposit Insurance and Funding," and "Recoveries from Assets of Failed Banks."

#### 2. Research Activities and Summary Translation Reports

- A. The CDIC dispatched personnel to take part in the International Seminar on Recovery and Resolution Plans of Systemically Important Financial Institutions (a CDIC event) and released a report on the conference proceedings in July 2018.
- B. The CDIC prepared a translated summary report of "Crisis and Response: An FDIC History, 2008–2013."



The 55th IADI Executive Council Meeting

- C. The CDIC prepared a translated summary report of the introductory brochure for the Sheltered Harbor, a US-led initiative for data warehousing to withstand cyber attacks; and developed a report entitled "What Taiwan Can Learn From the US-Led Sheltered Harbor Initiative" and furnished it to the FSC for its reference.
- D. The CDIC prepared a translated summary report on the United States "Economic Growth, Regulatory Relief, and Consumer Protection Act."
- E. The CDIC prepared a translated summary report of the US Federal Financial Institutions Examination Council's description of its Cybersecurity Assessment Tool.
- F. The CDIC prepared a translated summary report by the Financial Stability Board entitled "Financial Stability Implications from FinTech: Supervisory and Regulatory Issues that Merit Authorities' Attention."
- G. The CDIC completed a report entitled "Experience of Major Countries With Implementation of Risk-Based Financial Supervision and Deposit Insurance Premium Rates."
- H. CDIC personnel who had traveled overseas to take part in study trips or attend training or conferences completed 13 reports with specific recommendations.

#### 3. Meetings of the CDIC Deposit Insurance Consultative Committee

The CDIC convened the 31<sup>st</sup> and 32<sup>nd</sup> meetings of the Deposit Insurance Consultative Committee. Participants at the 31<sup>st</sup> meeting discussed the methods of recording and calculating

principal and interest to a depositor during a payout procedure of a failed institution when aggregated account data shows that the depositor's total principal and interest exceeds the coverage limit. Participants at the 32<sup>nd</sup> meeting discussed disputes over creditor priority rankings during the resolution of failed banks. Committee members presented many valuable comments and suggestions regarding the issues at hand.

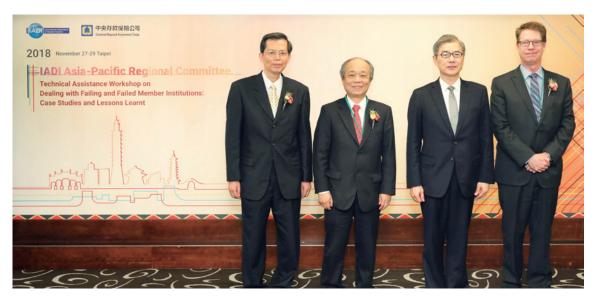
#### 4. Publication of Deposit Insurance Quarterly Bulletin

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 government agencies, insured institutions, universities, legislators, libraries, and other such entities to promote knowledge of deposit insurance.

#### 5. Publication of the CDIC Monograph Series

The CDIC produced research reports on three important overseas study trips and published them as a series for public reference:

- A. Report on participation in the 15<sup>th</sup> IADI APRC Annual Meeting, Technical Assistance Workshop & International Conference, hosted by the Indonesia Deposit Insurance Corporation.
- B. Report on participation in the 16<sup>th</sup> IADI Annual Conference, which focused on the theme of "Deposit Insurance for All – Adapting the Core Principles to Different Structures, Mandates and Types of Institutions."
- C. Report on participation in the "SEACEN-FSI Regional Seminar on the Regulation and Supervision of Credit Risk and the New Expected Loss Provisioning Framework," which was jointly organized by The South East Asian Central Banks (SEACEN) Research and Training Centre and the Financial Stability Institute (FSI).



The CDIC held the IADI APRC Technical Assistance Workshop in November 2018.

#### **VIII. International Affairs**

The CDIC, in line with government policies, joined the IADI as a founding member in 2002 and has been actively involved ever since then in its activities and research work. Over the years, deposit insurance peer institutions around the world have come to recognize and appreciate the CDIC's professional capabilities. The CDIC holds a number of important positions in the IADI, where it serves as a member of the IADI Executive Council (EXCO), Chairperson of the Core Principles and Research Council Committee (CPRC), and Chairperson of the APRC. The CDIC is principally responsible at the IADI for promoting research and development of deposit insurance systems worldwide, drafting and researching international deposit insurance guidance, and facilitating cooperation and exchanges among IADI members in the Asia-Pacific region. To promote international cooperation and enhance its international visibility, the CDIC continued to participate in international affairs and activities in 2018, including the following:

#### 1. Hosted the IADI APRC Technical Assistance Workshop on "Case Studies and Experiences in the Resolution of Problem and Failed Insured Institutions"

To enhance substantive international exchange and cooperation and make the international deposit insurance community more aware of Taiwan's professional prowess in the field, the CDIC in 2018 organized an IADI APRC Technical Assistance Workshop on "Case Studies and Experiences in the Resolution of Problem and Failed Insured Institutions." In addition to inviting the IADI Secretary General to deliver an address on the Workshop's theme-Core Principles for Effective Deposit Insurance Systems-the CDIC also invited highly experienced deposit



Photo of CDIC Chairman Michael Lin and Chairman of the Deposit The CDIC and the Deposit Protection Agency of Thailand extended Insurance of Vietnam (DIV) Mr. Nguyen Quang Huy



their MOU

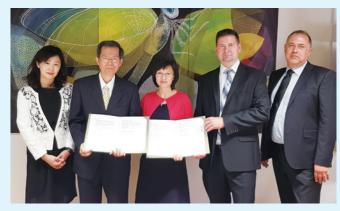


Group photo of the CDIC's hosting the 2018 IADI APRC Technical Assistance Workshop in Taipei

insurance experts from Japan, Korea, the United States, Canada, the United Kingdom, Russia and Brazil to act as speakers. The event attracted the attendance of more than 80 deposit insurance professionals from 26 countries/jurisdictions in Asia, the Americas, Europe and Africa.

## **2.** Actively participated in international activities, servicing as speakers at conferences and seminars to promote Taiwan's experiences

The CDIC dispatched personnel in 2018 to attend numerous IADI meetings, including the EXCO, the CPRC, the Research and Guidance Technical Committee (RGTC), and the APRC. The CDIC enjoys high standing among peer institutions around the world for its experience in resolving problem financial institutions, and for its establishment of a well-designed deposit insurance system, and is often invited to send personnel to act as speakers at international seminars held by the IADI or its members. At the 16<sup>th</sup> IADI APRC Annual Meeting and International Conference held in Vietnam in April, the CDIC as the APRC Chairperson delivered the Opening Remarks and acted as a speaker at Session 3, which focused on "Handling Small and Medium-sized Problem Insured Institutions: Resolution, Reimbursement, Liquidation and Asset Management." A CDIC official also moderated Session 4 ("Promoting the Application of Core Principles for Effective Deposit Insurance Systems"). At the "10<sup>th</sup> DICJ Round Table" held by the Deposit Insurance Corporation of Japan (DICJ) in Kyoto, a CDIC official served as a panelist at one of the panel discussions. Also, a CDIC official attended a celebration of the 10<sup>th</sup> Year Anniversary and Seminar of the Deposit Protection Agency of Thailand.



The CDIC signed an MOU with the Czech Financial Market Guarantee System in August.



Korea Deposit Insurance Corporation visited the CDIC to have an annual MOU exchange meeting in November.



The CDIC signed an MOU with Deposit Protection Corporation of Zimbabwe in February.



The CDIC held an annual MOU exchange meeting with the National Deposit Insurance Fund of Hungary in December.

## **3.** Signed and Renewed MOUs and Letters of Exchange with International Peer Organizations to Expand International Relations

To enhance cooperative exchanges with other deposit insurers around the world, the CDIC continued to sign MOUs and Letters of Exchange (LOEs) with international peer organizations. In 2018, the CDIC entered into new MOUs with the Deposit Protection Corporation of Zimbabwe, the Financial Market Guarantee System of Czech Republic and two other peer institutions, and renewed the MOUs with the Deposit Protection Agency of Thailand and the Deposit Insurance of Vietnam. As of year-end 2018, the CDIC had signed MOUs or LOEs with 22 international financial safety net members. Besides establishing formal cross-border cooperation arrangements and strengthening the protection of depositors in Taiwan, the CDIC also supported the competent authorities by signing MOUs and LOEs that will enable the competent authorities to enhance relations with financial supervisors in other countries.

#### **CDIC's International Activities in 2018**

Date	Activities
January	Executive Vice President William Su led a delegation to Basel, Switzerland to attend the 54 <sup>th</sup> IADI Executive Council Meeting and related Committee meetings and the FSI-IADI Joint Conference.
February	Signed an MOU for cooperation with the Deposit Protection Corporation of Zimbabwe.
March	Executive Vice President William Su attended and served as a panelist at the "10 <sup>th</sup> DICJ Round Table " held by the Deposit Insurance Corporation of Japan, in Kyoto.
April	President Michael Lin led a delegation to attend the 16 <sup>th</sup> IADI APRC Annual Meeting and International Conference in Hanoi, Vietnam.
Мау	Executive Vice President William Su led a delegation to Moscow to attend the 55 <sup>th</sup> IADI Executive Council Meeting and related Committee meetings and the International Conference.
July	A representative of the Philippine Deposit Insurance Corporation visited the CDIC to have an APRC working meeting.
August	President Michael Lin spoke at the Deposit Protection Agency (DPA) 10 <sup>th</sup> Year Anniversary and Seminar in Bangkok, and represented the CDIC in extending the MOU for cooperation between the CDIC and the DPA.
August	The CDIC entered into an MOU for cooperation with the Czech Republic's Financial Market Guarantee System.
September	CDIC President Michael Lin and Vice Executive President William Su were promoted to the positions of the CDIC Chairman and President, respectively.
October	The CDIC published the 1 <sup>st</sup> issue of the APRC Net e-newsletter.
October	President William Su led a delegation to Basel, Switzerland to attend the IADI 17 <sup>th</sup> Annual General Meeting and Conference.
November	The CDIC hosted the 2018 IADI APRC Technical Assistance Workshop, focusing on the theme of "Case Studies and Experiences in the Resolution of Problem and Failed Insured Institutions."
November	Chairman Seongbak Wi of the Korea Deposit Insurance Corporation led a delegation to visit the CDIC to take part in the annual MOU exchange meeting.
November	A delegation from the Malaysia Deposit Insurance Corporation paid a visit to the CDIC to have an annual MOU exchange meeting.

Date	Activities
December	President William Su visited the National Deposit Insurance Fund of Hungary to attend an MOU exchange meeting and visit the European Forum of Deposit Insurers.
December	Chairman Michael Lin led a delegation to Hanoi to attend an MOU renewal meeting with the Deposit Insurance of Vietnam (DIV) and participate in an international workshop hosted by the DIV.
December	Posted a "CDIC Profile" video to the CDIC official website.



Malaysia Deposit Insurance Corporation visited the CDIC to have an annual MOU exchange meeting in November.

#### **IX. Human Resources**

#### **1. Employee Structure**

Year	No. of Employees	Avg. Age of Employees	Educational Attainment of Employees			
			Graduate School	College	Other	
2018	153	49	48	102	3	
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	

Department breakdown of CDIC staff for 2018:

Senior officers and Secretariat (19) Dept. of Resolution (7) Dept. of Business (16) Dept. of Legal Affairs (11) Personnel Office (6) Civil Service Ethics Office (2) South Region Office (8) Dept. of Risk Management (32) Dept. of Special Inspection (16) International Relations and Research Office (8) Dept. of Accounting (8) Dept. of Information Technology (14) Central Region Office (6)

#### **2. Personnel Training**

To upgrade the quality of staff and enhance employees' professional knowledge, the CDIC arranged training programs in 2018 that attracted a total attendance of 2,334, for an average of 15.3 instances of attendance per staff member. Training programs included the following:

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

#### 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, which convened three meetings in 2018, is responsible for

implementing work related to internal audits and advocating important measures. In 2018, it also continued arranging education and training focusing on internal controls and internal audits, reviewing and strengthening internal control operations, carrying out internal audits and self-assessment operations, and implementing internal control mechanisms.

#### 2. Internal Audits

- A. The CDIC Internal Audit Task Force, which implements internal audits, is convened by an Executive Vice President of the CDIC. Acting in accordance with the provisions of the Executive Yuan's "Directions for Public Sector Internal Control and Oversight," the Internal Audit Task Force has adopted a set of "Rules for the Conduct of Internal Audits" and a "Handbook for Internal Audits," and has amended them as necessary to provide a basis for the execution of internal audits, and to ensure regulatory compliance.
- B. In 2018, the Internal Audit Task Force conducted general internal audits of the CDIC's various departments and offices in accordance with the annual internal audit plan, and compiled its findings into audit reports that were presented to the Chairman for approval. Corrective actions taken by the audited units to address identified deficiencies were tracked through semiannual follow-up reviews.
- C. In 2018, the Internal Audit Task Force audited the self-assessment reports submitted by each of the CDIC's departments and offices, and carried out follow-up reviews to track corrective actions taken to address identified deficiencies. Self-assessment results were submitted once each month to the convener of the Internal Audit Task Force for review.
- D. The chief audit executive reported semiannually to the board of directors on the results of internal audits, the implementation status of self-assessments, and corrective actions taken to address identified deficiencies.
- E. The Internal Audit Task Force in February 2018 completed a self-assessment of the CDIC's 2017 internal control operations, signed off on the "Internal Control Statement of the Central Deposit Insurance Corporation," and reported its findings to the board of directors.



The CDIC held a celebration in Yilan to mark the 33rd anniversary of its founding.



The CDIC held a "Q1 of 2018 Recreation Day" for employees of the Financial Supervisory Commission.

#### XI. Cooperated with the Competent Authority's Key Financial Industry Policies

## **1.** Utilized and managed the Financial Industry Special Reserve Fund on behalf of the Financial Supervisory Commission.

The FSC has outsourced the utilization and management of the Financial Industry Special Reserve Fund to the CDIC in accordance with the provisions of the "Regulations on the Utilization and Management of the Financial Industry Special Reserve Fund." The CDIC has diversified the Reserve Fund's asset allocations to give balanced consideration to the needs for safety, liquidity, and returns. As of December 31, 2018, the Special Reserve Fund assets under CDIC management stood at approximately NT\$44.8 billion.

## 2. Strengthened the monitoring of specific-risk businesses in coordination with the supervisory policies of the competent authority.

Acting pursuant to the "Operating Guidelines of the Financial Supervisory Commission for Offsite Monitoring," the CDIC issued an analytical report on the financial and business conditions of insured institutions in order to share supervisory information. Also, the FSC entrusted the CDIC to analyze or monitor domestic banks' risk exposures overseas (including in New Southbound Policy countries) and in mainland China, as well as risks arising from banks' handling of OTC financial derivatives and domestic structured products. Moreover, to assist with financial supervision and strengthen risk controls, the CDIC presented periodic and occasional reports to the FSC and arranged the handling and follow-up tracking of major credit risk cases reported by insured institutions.

Steadiness

## **Improving Operating Efficiency**



## Financial Statements and Independent Auditor's Report

### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and Stockholders of the Central Deposit Insurance Corporation

#### Opinion

We have audited the accompanying financial statements of Central Deposit Insurance Corporation (the Company), which comprise the statements of financial position as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the related domestic laws and International Financial Reporting Standards.

#### **Basis for Opinion**

We conducted our audits in accordance with the "Guidelines for Certified Public Accountants' Examinations and Reports on Financial Statements" in Taiwan and with the generally accepted auditing standards in Taiwan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant in Taiwan and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the the related domestic laws and International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Supervisors) are responsible for overseeing the Company's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in Taiwan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the generally accepted auditing standards in Taiwan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

 Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations or the override of internal control.

- 2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- 3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that many cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

1-tui-Ling Chang



Hui-Ling Chang (Chartered Accountant) Evershine CPAs Firm Taipei, Taiwan Republic of China January 11, 2019

CENTRAL DEPOSIT

DECEMBER 31,

ACCETO	NOTES	2018.12.31		2017.12.31	
ASSETS		Amount		Amount	%
CURRENT ASSETS					
Cash and Deposits in the Central Bank	4.5.6	\$ 60,815,934	58.53	\$ 60,812,790	64.97
Assets for Bills and Bonds under Resell Agreement	4.7	22,988	0.02	22,993	0.02
Held-to-Maturity Financial Assets- Current	3.4.8			31,494,412	33.65
Amortized Cost of Financial Assets- Current	3.4.9	41,869,260	40.29	-	-
Receivables	3.4.10	621,252	0.60	533,073	0.57
Current Tax Assets		111,409	0.11	262,635	0.28
Prepayments		14,676	0.01	15,005	0.02
Temporary Advances		636	; -	331	-
Sub-total		103,456,155	99.56	93,141,239	99.51
PROPERTY, PLANT AND EQUIPMENT	4.11				
Land		215,548	0.21	215,548	0.23
Buildings		265,486	0.26	265,486	0.28
Machinery and Equipment		67,729	0.07	67,841	0.07
Transportation Equipment		14,624	0.01	14,281	0.02
Other Equipment		26,656	0.03	27,132	0.03
Sub-total		590,043	0.58	590,288	0.63
Revaluation Increment-Land		62,022	2 0.06	62,022	0.07
Cost and Revaluation Increment		652,065	0.64	652,310	0.70
Less: Accumulated Depreciation					
Buildings		(121,479	(0.12)	(116,745)	(0.13)
Machinery and Equipment		(47,994	(0.05)	(47,445)	(0.05)
Transportation Equipment		(10,514	(0.01)	(11,125)	(0.01)
Other Equipment		(19,316	(0.02)	(19,423)	(0.02)
Sub-total		(199,303	) (0.20)	(194,738)	(0.21)
PROPERTY, PLANT AND EQUIPMENT-NET		452,762	2 0.44	457,572	0.49
INTANGIBLE ASSETS	4.12	1,738	3 -	2,044	-
OTHER ASSETS					
Guarantee Deposits Paid		654		654	-
Collateral Deposits		228,400	0.22	228,400	0.24
Securities Serving as Collateral Deposits		(228,400	) (0.22)	(228,400)	(0.24)
Sub-total		654		654	-
TOTAL ASSETS		\$ 103,911,309		\$ 93,601,509	100.00

**HNSURANCE CORPORATION** 

2018 and 2017

	31	(Expressed in N1\$'000)			
LIABILITIES AND EQUITY	NOTES	2018.12.3 Amount	%	Amount	
CURRENT LIABILITIES					
Liabilities for Bills and Bonds under Repurchase Agreement	4.13	\$-	_	\$ 773,402	0.83
Payables	14	83,504	0.08	83,413	0.09
Sub-total		83,504	0.08	856,815	0.92
OTHER LIABILITIES					
General Financial Deposit Insurance Payout Special Reserves	3.4.11 15.18	86,276,151	83.03	75,555,906	80.72
Agricultural Financial Deposit Insurance Payout Special Reserves	3.4.11 15.18	5,017,170	4.83	4,677,907	5.00
Provision for Employee Benefits	4	268,688	0.26	226,547	0.24
Deferred Income Tax Liabilities	11	23,957	0.02	23,957	0.03
Guarantee Deposits Received		1,599	-	1,130	-
Temporary Receipts and the Account to be Carried Over	16	1,076,879	1.04	1,069,285	1.14
Sub-total		92,664,444	89.18	81,554,732	87.13
TOTAL LIABILITIES		92,747,948	89.26	82,411,547	88.05
CAPITAL STOCK	17	10,000,000	9.63	10,000,000	10.68
CAPITAL SURPLUS					
Donated Assets Received		265	-	265	-
RETAINED EARNINGS					
Legal Reserve		235,700	0.23	235,700	0.25
Special Reserve		1,000,466	0.96	1,000,466	1.07
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)					
Remeasurement for Defined Employee Benefit Plan	4	(47,003)	(0.05)	(20,402)	(0.02)
ADJUSTMENTS FOR THE FIRST ADOPTION OF IFRS	18	(26,067)	(0.03)	(26,067)	(0.03)
TOTAL EQUITY		11,163,361	10.74	11,189,962	11.95
TOTAL LIABILITIES AND EQUITY		\$ 103,911,309	100.00	\$ 93,601,509	100.00

(Expressed in NT\$'000)

## CENTRAL DEPOSIT INSURANCE CORPORATION STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed	IN	NI\$'000)

		2018		2017	2017		
DESCRIPTION	NOTES	Amount		Amount			
OPERATING REVENUE							
Interest Revenue		\$ 1,108,469	10.15	\$ 957,512	9.14		
Premiums Revenue		9,791,707	89.70	9,513,456	90.82		
Agency Revenue	4	15,972	0.15	3,920	0.04		
Sub-total		10,916,148	100.00	10,474,888	100.00		
OPERATING COSTS							
Interest Expenses		8,951	0.08	2,246	0.02		
Insurance Expenses		193	-	160	-		
Handling Fees		1,451	0.02	1,399	0.01		
Insurance Payout Reserve Provisions	4	9,993,865	91.55	9,642,970	92.06		
Expected Credit Losses	4	411	-	-			
Sub-total		10,004,871	91.65	9,646,775	92.09		
GROSS PROFIT		911,277	8.35	828,113	7.91		
OPERATING EXPENSES							
Transaction Expenses		844,995	7.74	835,028	7.97		
General & Administrative Expenses		57,971	0.53	58,194	0.56		
Other Operating Expenses		3,832	0.04	4,072	0.04		
Sub-total		906,798	8.31	897,294	8.57		
OPERATING INCOME		4,479	0.04	(69,181)	(0.66		
NON-OPERATING REVENUE							
Indemnity Revenue		40	-	12	-		
Gain on Disposal of Assets	11	-	-	71,890	0.69		
Other Revenue		24	-	3,260	0.03		
Sub-total		64	-	75,162	0.72		
NON-OPERATING EXPENSES							
Loss on Disposal of Assets		985	0.01	2,546	0.03		
Others Expenses		3,558	0.03	3,435	0.03		
Sub-total		4,543	0.04	5,981	0.06		
NON-OPERATING INCOME (LOSS)		(4,479)	(0.04)	69,181	0.66		
INCOME BEFORE INCOME TAX		-	-	-	-		
INCOME TAX	4	-	-	-	-		
NET INCOME FROM CONTINUING OPERATIONS		-	-	-	-		
NET INCOME		\$-	-	\$ -	-		
NOTES:							
OTHER COMPREHENSIVE INCOME							
Remeasurement for Defined Employee Benefit Plan	4	(26,601)	-	(18,010)	-		
TOTAL OTHER COMPREHENSIVE		(26,601)	-	(18,010)	-		
EARNINGS PER COMMON SHARE		\$ -		\$ -			

## CENTRAL DEPOSIT IN SURANCE CORPORATION STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in NT\$'000)

		CAPITAL SURPLUS		RETAINED EARNINGS				
DESCRIPTION	CAPITAL STOCK	Donated Surplus	Legal Reserve	Special Reserve	Unappro- priated Earnings	Remeasurement for Defined Employee Benefit Plan	ADJUSTMENTS FOR THE FIRST ADOPTION OF IFRS	TOTAL
Balance, January 1, 2017	\$ 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
Net Income for the Year Ended December 31, 2018	_	-	-	_	-	-	-	-
Other Comprehensive Income (Loss), Net of Tax for the Year Ended December 31, 2018	-	-	-	-	-	(26,601)	-	(26,601)
Balance, December 31, 2018	\$ 10,000,000	\$ 265	\$ 235,700	\$1,000,466	\$-	\$ (47,003)	\$ (26,067)	\$ 11,163,361

# CENTRAL DEPOSIT INSURANCE CORPORATION STATEMENTS OF CASH FLOWS

## FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

FOR THE TEARS ENDED DECEMBER 31, 2010		ress	ed in NT\$'000)
DESCRIPTION	2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before Tax from Continuing Operations (Loss)	\$ -	\$	-
Net Income before Tax (Loss)	-		-
Adjustment for the Interests and Dividends	(1,099,518)		(955,266)
Net Income (Loss) Excluding Interests and Dividends	(1,099,518)		(955,266)
Adjustments	10,006,986		9,602,890
Net Cash Inflow (Outflow) Excluding Interests and Dividends	8,907,468		8,647,624
Interests Received	1,032,323		854,320
Interests Paid	(9,001)		(2,196)
Income Tax Refund (Paid)	151,226		(93,485)
Net Cash Inflow (Outflow) from Operating Activities	10,082,016		9,406,263
CASH FLOWS FROM INVESTING ACTIVITIES			
Current Financial Assets Decrease (Increase)	(9,678,986)		(10,829,119)
Property, Plant and Equipments Decrease	20		87,708
Intangible Assets and Other Assets Decrease (Increase)	(710)		(547)
Property, Plant and Equipments Increase	(5,933)		(4,411)
Net Cash Inflow (Outflow) from Investing Activities	(9,685,609)		(10,746,369)
CASH FLOWS FROM FINANCING ACTIVITIES			
Current Financial Liabilities Increase (Decrease)	(773,402)		773,402
Other Liabilities Increase (Decrease)	1,079,635		586,950
Net Cash Inflow (Outflow) from Financing Activities	306,233		1,360,352
EQUIVALENTS	\$ 702,640	\$	20,246
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	835,783		815,537
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,538,423	\$	835,783



DECEMBER 31, 2018 and 2017 (Amounts are expressed in New Taiwan thousand dollars, unless otherwise stated)

#### **1. GENERAL**

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

The CDIC is a government-owned organization. Its capital was originally contributed by the Ministry of Finance, the Central Bank and other insured financial institutions based on the shares that each of them has subscribed. The Ministry of Finance decreed that the shares were not to be issued publicly. The CDIC's approved capital stock is NT\$10,000,000,000, divided into 1,000,000,000 shares with a face value at NT\$10 each. The number of shares issued is 1,000,000,000. In accordance with the official letter NO. Yuan-Tai-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, 2018, the Financial Supervisory Commission and the Central Bank held 50.95% and 49.05% of the shares respectively. The CDIC's major businesses range from handling deposit insurance, managing deposit insurance risk, conducting special on-site inspection to insured institutions, dealing with failing and failed insured institutions, and establishing related regulations and systems of deposit insurance. Financial institutions duly approved under the law to accept deposits are required to apply for deposit insurance, including banks, the Taiwan branches of foreign and mainland Chinese banks, credit cooperatives, credit departments of farmers' and fishermen's associations, and Chunghwa Post Co., Ltd.

#### 2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying financial statements of 2018 and 2017 were approved and authorized for issue by the Board of Directors on January 11, 2019 and January 26, 2018.

## 3. APPLICATION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

The CDIC has prepared financial statements in accordance with International Financial Reporting Standard No. 9 (IFRS 9)" Financial Instruments" since January 1, 2018. The nature and impact of the significant changes caused by this standard are as follows:

#### (1) Classification and measurement of financial assets

The standard includes new classifications and measurement methods for financial assets that reflect the business model and cash flow characteristics of the management of the financial assets. The financial assets are mainly classified as measured at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss, and Available-for-Sale Financial Assets and Held-to-Maturity Financial Assets under International Accounting Standard No.39 (IAS 39) were vanished on the date.

#### (2) Impairment of financial assets

IFRS 9 adds a new expected loss impairment model to measure the impairment of financial assets instead of IAS 39 loss impairment model. A loss allowance for expected credit losses should be recognized of debt instruments measured at amortized cost and measured at fair value through other comprehensive income.

#### (3) Transition processing

- A. The difference in the carrying amount of financial assets arising from the application of IFRS 9 is recognized as retained earnings and other equity items on January 1, 2018, and the information expressed in 2017 is usually not reflected. Therefore, the related disclosure infomation under IFRS 9 of 2018 were not comparable.
- B. The CDIC uses exemptions for classification and measurement (including impairment) changes without rewriting the prior period comparison information. Due to the difference between the carrying amount of financial assets caused by the adoption of the standard, the retained earnings on January 1, 2018 should be adjusted. 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, 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.

# (4) The classification of financial assets on the initial application date of IFRS 9 is based on the judgment of the business model in which the financial assets are held

The anticipated impact on measurement categories, carrying amount and related reconciliation for each class of the CDIC's financial assets when retrospectively applying IFRS 9 on January 1, 2018 is detailed as below:

Financial Assets		Measurement Category	Book Value (NT\$ '000)
Deposits in the Central Bank-	IAS39	Amortized cost	60,000,000
Time deposits	IFRS9	Amortized cost	60,000,000
Interest Receivable-net	IAS39	Amortized cost	529,153
Interest Receivable-net	IFRS9	Amortized cost (Note1)	529,132
Assets for Bills and Bonds	IAS39	Amortized cost	22,993
under Resell Agreement	IFRS9	Amortized cost	22,993
Held-to-Maturity Financial	IAS39	Amortized cost	31,494,412
Assets-net	IFRS9	Amortized cost (Note1)	31,491,186

Note 1: In the past, the financial assets classified as "Held-to-Maturity Financial Assets" were evaluated by the CDIC for the future operating model of the bonds to collect contractual cash flows, and the cash flows generated by the terms of the financial assets were fully paid for principal and interest. Therefore, the first time the IFRS 9 was applied on January 1, 2018, the assets were reclassified as "Amortized Cost of Financial Assets-Current" and the expected credit impairment loss was estimated at \$ 3,247 thousand. The asset account added "Accumulative impairment-Amortized Cost of Financial Assets-Current" of \$3,226 thousand and "Allowance for bad debts-interest receivable" of \$21 thousand, and was reduced according to the IFRS 9, the "General Financial Deposit Insurance Payout Special Reserves" of \$3,133 thousand and "Agricultural Financial Deposit Insurance Payout Special Reserves" of \$114 thousand.

# (5) The CDIC's accounting policy description of the classification, measurement and related benefits and losses of financial assets in accordance with the standard refer to 4 (2).

## 4. 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 2017 were audited by Directorate-General of Budget, Accounting & Statistics, Executive Yuan and the Ministry of Audit, Control Yuan.

#### (2) Financial Assets

- A. Before January 1, 2018, 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. Held-to-Maturity Financial Assets are measured at the amortized cost using the interest method.
  - b. Assets for Bills and Bonds under Resell Agreement are listed based on the amounts under resell agreements.
- B. After January 1, 2018, the financial assets held by the CDIC are measured at amortized cost and are mainly classified into the following categories:
  - a. Amortized Cost of Financial Assets: The operating mode of the debt instrument investment held by the CDIC is the collection of contractual cash flows, and the cash flows generated by the terms of the financial assets are fully paid for principal and interest. The original recognition is measured at fair value plus directly attributable transaction costs; subsequent effective interest rates are measured as amortized cost less impairment losses. Interest income and impairment losses are recognized in profit or loss.
  - b. 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. Besides 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 statuary 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.

C. The CDIC's Security Guard is not the subject of the Labor Standards Act. The pension should be reserved in accordance with the Establishment and Management Rules for Security Guard in Administrative Agencies and Schools. In accordance with the official letter NO. Lao-Zi 1076013938, released by the Taipei City Government on May 10, 2018, it cannot be saved in the labor pension account, was refunded to the CDIC and saved in the CDIC temporarily.

Pursuant to relevant regulations and the IAS 19 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.

#### (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 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.

	Dec. 31, 2018		De	c. 31, 2017
Petty Cash	\$	350	\$	350
Checking Deposits		5,488		12,350
Treasury Deposits		799,062		798,500
Total	\$	804,900	\$	811,200

#### 5. CASH

#### 6. DEPOSITS IN THE CENTRAL BANK

	Dec. 31, 2018		Dec. 31, 2018 Dec. 3	
Checking Deposits	\$	11,034	\$	1,590
Maturity Deposits over Three Months from the Date of Deposit		60,000,000		60,000,000
Total	\$	60,011,034	\$	60,001,590

## 7. ASSETS FOR BILLS AND BONDS UNDER RESELL AGREEMENT

	De	c. 31, 2018	Dec. 31, 2017		
Assets for Bills and Bonds under Resell Agreement	\$	22,988	\$	22,993	

## 8. HELD-TO-MATURITY FINANCIAL ASSETS-CURRENT

	Dec. 31, 2017			
Bonds	\$	31,494,412		

The interest rates at year end of 2017 ranged from 0.54%~2.2%.

## 9. AMORTIZED COST OF FINANCIAL ASSETS-CURRENT

	Dec. 31, 2018
Bonds	\$ 41,872,900
Doduct: Accumulated impairment	(3,640)
Deduct: Accumulated impairment	\$ 41,869,260

## **10. RECEIVABLES**

	Dec. 31, 2018		Dec	c. 31, 2017
Notes Receivable	\$	15,972	\$	3,920
Interest Receivable		605,299		529,153
Deduct: Allowance for bad debts		(19)		-
	\$	621,252	\$	533,073

## **11. PROPERTY, PLANT AND EQUIPMENT**

Dec. 31, 2018									
		Cost Accumulated Depreciation		Book Value					
Land	\$	215,548	\$	-	\$	215,548			
Revaluation Increment-Land		62,022		-		62,022			
Buildings		265,486		121,479		144,007			
Machinery and Equipment		67,729		47,994		19,735			
Transportation Equipment		14,624		10,514		4,110			
Other Equipment		26,656		19,316		7,340			
Total	\$	652,065	\$	199,303	\$	452,762			

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			

(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, 2018 and 2017 were \$190,083 thousand and \$188,580 thousand, respectively.

	2018	2017		
Balance as of Beginning of the Year	\$ 2,044	\$	4,635	
Increase	710		550	
Decrease	(1,016)		(3,141)	
Balance as of the End of the Year	\$ 1,738	\$	2,044	

## **12. INTANGIBLE ASSETS-COMPUTER SOFTWARE**

## 13. LIABILITIES FOR BILLS AND BONDS UNDER REPURCHASE AGREEMENT

	Dec. 31	1, 2018	Dec. 31, 2017		
Liabilities for Bills and Bonds under Repurchase Agreement	\$	-	\$	773,402	

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

## **14. PAYABLES**

	Dec	. 31, 2018	Dec. 31, 2017		
Collection Payable	\$	2,850	\$	4,026	
Accrued Expenses		3,961		3,973	
Interest Payable		-		51	
Other Payables		76,693		75,363	
Total	\$	83,504	\$	83,413	

## **15. PAYOUT SPECIAL RESERVES**

	C	)ec. 31, 2018	Dec. 31, 2017		
General Financial Deposit Insurance Payout Special Reserves	\$	86,276,151	\$	75,555,906	
Agricultural Financial Deposit Insurance Payout Special Reserves		5,017,170		4,677,907	
Total	\$	91,293,321	\$	80,233,813	

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.

## **16. TEMPORARY RECEIPTS AND THE ACCOUNT TO BE CARRIED OVER**

	D	ec. 31, 2018	Dec. 31, 2017		
Temporary Receipts and the Account to be Carried Over	\$	1,076,879	\$	1,069,285	

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 \$277,933 thousand and \$270,332 thousand at year ends of 2018 and 2017 respectively, were transferred to the CDIC to handle.

## **17. CAPITAL STOCK**

Dec. 31, 2018 and 2017							
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						

## **18. ADJUSTMENTS FOR THE FIRST ADOPTION OF IFRS**

In order to handle the project of "WANDA Line" 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.

## **19. OTHER**

There were \$278,233 thousand under the total assets and liabilities as of December 31, 2018, 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 \$200 thousand, deposits in the Central Bank \$277,733 thousand, prepaid expenses \$300 thousand, accrued expenses \$300 thousand and temporary receipts and the account to be carried over \$277,933 thousand.

## **20. 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 2018, the Chinatrust Commercial Bank has not yet applied for the compensation.
- (2) The amount \$44,804,252 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 \$44,803,752 thousand, as well as the liability.
  - B. The collateral deposits amounted \$500 thousand on the assets under trust, agency, and guaranty, as well as the liabilities under trust, agency, and guaranty.



## **Boosting Financial Inclusion**

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# Statistics

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

Unit: number of institutions

Year Insured Institutions	2018	2017	2016	2015	2014
Domestic Banks	38	39	39	39	40
Credit Cooperatives	23	23	23	23	23
Credit Departments of Farmers' Associations	283	283	282	281	278
Credit Departments of Fishermen's Associations	28	28	28	25	25
Taiwan Branches of Foreign and Mainland Chinese Banks	28	28	28	29	29
Total	400	401	400	397	395

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

2. The figures for domestic banks include 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: %

Insured Institutions	Ratio of Covered Deposits to Total Eligible Deposits						
	2018	2017	2016	2015	2014		
Domestic Banks	51.1	51.3	51.9	51.8	52.8		
Credit Cooperatives	64.8	65.6	66.4	67.1	68.3		
Credit Departments of Farmers' Associations	78.0	78.8	79.2	79.4	79.0		
Credit Departments of Fishermen's Associations	81.0	81.9	82.3	83.4	82.5		
Taiwan Branches of Foreign and Mainland Chinese Banks	2.2	1.9	1.7	2.4	2.4		
Average Ratio	51.6	51.7	52.3	52.5	53.5		

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

- 2. The figures for domestic banks include 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 "Total Eligible Deposits" refers to the total amount of checking deposits, demand deposits, time deposits, and other insured institution deposits listed under the deposit liabilities account, less 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: NI\$ 1r								ι. Ντφ ππιποπ
		Ins	ured Institutio	ed Institutions				Ratio of
Year	Type of Institution	No. of Firms	Total Eligible Deposits	Covered Deposits	Ratio of Covered Deposits to Total Eligible Deposits (%)	Premium Revenue	Deposit Insurance Payout Special Reserves	Deposit Insurance Payout Special Reserves to Covered Deposits (%)
			(a)	(b)	(b)/(a)		(c)	(c)/(b)
2018 -	General	88	40,736,004	20,900,775	51.31	9,459	86,276	0.41
2010	Agricultural	312	2,428,831	1,380,869	56.85	333	5,017	0.36
2017 -	General	89	39,853,676	20,490,920	51.42	9,179	75,556	0.37
2017	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
2010	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
2015	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
2014	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
2013	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
2012	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
2011	Agricultural	303	2,093,921	1,194,099	57.03	355	2,744	0.23
2010 -	General	90				4,389	0	0
2010	Agricultural	301	Pla	nket Guarante	20	302	2,507	-
2009 -	General	93	Did	intel Guaranti	66	4,184	0	0
2009 -	Agricultural	290				291	2,395	-

Notes: 1. The government announced in October 2008 that deposits at all financial institutions participating in deposit insurance scheme (including principal and interest as set out in Article 12, paragraphs 1 and 2 of the *Deposit Insurance Act*) would be provided with a temporary blanket guarantee 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 resumed limited coverage on January 1, 2011.

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

3. According to the provisions of Article 6 of the Deposit Insurance Act, the Deposit Insurance Payout Special Reserves have been divided into two accounts since 2007. One is for general financial institutions and the other is for agricultural financial institutions. The term "General Account" refers to general financial institutions, which includes domestic banks, Chunghwa Post Co., Ltd., Taiwan branches of foreign and mainland Chinese banks, and credit cooperatives, whereas the term "Agricultural Account" refers to agricultural financial institutions, which includes the Agricultural Bank of Taiwan and 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 temporary blanket guarantee, the deposit insurance system resumed 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 had taken effect on July 1, 2007. Thus the term "Covered Deposits" for 2007 refers to deposits under the NT\$1.5 million limit, while for the earlier years it refers to deposits under the NT\$1.5 million limit.

5. Deposit Insurance Premium Rates:

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

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

6. Article 3 of the Act for the Establishment and Administration of the Financial Restructuring Fund requires that, during the ten-year period beginning from January 2002, any incremental deposit insurance premium income that arises as a result of the increase in the deposit insurance premium rate that took effect on January 1, 2000 must be transferred by the CDIC to the Financial Restructuring Fund.

7. Beginning in September 2007, the CDIC's Deposit Insurance Payout Special Reserves were used up to share the burden of compensation paid out for the resolution of failed financial institutions under 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 2009 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.

 From October 2008 to December 31, 2010, the government implemented a temporary blanket guarantee for deposits, 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

Table 4. Major Revenue and Expens				Unit	t: NT\$ 1million	
Year	2018	2017	2016	2015	2014	
Operating Revenues	10,916	10,475	10,200	9,979	20,762	
Interest Revenues	1,108	958	875	855	704	
Premium Revenues	9,792	9,513	9,325	9,124	8,968	
Agency Revenues	16	4				
Other Operating Revenues					11,090	
Operating Costs and Expenses	10,912	10,544	10,185	9,791	20,760	
Deposit Insurance Payout Special Reserve Provisions	9,994	9,643	9,305	8,914	20,034	
Interest Expenses	9	2	5	1	2	
Transaction Expenses	845	835	812	812	662	
General & Administrative Expenses	58	58	57	58	57	
Other Operating Expenses	4	4	5	5	5	
Other Expenses	2	2	1	1		
Operating Income	4	(69)	15	188	2	
Non-Operating Income (Loss)	(4)	69	(15)	(188)	(2)	
Net Income before Income Tax						
Income Tax Expenses						
Net Income						

Notes: 1. The figures for 2014 to 2017 were reviewed and audited by the National Audit Office.

2. Article 5 of the *Deposit Insurance Act* provides as follows: "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." For this reason, net income for these periods was not recorded.

# Appendix: Evolution of Taiwan's Deposit Insurance System

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2018)
Type of Membership	Voluntary	Changed to mandatory system in January 1999	<ul> <li>Revised in January 2007 as follows:</li> <li>All financial institutions legally approved to accept deposits must apply to CDIC to join the deposit insurance system.</li> <li>Such institutions may become insured institutions after inspection and approval by CDIC.</li> <li>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> in 2007.</li> </ul>
Capital	<ul> <li>Legally prescribed capital NT\$2 billion</li> <li>Paid-in capital NT\$800,050,000</li> </ul>	<ul> <li>Legally prescribed capital raised to NT\$5 billion in July 1992</li> <li>Prescribed capital raised to NT\$10 billion in November 1995</li> </ul>	Same as the left column
Insured Institutions	<ul> <li>Domestic banks (excluding Chunghwa Post Co., Ltd.)</li> <li>Small and medium business banks</li> <li>Trust and investment companies</li> <li>Credit cooperatives</li> <li>Credit departments of farmers' and fishermen's associations</li> <li>Taiwan branches of foreign banks (even if their deposits are protected in their home countries)</li> <li>Other financial institutions designated by the Ministry of Finance</li> </ul>	<ul> <li>Revised in January 1999, to include the financial institutions listed on the left and Chunghwa Post Co., Ltd.</li> <li>Beginning in January 1999, Taiwan branches of foreign banks whose deposits are protected in their home countries may not participate in the Taiwan's Deposit Insurance System</li> </ul>	Same as the left column (Note: Chunghwa Post Co., Ltd. was renamed Taiwan Post on February 9, 2007, but the name reverted back to Chunghwa Post Co., Ltd. on August 1, 2008) Revised in October 2013: Revised "Taiwan Branches of Foreign Banks" into "Taiwan Branches of Foreign and Mainland Chinese Banks"
Premium Assessment Base	Covered deposits	Same as the left column	Revised in January 2007 to total eligible deposits

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	(Ju	Changes ly 2001 ~ Dec. 201	8)
Insurance Premium	Flat rate: 0.05%	<ul> <li>Flat rate, but reduced to 0.04% in July 1987</li> <li>Further reduced to 0.015% in January 1988</li> <li>Risk-based premium system adopted on July 1, 1999, and three-tier rates instituted: 0.015%, 0.0175%, and 0.02%</li> <li>Three-tier rates adjusted to 0.05%, 0.055% and 0.06% on January 1, 2000</li> </ul>	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%
			within the covera amounts beyond 1, 2011; also rev "Taiwan Branche Branches of For	mber 2010: nium rates for cove age limit and a flat I this, effective fron rised in October 20 es of Foreign Banks eign and Mainland same risk-based p	rate for any 1 January 13 the term s" into "Taiwan Chinese Banks"
			Financial Institutions	Risk-based Premium Rates	Flat Premium Rate
			Domestic banks, Taiwan branches of foreign 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. 2018)
Coverage Limit	NT\$700,000	Increased to NT\$1 million on August 15, 1987. (In July 2001, the government passed the <i>Statute for</i> <i>the Establishment and</i> <i>Management of the Executive</i> <i>Yuan's Financial Restructuring</i> <i>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> <li>Increased to NT\$1.5 million on July 1, 2007.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ol>
Types of Eligible Deposits	<ul> <li>Checking deposits</li> <li>Demand deposits</li> <li>Time deposits</li> <li>Savings deposits</li> <li>Trust funds</li> <li>Other deposits that the competent authority has approved as eligible</li> </ul>	Same as the left column	<ol> <li>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</i> <i>Establishment and Management of the Executive</i> <i>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.)</li> <li>Revised in January 2007 as follows:</li> <li>Checking deposits</li> <li>Demand deposits</li> <li>Time deposits</li> <li>Other deposits that the competent authority has approved as eligible</li> <li>Revised in May 2008 as follows:</li> <li>Checking deposits</li> <li>Demand deposits</li> <li>Time deposits</li> <li>Demand deposits</li> <li>Other deposits</li> <li>Other deposits</li> <li>Demand deposits</li> <li>Other deposits</li> <li>Deposits required by law to be deposited in certain financial institutions</li> <li>Other deposits that the competent authority has approved as eligible</li> </ol>

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2018)
			<ul> <li>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:</li> <li>The principal and interest of deposits pursuant to Paragraphs 1 and 2 of Article 12 of the <i>Deposit Insurance Act</i></li> <li>Interbank call loans</li> <li>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</li> <li>Bank debentures issued on or before June 23, 2005</li> <li>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.</li> <li>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:</li> <li>Checking deposits</li> <li>Demand deposits</li> <li>Time deposits that the competent authority has approved as eligible</li> <li>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.</li> </ul>
Scope of Coverage	Deposit principal and interest	From January 1999, limited to deposit principal	<ol> <li>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.</li> <li>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, 2000</li> </ol>
			<ol> <li>2009.</li> <li>In October 2009, the government announced that the period of temporary full coverage would be extended a further year until December 31, 2010.</li> <li>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.</li> </ol>

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2018)
Scope of Fund Utilization	<ul> <li>Deposits at the Central Bank</li> <li>Investments in government bonds, bonds with principal and interest guaranteed by the government, or financial debentures</li> </ul>	<ul> <li>The following revisions were effective in January 1999:</li> <li>Deposits at the Central Bank</li> <li>Deposits in financial institutions approved by the competent authority and which provide government bonds as collateral</li> <li>Investments in government bonds and financial debentures</li> </ul>	<ul> <li>Revised in January 2007 as follows:</li> <li>Deposits at the Central Bank</li> <li>Investments in government bonds</li> <li>Utilization by methods approved by CDIC Board of Directors</li> </ul>
Means of Fulfilling Insurance Responsibilities	<ul> <li>Cash payouts</li> <li>Deposit transfers</li> <li>Temporarily continued operation in the name of CDIC</li> </ul>	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.	<ul> <li>Revised in January 2007 as follows:</li> <li>Deletion of temporarily continued operation in the name of CDIC.</li> <li>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.</li> </ul>
Advance Payment for Deposit and Non-deposit Liabilities in Excess of Coverage Limit	None	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.	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	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> .

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2018)
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.	<ul> <li>Revised in January 1999 as follows:</li> <li>Insured institutions under guidance, superintendence, or conservatorship, may be assisted by provision of loans or deposits.</li> <li>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.</li> </ul>	<ul> <li>Revised in January 2007 as follows:</li> <li>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.</li> <li>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.</li> <li>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.</li> </ul>
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.	<ul> <li>Provisions added in January 1999 as follows:</li> <li>That part for which CDIC is unable to provide collateral is to be guaranteed by the National Treasury.</li> <li>When the secured portion exceeds CDIC's net worth, the competent authority and the Central Bank must apply to the Executive Yuan for approval.</li> </ul>	Revised in January 2007: Through a joint request by the competent authority with the Ministry of Finance and the Central Bank and approval by the Executive Yuan, the part for which collateral cannot be provided may be guaranteed by the National Treasury.
Penalty for Refusal to Apply to Participate in Deposit Insurance	None	Provision added in January 1999: A fine of double the amount of the deposit insurance premium for penalty is to be imposed.	Revised in January 2007: 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.

	Year of Establishment	Subsequent Changes	Changes
	(Sept. 1985)	(Sept. 1985 ~ July 2001)	(July 2001 ~ Dec. 2018)
Method of Allocation of CDIC's Surplus	As stipulated in the <i>Company Act.</i>	Same as the left column	<ol> <li>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.</li> <li>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.</li> </ol>
Depositor Preference	None	Same as the left column	Addition in May 2006: When an insured institution is disposed of by CDIC with the stipulation of the <i>Deposit Insurance Act</i> by the competent authority or the central competent authority for agricultural finance for resolution or liquidation upon clearing the debt, its deposit liabilities shall take precedence over non-deposit liabilities.
Establishment of Two Separate Deposit Insurance Payout Special Reserves	None	Same as the left column	<ul> <li>Addition in January 2007:</li> <li>The reserves were divided into separate deposit insurance payout accounts for general financial institutions and agricultural financial institutions.</li> <li>Both reserve funds have a target ratio of 2% of covered deposits.</li> </ul>
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	<ul> <li>Revised in January 2007 as follows:</li> <li>CDIC may in accordance with Article 24 of the <i>Deposit Insurance Act</i> conduct inspections on insured institutions on the following items:</li> <li>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.</li> <li>Any event causing the termination of the deposit insurance agreement.</li> <li>Assets and liabilities of insured institutions prior to the fulfillment of insurance responsibilities.</li> <li>Property information and information needed to pursue civil liabilities for illegal acts or omissions by employees of failed insured institutions that receive financial assistance.</li> <li>Addition in January 2012:</li> <li>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.</li> </ul>

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2018)
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	<ul> <li>Revised in January 2007: The scope of reasons for termination of insured status is revised to also include the following:</li> <li>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.</li> <li>There is a major fraud or other illegal activities occurring at an insured institution with the potential to increase the deposit insurance payout cost.</li> <li>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.</li> </ul>
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 (R.O.C.) 2018 Annual Report

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