

Message from the Chairman and the President



Central Deposit Insurance Corporation (CDIC) devotes its activities to the missions of safeguarding the benefits of depositors in financial institutions, maintaining an orderly credit system and enhancing the sound development of financial operations. In 1999, the Parliament approved amendments to the Deposit Insurance Act that shifted participation in the deposit insurance system from a voluntary to a mandatory basis. A risk-based premium system was also introduced at that time, and mechanisms for handling problem financial institutions were bolstered. In order to facilitate failed financial institutions to smoothly withdraw from the market so as to avoid unrest in the financial system, on July 9, 2001 the Parliament passed a budget of NT\$140 billion (U.S.\$4 billion) to set up the Financial Restructuring Fund. Under the Fund, a temporary blanket guarantee has been provided for a period of three years, extendable for one year when necessary. And CDIC has been given responsibility for dealing with problem financial institutions. Subsequently, a total of 36 credit departments of farmers' and fishermen's associations and 8 credit cooperative associations have smoothly withdrawn from the market to date. Continuing its work this year, CDIC successfully auctioned off the non-performing loans (NPLs) of two failed banks through an open and transparent public tender. This strengthened mechanisms for the disposal of problem financial institutions.

In recent years, the government has propelled a series of financial reforms, including passing of amendments to related statutes, improving the function of financial supervision, etc. Among others, the government established a legal framework of agency--Financial Supervisory Commission scheduled to operate in July 2004, under which the administration of banking, securities, insurance and financial examination are unified for the purpose of strengthening

financial supervision mechanism and enhancing the sound development of financial market. The government also created a subsystem--Bureau of Agricultural Finance under Council of Agriculture for the purpose of taking care of weak agricultural financial sector and segregating it from the internationalized financial sector so as to avoid their impacts to each other. These financial reforms implemented are aimed at creating a high quality of operational environment and upgrading overall competitive ability. By the end of 2001, the NPL ratio for all financial institutions as a whole is at 8.16%, further down to 5% by the end of 2003. The financial reforms by the government have brought about somewhat effect anticipated. However, the government still continues to actively solve the current problems of over-banking and NPLs for financial institutions.

CDIC joined the International Association of Deposit Insurers (IADI) as a founding member in 2002. And in 2003, CDIC attended the 2nd annual general meeting and conference of IADI, during which its delegate delivered a speech on the experience of Taiwan's financial reform, enhancing Taiwan's participation in and contribution to the international field of deposit insurance. Furthermore, CDIC signed memorandums of understanding with Korea Deposit Insurance Corporation (KDIC) and Korea Asset Management Corporation (KAMC) to promote on-site personnel training as well as information and experience exchange between the two sides.

Looking ahead, the financial examination work of CDIC will be transferred to a new agency in July 2004 in accordance with the government's policy of unifying financial supervision mechanism. Besides, the insurance coverage will transition to a limited coverage system following the expiration of blanket guarantee for deposits in financial institutions, so CDIC has actively carried out planning for strengthening the functions of the deposit insurance in reference to the experience of the advanced countries, thereby enhancing the early-exiting-off-the-market mechanism for problem financial institutions.

Over the past year, the entire CDIC staff has worked in a concerted effort, with the support of all sectors, to complete successfully all of its business tasks. CDIC will further strengthen deposit insurance mechanisms so that it is able to respond to rapid changes in the financial environment and achieve its function of stabilizing financial system. We sincerely hope all of you will unreservedly favor us with your continued enlightenment in the future.

Chairman



President



Economic and Financial Status of Taiwan

In the first half of 2003, the global economy fell under the shadow of the Iraq War and the outbreak of SARS. Fortunately, these events had only a short-lived impact and were rapidly brought under control. The global economy began showing signs of recovery in the second half, led by growth in the U.S. and EU, sparking a new wave of global investment and consumption. The worldwide recovery was aided along by the abrupt rise of emerging countries and markets with abundant natural resources, large domestic markets, and cheap labor.

To ensure that Taiwan's economy recovers along with this global trend, the government has been aggressively expanding public works projects to stimulate domestic demand. In June, the Central Bank of China reduced the discount rate and interest rate on accommodations with collateral by 0.25 percentage points with the aim of maintaining an easy monetary policy and heightening the willingness to invest. Aided by the rapid recovery of the global economy and the implementation of various government policies, Taiwan's substantive economic activity began to recover in the second half of 2003. International trade rebounded strongly, both on the import and export sides, and industrial output posted stable growth. These trends accelerated the pace of business investment, boosted consumer confidence, and invigorated the stock market and real estate market, enabling economic growth for the year to reach 3.15%.

Furthermore, in order to synchronize Taiwan's economic and financial pulse with international trends, the government continued to carry out policies aimed at helping the financial sector consolidate its resources to clear up overdue loans and write off NPLs. It also pressed financial institutions to accelerate their BIS ratio, resulting in the steady reduction of both the total amount and ratio of overdue loans from peaks in March 2002, effectively improving the conditions of these financial institutions.

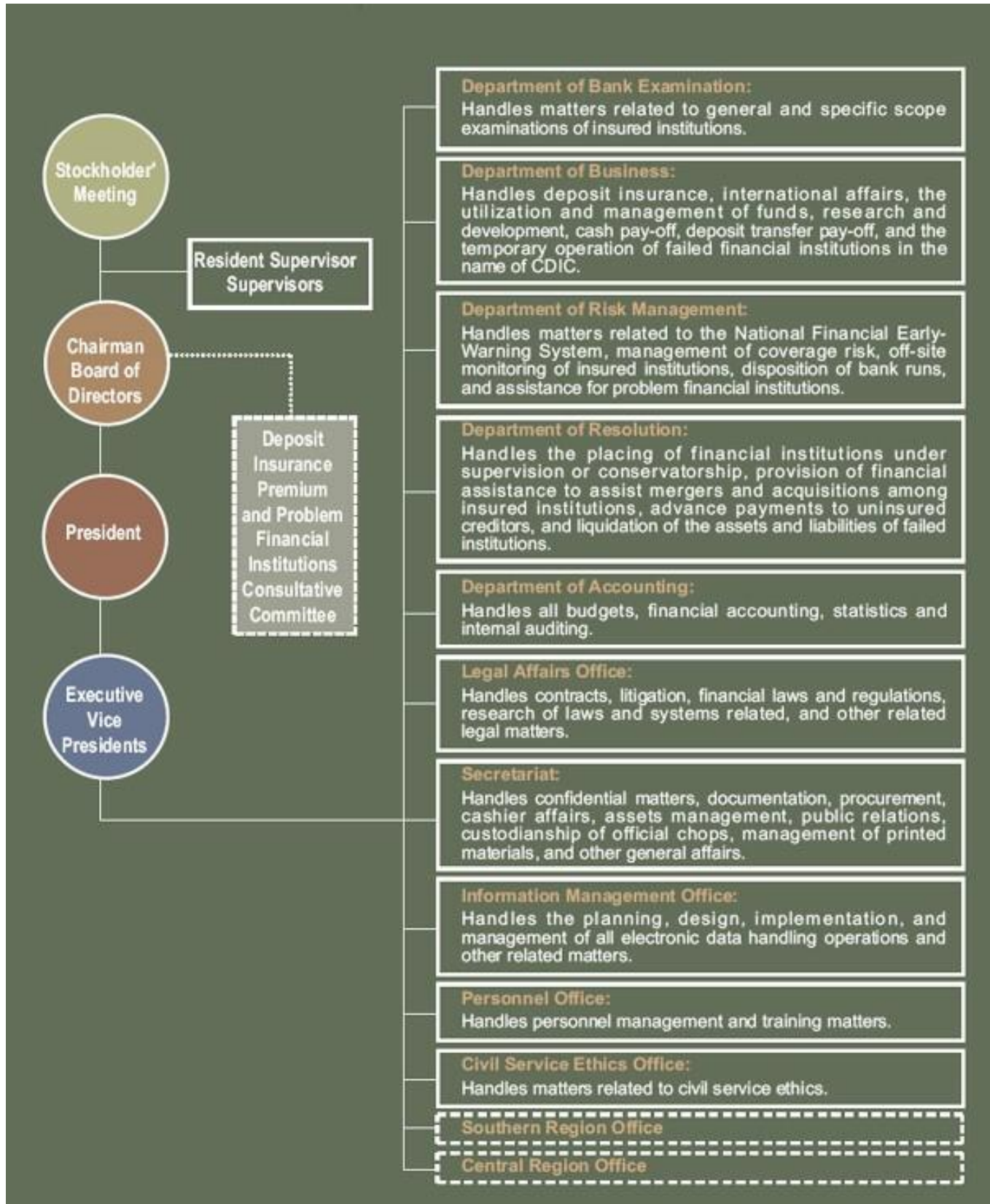
In sum, Taiwan's overall economic and financial situation in 2003 began to steadily recover in the second half of the year. Since July, the economic monitoring light has held steady at green, representing stable growth, with the exception of a yellow-red light, indicating economic boom, in December. Major leading economic indicators have also steadily improved since July. As the global economic recovery gathers momentum, Taiwan's economic and financial activity will also continue to gather steam. And with the ongoing promotion of government reforms and measures, the economic and financial outlook for Taiwan is bright.

Major Economic and Financial Indicators, 1999-2003

Economic Indicators / Year	2003	2002	2001	2000	1999
1. Economic growth					
Economic growth rate (%)	3.24	3.59	-2.18	5.86	5.42
GDP (US\$ billion)	286	282	281	309	288
Per capita income (US\$)	11,841	11,627	11,637	12,916	12,100
2. Foreign trade					
Export surplus (US\$ billion)	16.93	18.07	15.63	8.31	10.90
Export growth (%)	10.4	6.3	-17.2	22.0	10.0
Import growth (%)	13.1	4.9	-23.4	26.5	5.8
Export order growth (%)	20.5	11.2	-11.5	20.4	7.3
Foreign exchange reserves at year-end (US\$ billion)	206.6	161.7	122.2	106.7	106.2
3. Business indicators (year-end)					
Monitoring light	Yellow-Red	Green	Blue	Green	Green
Monitoring score	33	24	15	16	28
Leading index	105.0	101.1	96.7	98.4	105.3
Coincident index	105.8	104.1	97.8	101.6	105.2
4. Population and unemployment rate					
Population at year-end (million)	22.61	22.52	22.41	22.28	22.09
Unemployment rate (%) averaged over entire year	4.99	5.17	4.57	2.99	2.92
5. Commodity prices index					
Annual increase in CPI (%)	-0.28	-0.20	-0.01	1.26	0.18
Annual increase in WPI (%)	1.65	0.06	-1.34	1.82	-4.55
6. Interest/Forex rates (year-end)					
Central Bank discount rate (%)	1.375	1.625	2.125	4.625	4.500
Central Bank interest rate on accommodations with collateral (%)	1.750	2.000	2.500	5.000	4.875
Foreign exchange rate (NT\$:US\$1)	33.973	34.753	34.999	32.992	31.400
7. Money supply (year-end)					
M2 annual growth (%)	5.55	2.79	4.73	6.73	7.08
M2+bond fund annual growth (%)	7.48	4.33	6.49	7.05	-
M1b annual growth (%)	18.10	11.08	10.72	0.37	14.08
M1a annual growth (%)	18.53	10.34	0.07	-0.92	7.87
8. Loans by financial institutions (year-end)					
Total loans (NT\$ billion)	14,157	13,579	13,915	14,333	13,687
Non-performing loan ratio (%)	5.00	6.84	8.16	6.20	5.67

Sources: Websites of the Central Bank of China; Directorate-General of Budget, Accounting and Statistics, Executive Yuan; Bureau of Monetary Affairs, Ministry of Finance; and Council for Economic Planning and Development, Executive Yuan.

Organization and Duties



Board of Directors, Supervisors and Senior Executives

Board of Directors

Chairman	Chin-Tsair Tsay (Representative of the Central Bank of China)
Directors	Fred S.C. Chen (Representative of the Central Bank of China)
	Cheng-Shang Chang (Representative of the Ministry of Finance)
	Ming-Daw Chang (Representative of Ministry of Finance)
	Ming-Nang Yu (Representative of the Central Bank of China)
	Johnson C.S. Chen (Representative of the Ministry of Finance)
	Ching-Chiang Chen (Representative of the Ministry of Finance)

Supervisors

Resident Supervisor	Jiin-Tarnq Yue (Representative of the Central Bank of China)
Supervisors	Kuo-Chung Hsu (Representative of the Ministry of Finance)
	Tang-Chieh Wu (Representative of the Ministry of Finance)

Senior Executives

President	Johnson C.S. Chen
Executive Vice Presidents	W.H. Lai
	L.C. Pan
	Howard N.H.Wang

Business Operation

CDIC is the sole government agency vested with the responsibility for handling deposit insurance in Taiwan. Its objectives are to safeguard the benefits of depositors in financial institutions, promote savings, maintain an orderly credit system, and enhance the sound development of financial operations. To facilitate legislative objectives, the Deposit Insurance Act vests CDIC with four major responsibilities: handling deposit insurance, examining insured institutions, assisting problem insured institutions, and handling failed insured institutions. In addition, the Financial Restructuring Fund has entrusted CDIC with the policy mission of resolving problem financial institutions. Following are brief descriptions of the major tasks and policy missions taken up by CDIC in 2003:

1. Deposit Insurance

(1) Participation of Financial Institutions in Deposit Insurance

After participation in deposit insurance was made mandatory by law from a former voluntary basis in January 1999, all deposit-taking financial institutions by law have participated in deposit insurance, and hence became CDIC-insured institutions. In the last two years, the government has actively promoted consolidation of the domestic financial industry to enhance its scale and competitiveness which is in line with global trends, so the numbers of the insured institutions are reduced. This year, four insured institutions exited the market through voluntarily merger or purchase and assumption, reducing the number of insured institutions from 405 at the end of 2002 to 401 at the end of 2003.

(2) Protection of Depositors and Deposits in the Insured Institutions

Currently, the maximum insurance coverage that the deposit insurance system extends to each individual depositor in any insured institution is NT\$1 million. According to the statistics reported by all insured institutions, total insurable deposits amounted to approximately NT\$18.54 trillion, of which about NT\$8.50 trillion were under the maximum coverage. The average ratio of insured deposits to total insurable deposits in all insured institutions was 45.8%. The average ratio of depositors whose deposits were under the maximum coverage to total depositors in all insured institutions was 94.9%. Analysis by type of financial institution shows that the local branches of foreign banks had the lowest ratio of 89.3%, while domestic banks had the highest ratio of 95.0%. This indicates that the current maximum coverage of NT\$1 million is able to provide most small depositors with full protection.

(3) Impact of the Financial Restructuring Fund on Deposit Insurance Coverage

The maximum insurance coverage that CDIC extends to each individual depositor in any insured institution is presently NT\$1 million. However, under the mechanism of the Financial Restructuring Fund, the full amount of deposits and interest at problem financial institutions handled by the Fund is covered in its existing period from July 11, 2001, to July 10, 2004, extendable for one year if necessary.

(4) Implementation of the Risk-based Premium System

In order to cope with implementation of mandatory participation and appropriately reflect the operating risk of insured institutions, CDIC with the approval of Ministry of Finance formally implemented a risk-based premium system on July 1, 1999. Based on the premise that a sound deposit insurance system should establish sufficient funds for insurance reimbursement so that the confidence of depositors can be maintained, CDIC received approval from Ministry of Finance to raise its three-tiered deposit insurance premium rates from the original 0.015%, 0.0175%, and 0.02% to 0.05%, 0.055%, and 0.06%, respectively, on Jan. 1, 2000. This enabled CDIC to accumulate an adequate deposit insurance pay-off special reserves and reinforce its ability to handle problem insured institutions, thereby protecting the interests of depositors, effectively assisting insured institutions in reducing operating risk, and maintaining financial stability.

As of the end of 2003, approximately 55% of all insured institutions were subject to the 0.05% rate, about 20% were subject to the 0.055% rate, and about 25% were subject to the 0.06% rate. The amount of the accumulated deposit insurance pay-off special reserves as of that time totaled NT\$10.95 billion.

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2. Examination Operations

(1) Status of Financial Examination

CDIC's financial examinations are primarily conducted onsite and secondarily via off-site monitoring. On-site examinations consist of general-scope examinations and specific-scope examinations. General-scope examinations involve all aspects of a financial institution's operations, and their focus shifts along with changes in the financial environment. Specific-scope examinations focus on specific areas of business as commissioned by the competent authority in response to abnormal changes in financial conditions or other unexpected events.

CDIC's examinations of financial institutions are categorized into the examinations of insured institutions and commissioned examinations. Examinations of insured institutions are carried out in accordance with Article 21 of the Deposit Insurance Act, while commissioned examinations are undertaken in accordance with the Regulations Governing Ministry of Finance's Commissioning CDIC with the Examination of Community Financial Institutions. Since July 1996, CDIC has undertaken the examination of all credit cooperative associations, credit departments of farmers' and fishermen's associations (hereinafter referred to as the "community financial institutions"). In addition, since December 1998, Ministry of Finance has, in accordance with Article 45 of the Banking Law, commissioned CDIC to examine all computer centers shared by community financial institutions. During 2003, CDIC completed 300 general-scope examinations for institutions' headquarters and 764 for their branches. It also carried out 162 specific-scope examinations of insured institutions, focusing on credit operations and internal management, asset assessment, related parties of problem financial institutions, large non-performing loans, public tip-offs, and other specific matters aimed at controlling its insurance risk.

(2) Improving the Effectiveness of Examination

§ Coordinating major financial examination activities through the Financial Examination Committee

The Financial Examination Committee is composed of representatives from Ministry of Finance, the Central Bank of China, CDIC, and Taiwan Cooperative Bank. The purpose of the Committee is to plan and integrate the whole task of financial examination. During this year, the Committee drafted the “Bills Finance Corporation Auditing Work Assessment Guidelines,” and discussed specific issues such as the “annual amortization methods for expressing in examination reports the losses incurred by financial institutions from selling off NPLs,” “Principle on distribution of Internal Audit Reports of Financial Holding Companies,” “Joint Training on Financial Examinations,” etc.

§ Drafting the “CDIC's Operational Guidelines for Examination of Financial Institutions”

In conjunction with reforms to relevant laws, regulations, systems and practical operations, CDIC revised the “CDIC's Operational Guidelines for Examination of Financial Institutions.” The revised guidelines stipulate the legal basis, scope, frequency, and procedures for the examination of financial institutions, providing standards for the management of financial examination work and examination personnel.

§ Revising the “Reference Standards for the Assessment of Financial Institution Assets”

In order to faithfully reflect the asset quality of examined institutions, CDIC revised the “Reference Standards for the Assessment of Financial Institution Assets” to ensure that examiners cautiously and objectively assess asset quality. These amendments were drafted in reference to “Regulations Governing Estimated Loss Reserves of Bank Assets and Disposition of Overdue/Non-Performing Loans and Bad Debts” revised by Ministry of Finance and standards for the evaluation of credit card operations and write-off procedures. Besides CDIC has considered the differences between the real estate markets in urban and in rural areas.

§ Enhancing the efficiency and quality of examinations through computer auditing software

In response to the growing complexity of financial data and the increasing reliance on electronic financial transactions, CDIC drafted the “Standards for the Utilization of the Electronic Files of Financial Institutions by Financial Examination Personnel of CDIC” . Through computer auditing software, it assisted examination performance with the aim of improving the efficiency and quality.

§ Training examiners

CDIC arranged several forms of training for examination personnel. It commissioned training from professional training institutions, invited experts to give special lectures, held workshops illustrated by case studies, and provided joint training for financial examination personnel. The content of these training activities emphasized such issues as risk management, data security management, new financial products, and corporate lending etc. Moreover, in response to the unification of financial supervisory agency, staff members without bank examination experience were dispatched to participate in on-site examinations and learn about new types of financial products and operations. CDIC also established a Foreign Exchange and Derivative Products Operation Study Group to enhance the professional skill of examination personnel and enhance examination quality.

3. Risk Management

(1) Financial Early-warning System

In order to closely track the operating status and financial conditions of financial institutions, detect problem financial institutions early, and provide a reference for planning the focus and frequency of on-site examinations, Ministry of Finance commissioned CDIC to establish the National Financial Early-Warning System. CDIC make necessary adjustments and revisions of the system to meet the changing financial environment and supervision needs. Following are brief descriptions of tasks regarding early-warning operations that were undertaken during this year:

- In order to achieve the information sharing principle, CDIC submitted the results of examination assessments, the “Quarterly Analysis Report of Community Financial Institutions,” “Report on the Ranking of Data of Financial Institutions,” and “Summary Report on Community Financial Institutions with Abnormal Financial Data” to the competent authority to facilitate the timely monitoring of the financial and business status of financial institutions.
- In line with the government policy of public disclosure information on financial institutions, CDIC published summarized information of the “Quarterly National Statistical Report on the Financial Data and Related Indicators of Community Financial Institutions” in the quarterly Deposit Insurance Journal and CDIC website. Through above journal or website, the public can understand the operating information of financial institutions and reinforce financial self-discipline functions.
- “The Internet-based Real-time on-line Data Transmission Monitoring Systems between CDIC and Financial Institutions” are used for timely acquisition of warnings about abnormal changes in the operations of financial institutions. CDIC conveys related questions to financial institutions and requests the competent authority to oversee the institutions with operational deficiencies to make improvement in accordance with the regulations so as to reduce insurance risk.
- In response to the competent authority's revised definition of overdue loans, CDIC revised its financial early-warning system for banks to increase the function of information disclosure on overdue loan amounts and ratios. CDIC also monthly downloads current information on overdue loans from the website of Bureau of Monetary Affairs, Ministry of Finance, and makes comparison forms to strengthen the grasp of information on the operations of banks.
- In order to improve its grasp of information on the operations of financial holding companies and monitor the overall operational risk of such companies, CDIC established the “Financial Holding Company Quarterly Reporting System.” Once the system completes the trial phase and is officially brought online, it will serve as a tool for compiling quarterly operational reports for reference in monitoring work.

(2) Follow-up Evaluation

In addition to strengthening its handling of both general-scope and specific-scope examinations of insured institutions, CDIC has, in accordance with relevant regulations, drawn up CDIC Enforcement Procedures for the Follow-up Evaluation of Insured Institutions' Business Deficiencies to regulate institutions' operations. Furthermore, based on the Regulations Governing Ministry of Finance's Commissioning CDIC with the Examination of Community Financial

Institutions, CDIC conducts follow-up evaluation of the examined institutions based on the results of on-site examinations. These follow-up evaluation measures are briefly introduced below:

- Establishing and updating files for insured institutions

Files on the basic data, business deficiencies, and operational status of insured institutions were established and updated in order to firmly control information relating to these institutions' operations. In addition, CDIC established specific files on significant unexpected events, special warning signal items, and institutions with high dishonored check ratios, for using as a reference in carrying out specific-scope and follow-up evaluations aimed at controlling the operating risk of insured institutions.

- Follow-up evaluation of the deficiencies of insured institutions

CDIC handled written examination opinions in relation to those financial institutions that CDIC is responsible for examining, and requested in writing that those institutions with major operational deficiencies make improvements within a specified time period. In addition, CDIC carried out specific-scope on-site follow-up evaluation of insured institutions with abnormal operating conditions.

- Examining the internal auditing of institutions

CDIC reviewed the internal audit reports and self-evaluation work of examined institutions in order to understand the related internal deficiencies of these institutions as well as to serve as valuable reference material for on-site examinations. CDIC also asks the insured institutions to improve their deficiencies so as to make sure that the internal auditing function is carried through.

- Handling of complaints and tip-offs from the public

Public complaints and tip-offs received by CDIC are incorporated into its general-scope examinations or are investigated as special cases. The results are handled in accordance with the regulations and replied to those making the complaints or tip-offs.

(3) Provision of Assistance

- An account officer system

To reduce insurance risk and maintain financial order, CDIC assisted insured institutions with major operational deficiencies through its account officer system. It is hoped that these institutions will quickly make improvements by availing themselves of the appropriate and timely guidance offered in relation to their operational deficiencies.

- Attendance board meetings of insured institutions

CDIC attended board meetings of insured institutions to supervise and rectify the inappropriate policy in a timely manner. Besides, CDIC attended assistance meetings convened by the competent authority in respect of the shortcomings of insured institutions with regard to the necessary measures adopted to improve operations.

- Inviting persons-in-charge for meetings

CDIC invited persons-in-charge of insured institutions with significant operational deficiencies for meetings, in order to obtain their consent to make necessary improvements and rectify related weaknesses.

- On-site assistance

At the instruction of the competent authority, CDIC this year convened a joint assistance group in cooperation with the local competent authorities and Taiwan Cooperative Bank to jointly provide on-site assistance to certain credit cooperative associations, so as to effectively control moral hazard and stabilize its operations.

- Handling panic runs

During this year, a total of three insured institutions suffered panic runs. In all cases, the CDIC made appropriate public announcements and press releases, and also dispatched key personnel to assist the institutions in resolving the crises. In another case involving concerns that abnormal withdrawals would occur, CDIC assisted with the advance preparation of response measures to effectively prevent such occurrence at an early stage.

(4) Holding Seminars

In order to enhance the professional knowledge and ability of collection personnel at community insured institutions, CDIC held a “Collection Personnel Symposium” and “Seminar on Collection Practices and Laws for Community Financial Institutions.” That attracted attendance by collection personnel from community financial institutions in central and southern Taiwan. Experts were invited to teach courses on collection practices, the Code of Civil Procedure, and other legal issues, as well as to answer questions and facilitate the exchange of opinions on collections-related issue.

To reinforce the internal auditing function of the credit departments of farmers' and fishermen's associations, in December 2002 CDIC held an "Internal Auditing of Farmers' and Fishermen's Association Credit Department" seminar to help insured institutions operate in a stable manner and improve the monitoring operations and the guidance efficacy.

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4.Resolution

(1)Ongoing Conservatorship of Chung Shing Bank

- With expanded funding for the Financial Restructuring Fund still pending approval by the National Assembly, Ministry of Finance reassigned the task of conservator for Chung Shing Bank to CDIC on August 4, 2003, to expedite resolution of the bank's operational problems. CDIC was in charge of tender of Chung Shing's non-performing loans, as well as planning and conducting the sale of the bank's

assets/liabilities and operations. With approval from Ministry of Finance, CDIC entrusted the management of Chung Shing's operations to Land Bank of Taiwan.

(2) Ongoing Conservatorship of Kaohsiung Business Bank

- Ministry of Finance placed Kaohsiung Business Bank under CDIC conservatorship on Jan. 28, 2002, in response to the continued deterioration of the bank's asset quality, negative adjusted net worth, and inability to carry out a capital increase within the stipulated time limit. Ministry of Finance also vested CDIC with authority to exercise the powers of the bank's shareholders' meeting, board of directors, and panel of supervisors during the period of conservatorship. The Financial Restructuring Fund Management Committee resolved to list this bank as an object of disposition on Feb. 8, 2002, and at the end of this year it remained under CDIC conservatorship.

(3) Drafted Standard Procedures in Handling Problem Financial Institutions

- Based on a resolution of the Financial Restructuring Fund Management Committee, CDIC drafted the “Standard Procedures for the Financial Restructuring Fund in Handling Problem Financial Institutions” and submitted it to Ministry of Finance for reference, to ensure that such handling operations accord with the principles of openness, transparency and standardization.

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5. Computerization

- Establishment of a “Financial Holding Companies Financial Analysis System”: This system can access basic information and financial data files from the website of Bureau of Monetary Affairs, Ministry of Finance, and produce charts and reports on financial holding companies, so as to facilitate the grasp developments in the financial operations of such companies.
- Programming related to the “Financial Institution Network Monitoring System” and “Financial Institution Operation Analysis and Quarterly Reporting System” was revised to quickly grasp developments in the financial operations of insured institutions.
- CDIC is entrusted by the Financial Restructuring Fund to legally prosecute affairs in cases involving dereliction of duty by personnel of financial institutions. In connection with this task, CDIC developed a “ Litigation Collateral Management System” to effectively manage collateral purchase, lodgment, storage etc., thereby improving the quality and efficiency of collateral management work.

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6. Research and Development

In order to develop its operations in step with the rapid changes in financial environment, CDIC has made every effort to strengthen its research through gathering the information related to the latest developments in deposit insurance and financial supervision both at home and abroad. The major research achievements include the following:

- The sixth meeting of the CDIC “Deposit Insurance Premium and Problem Financial Institutions Consultative Committee” was held to explore ways to adjust the deposit insurance operations of CDIC and draft measures to effectively control CDIC's coverage risk following agricultural finance reforms ensuing from the passage of the Agricultural Financial Law. This new law stipulates that CDIC will continue to insure agricultural financial institutions, yet it shifts the competent authority for such operations from Ministry of Finance to Council of Agriculture. The consultative committee offered invaluable suggestion on such issues as the establishment of a separate deposit insurance pay-off special reserve for agricultural financial institutions and a normal coordination mechanisms between the competent agencies.
- Attorney Chen Chun-shan on commission from CDIC conducted a study on the “Deliberation of Deposit Insurance Systems and Deposit Insurance Laws and Regulations.” The study deeply explored such issues as the organization and position of deposit insurance corporations, management of coverage risk, the handling of problem financial institutions, and methods of executing insurance responsibilities, providing an important guide and concrete suggestions for future amendments to the Deposit Insurance Act. The completed study was presented to Ministry of Finance for review
- Staff members and senior management executives were dispatched to the U.S., Malaysia, Korea and other countries to study or attend seminars on topics such as deposit insurance system, financial supervisory skill etc. The experience of other countries in these areas will serve as a reference in setting the development course of Taiwan’s deposit insurance system.
- Four issues of the quarterly Deposit Insurance Journal were published, featuring articles by experts and scholars on the operational management of financial institutions, financial affairs, financial supervision, the deposit insurance system and other issues. The journal is distributed to relevant government departments, financial institutions, universities and colleges, public representatives at all level, and all libraries and cultural centers for reference purposes.
- Six reports on overseas business visit and studies by CDIC personnel were published as series on deposit insurance for the reference of relevant agencies, financial and academic institutions, scholars and experts.

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7.International Exchange

CDIC actively participated in and organized several international exchange activities this year to enhance its international image and visibility. The major activities are introduced below:

- Participation in IADI Activities

In order to promote cooperation among the deposit insurance organizations of different countries and promote the stability of the international financial system, International Association of Deposit Insurers (IADI) was

founded in Basel, Switzerland in May 2002. CDIC is one of the founding members of the Association, which counted 51 international organization members as of the end of 2003.

In November this year, IADI held its second annual conference and meeting in Seoul, Korea. CDIC Chairman Chin-Tsair Tsay delivered a speech at the meeting introducing financial reforms in Taiwan, and was also honored with an appointment to the association's Executive Council, significantly elevating CDIC's participation and contribution to the field of international deposit insurance. That same month, CDIC participated in the annual meeting of IADI's Asian Regional Committee to exchange experience with other members and share information on supervisory issues and policies for strengthening deposit insurance mechanisms.

- Signing of Cooperation MOUs with KDIC and KAMCO

After the outbreak of the Asian financial crisis in 1997, Korea introduced aggressive financial reforms that achieved excellent results and were widely praised by the international community. In March and August 2003, CDIC signed Memorandums of Understanding (MOUs) to form official cooperation ties with Korea Deposit Insurance Corporation (KDIC) and Korea Asset Management Corporation (KAMCO), respectively. CDIC Chairman Chin-Tsair Tsay visited Korea in October for meetings and exchanges with the chairmen of KDIC and KAMCO. In November, KDIC and Korea's Public Fund Oversight Committee in turn sent personnel to visit CDIC and conduct annual exchanges in personnel training.

- International Symposium

In order to promote and heighten awareness of financial risk management concepts, CDIC and Taiwan Thinktank jointly organized the International Symposium on Financial Risk Management and Crisis Resolution at the Grand Hotel in Taipei on October 27, 2003. Foreign speakers deliver keynote speeches and presentations on risk management and crisis resolution, including IADI President Mr. Jean Pierre Sabourin, IADI Secretary General Mr. John Raymond LaBrosse, and Mr. David K. Walker, Director of the Policy and International Department at Canada Deposit Insurance Corporation. Many local representatives and speakers were also among the 400 or so people attending from business, financial, government, and academic circles. CDIC published the conference proceedings and distributed them to all of the insured institutions and other relevant departments.

- Other Major International Exchange Activities

In February, Mr. Pham Thanh Binh, General Director of Banking Department at the State Bank of Vietnam, led a delegation of seven people to visit CDIC and exchange experience on the deposit insurance and financial supervision systems of the two countries.

- In September, Mr. Pham Van Thai, Vice General Director of Banking Department at the State Bank of Vietnam, led a delegation of eight people to CDIC to learn about Taiwan's deposit insurance and financial supervision systems and exchange practical experience.

- In October, Mr. L. William Seidman, former chairman of the U.S. Federal Deposit Insurance Corporation, visited CDIC to discuss and exchange views on financial reorganization and the disposal of non-performing loans.
- In October, Mr. Pongpanu Svetarundra, Deputy Director-General of the Fiscal Policy Office at Thailand's Ministry of Finance, visited CDIC to exchange views on Taiwan's deposit insurance system, disposition of non-performing loans and insurance risk management.
- In December, a representative of the American Chamber of Commerce visited CDIC to exchange views on Taiwan's deposit insurance system, financial early warning system, and the disposal of problem institutions and non-performing loans.

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8.CDIC's Manpower Structure

year	No. of Employees	Average Age	Educational Background		
			Graduate School	College	Others
2003	287	40	46	234	7
2002	290	38	45	237	8
2001	294	38	43	242	9
2000	282	38	43	230	9
1999	291	35	51	231	9

Departmental Deployment (2003):

Dept. of Bank Examination	164
Dept. of Resolution	20
Legal Affairs Office	7
Secretariat	12
Information Management Office	14
Dept. of Risk Management	35
Dept. of Business	13
Dept. of Accounting	9
Personnel Office	5
Civil Service Ethics Office	1

Financial Statements and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

NO. 121492EA

To the Board of Directors of Central Deposit Insurance Corporation

We have audited the accompanying balance sheets of the Central Deposit Insurance Corporation as of December 31, 2003 and 2002, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion based on our examinations, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Central Deposit Insurance Corporation as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, in conformity with the law and with Republic of China generally accepted accounting principles applied on a consistent basis.

Clock & Co., CPAs



Yin-Lai Chou, CPA

January 28, 2004

CENTRAL DEPOSIT INSURANCE CORPORATION

BALANCE SHEETS

DECEMBER 31, 2003 and 2002

(Expressed in New Taiwan Thousand Dollars)

	NOTES	2003		2002	
		Amount	%	Amount	%
CURRENT ASSETS		\$23,703,920	98	\$22,146,506	97
Cash and Cash Equivalents	3	17,737,435	73	17,781,894	78
Marketable Securities	2,4	5,683,390	24	4,099,440	18
Receivables	5	262,572	1	245,944	1
Prepayments		18,986	—	18,054	—
Other Current Assets	6	1,537	—	1,174	—
FIXED ASSETS-NET	2,7	557,620	2	565,003	3
Cost		597,724	2	600,028	3
Land		228,833	1	228,833	1
Buildings		265,486	1	265,486	2
Machinery and Equipment		67,065	—	71,078	—
Transportation Equipment		16,323	—	14,902	—
Other Equipment		20,017	—	19,729	—
Revaluation Increment		66,149	—	66,149	—
Less Accumulated Depreciation		106,253	—	101,174	—
Buildings		50,460	—	45,726	—
Machinery and Equipment		34,681	—	35,992	—
Transportation Equipment		8,625	—	8,240	—
Other Equipment		12,487	—	11,216	—
INTANGIBLE ASSETS	2,8	4,529	—	6,893	—
OTHER ASSETS		456	—	6,968	—
Guarantee Deposits Paid		454	—	6,958	—
Other Deferred Charges		2	—	10	—
TOTAL ASSETS		\$24,266,525	100	\$22,725,370	100
CURRENT LIABILITIES		\$2,017,614	9	\$1,759,666	8
Bonds Sold Under Repurchase Agreement	2,9	1,906,424	8	1,619,465	7
Payables	10	111,190	1	140,201	1
LONG-TERM LIABILITIES		25,551	-	25,551	-
Reserve for Land Revaluation Increment Tax		25,551	-	25,551	-
OTHER LIABILITIES		10,946,596	45	9,663,389	43
Reserve for Special Compensation		10,945,933	45	9,661,871	43
Guarantee Deposits Received		663	-	1,498	-
Temporary Receipts and Suspense		-	-	20	-
TOTAL LIABILITIES		12,989,761	54	11,448,606	51
CAPITAL STOCK	11	10,000,000	41	10,000,000	44

CAPITAL SURPLUS Reserve for Asset Revaluation Increment	40,598	-	40,598	-
RETAINED EARNINGS	1,236,166	5	1,236,166	5
Legal Reserve	235,700	1	235,700	1
Special Reserve	1,000,466	4	1,000,077	4
Unappropriated Retained Earnings	-	-	389	-
TOTAL STOCKHOLDERS' EQUITY	11,276,764	46	11,276,764	49
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$24,266,525	100	\$22,725,370	100

The accompanying notes are an integral part of the financial statements.

**STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2003 and 2002**

(Expressed in New Taiwan Thousand Dollars)

Description Description	NOTES	2003		2002	
		Amount	%	Amount	%
OPERATING INCOME		\$4,249,393	100	\$4,186,380	100
Interest Revenue		483,551	11	585,293	14
Premiums Revenue		3,765,842	89	3,597,274	86
Gain on Trading of Notes and Bills		—	—	3,813	—
OPERATING COSTS		3,839,771	90	3,816,544	91
Handling Fees		389	—	153	—
Insurance Expenses		108	—	207	—
Interest Expenses		14,338	—	21,053	—
Special Loss Reserve Provisions		1,215,101	29	1,268,757	30
Finance Restructuring Fund Expenses		2,435,210	57	2,334,715	56
Loss on Trading of Notes and Bills		3	—	—	—
Agent Fees		174,622	4	191,659	5
GROSS PROFIT		409,622	10	369,836	9
OPERATING EXPENSES		404,756	10	368,640	9
Transaction Expenses		343,693	8	309,715	8
General & Administrative Expenses		54,076	2	53,211	1
Other Operating Expenses		6,987	—	5,714	—
OPERATING INCOME		4,866	—	1,196	—
NON-OPERATING INCOME		188	—	968	—
Indemnity Income		3	—	118	—
Other Income		185	—	850	—

NON-OPERATING EXPENSES		5,054	—	2,164	—
Loss on Disposal of Assets		2,371	—	251	—
Other Expenses		2,683	—	1,913	—
INCOME BEFORE INCOME TAX		—	—	—	—
INCOME TAX	12	—	—	—	—
NET INCOME		\$—	—	\$—	—
EARNINGS PER SHARE		\$—	—	\$—	—

The accompanying notes are an integral part of the financial statements.

CENTRAL DEPOSIT INSURANCE CORPORATION
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2003 and 2002

(Expressed in New Taiwan Thousand Dollars)

DESCRIPTION	CAPITAL STOCK	CAPITAL SURPLUS		RETAINED EARNINGS			TOTAL
		Paid-in Surplus	Reserve of Asset Revaluation Increment	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	
BALANCE, JANUARY 1, 2002	\$10,000,000	\$389	\$ 40,598	\$ 235,700	\$ 921,423	\$78,654	\$11,276,764
Transfer from Paid-in Surplus		(389)				389	—
Transfer from Unappropriated Retained Earnings					78,654 389	(78,654)	—
BALANCE, DECEMBER 31, 2002	10,000,000	—	40,598	235,700	1,000,077	389	11,276,764
Transfer from Unappropriated Retained Earnings					389	(389)	—
BALANCE, DECEMBER 31, 2003	\$10,000,000	\$—	\$ 40,598	\$ 235,700	\$ 1,000,466	\$—	\$11,276,764

The accompanying notes are an integral part of the financial statements.

CENTRAL DEPOSIT INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 and 2002

(Expressed in New Taiwan Thousand Dollars)

DESCRIPTION	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$—	\$—
Adjustments		
Depreciation	15,661	13,503
Amortization	3,489	3,346
Insurance Pay-off Special Reserves	1,284,062	1,133,513
Net Loss on Disposal of Fixed Assets	2,371	251
Changes in Assets and Liabilities :		
Bonds Sold Under Repurchase Agreement	286,959	1,144,870
Receivables	(16,628)	160,612
Prepayments	(932)	(713)
Other Current Assets	(363)	(455)
Payables	(29,011)	16,036
Accrued Pension Liabilities	—	(1,784)
Net Cash Provided by Operating Activities	1,545,608	2,469,179
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) Decrease in Marketable Securities	(1,583,950)	(2,203,892)
Intangible Assets Increase	(1,118)	(3,201)
(Increase) Decrease in Guarantee Deposits Paid	6,505	(6)
Acquisition of Fixed Assets	(10,730)	(44,701)
Proceeds from Disposal of Fixed Assets	82	4
Net Cash Used in Investing Activities	(1,589,211)	(2,251,796)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Guarantee Deposits Received	(836)	431
Increase (Decrease) in Temporary Receipts and Suspense	(20)	20
Net Cash Used in Financing Activities	(856)	451
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(44,459)	217,834
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	17,781,894	17,564,060
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$17,737,435	\$17,781,894
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest Expense Paid (Net of Amount Capitalized)	\$14,460	\$20,594
Income Tax Paid	36,049	—

The accompanying notes are an integral part of the financial statements.

CENTRAL DEPOSIT INSURANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 and 2002

1. GENERAL

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

The Corporation is a government-run organization of which the capital is contributed by Ministry of Finance, Central Bank of China and five insured financial institutions based on the shares that each of them has purchased. Ministry of Finance decreed that the shares were not to be issued publicly. The Corporation's approved capital stock is NT\$10,000,000,000, divided into 1,000,000,000 shares with a face value at NT\$10.each. The number of shares issued is 1,000,000,000. Ministry of Finance and the Central Bank of China are the major shareholders of the Corporation. As of December. 31, 2003, the ratio of their shareholding was 99.9995%. The Corporation's major businesses includes deposit insurance, bank supervision, operation of the financial early-warning system, and follow-up evaluation, as well as the provision of assistance, supervision and conservatorship. The objectives of insurance are focused on financial institutions that engage in deposit-taking business, including banks, trust and investment companies, local branches of foreign banks, credit cooperative associations, credit departments of farmers' and fishermen's associations, and the postal savings system.

2. SIGNIFICANT ACCOUNTING POLICIES

(1) General Accounting Practice & Financial Statements Preparation

As the Corporation is a government-run organization, its accounting criteria are subject to the Budget Law, the Audit Law, the “Unified Accounting System Regulations for Departments and Bureaus of Ministry of Finance” as approved by Directorate General of Budget, Accounting & Statistics, Executive Yuan, and other regulations provided by Ministry of Audit, Control Yuan, for the accounting affairs of government-run organizations. Matters not provided in the law are dealt with in accordance with generally accepted accounting principles. Annual accounting settlements are examined by Directorate General of Budget, Accounting & Statistics, Executive Yuan, and Ministry of Audit, Control Yuan serves as the authority for final approval. As of 2002, the Corporation's account books were completely examined by Directorate General of Budget, Accounting & Statistics, Executive Yuan and Ministry of Audit, Control Yuan. Consequently, the balance at the beginning of 2003 was subject to the balance at the end of 2002, which has been examined by Ministry of Audit, Control Yuan.

(2) Purchase of Bonds

According to the Deposit Insurance Act, the Corporation's funds have to be deposited with the Central Bank of China or with financial institutions that have been approved by the competent authority to provide government bonds as guarantees. Except for the allowance for regular expenses and for special purposes as

provided in Articles 15, 16 & 17 of the Deposit Insurance Act, the use of the funds shall be limited to the investment in government bonds and bank debentures.

(3) Repurchased Bond Liabilities

Bond transactions are listed as repurchased bond liabilities based on the quality of transaction purposes.

(4) Fixed Assets

Fixed assets are recorded at cost. Major improvements, renewals and replacements are capitalized, while repairs and maintenance are expensed currently. When assets are disposed of, the cost and related accumulated depreciation are removed from the accounts based on the estimated durable period with the Straight-line Method, and any gain or loss is credited or charged to income.

(5) Intangible Assets

Computer software is recorded on the books at cost and amortized at an average rate over 3 years by the Straight-line Method.

(6) Employees' Pension

The Corporation deals with employee retirement, consolation and demobilization in accordance with the "Retirement, Consolation and Demobilization Regulations for Government-run Financial and Insurance Institutions Under Ministry of Finance." According to Article 41-1 of the Regulations, the pension offered will be calculated in accordance with the Labor Standard Law based on the length of an employee's service in the Corporation after the applicable Labor Standards Law went into effect (on Mar. 1, 1998). The length of the employee's service in the Corporation before the Labor Standards Law went into effect will be taken as reserve length of service according to the law for the purpose of allocating public savings (4%~8.5% of salary) and private savings (3% of salary) per month. The calculation of the employee pension offered by the Corporation is based on the length of an employee's service and salary at the time of retirement. At present, the Corporation appropriates 7.35% of salaries for the labor pension fund.

The Corporation commissions an actuary to allocate the pension fund payment for which the company is responsible according to relevant regulations and to deposit it in the special labor pension account opened by the Corporation's Employees Pension Supervision Committee and Labor Retirement Fund Supervision Committee in the Central Trust of China.

(7) Income Tax

The Corporation executes accounting settlement at the end of the fiscal year. All earnings are placed in the special reserve for deposit insurance pay-offs in accordance with the Deposit Insurance Act.

There is no profit before tax.

(8) Limitation of Earning Allocation

According to Article 7 of the Deposit Insurance Act, “The Central Deposit Insurance Corporation carries out accounting settlement at the end of the business year. All earnings will be placed in their entirety in the special reserve for deposit insurance pay-offs. The relevant provisions in the Company Law are not applicable to the Corporation.” In addition, according to Article 38 of the Corporation's Articles of Incorporation, “The Corporation carries out accounting settlement at the end of the fiscal year. All earnings are placed in their entirety into the special reserve for deposit insurance pay-offs in accordance with Article 7 of the Deposit Insurance Act.”

3. CASH AND CASH EQUIVALENTS

Unit : NT\$ thousand

	2003	2002
Petty Cash	\$375	\$275
Checking Deposits	8,060	4,919
Time Deposits	17,729,000	7,776,600
Total	\$17,737,435	\$17,781,894

4. MARKETABLE SECURITIES

Unit : NT\$ thousand

	2003	2002
Bonds	\$ 5,683,390	\$ 4,099,440

5. RECEIVABLE

Unit : NT\$ thousand

	2003	2002
Tax Receivable	\$55,539	\$71,249
Interest Receivable	207,033	174,695
Total	\$262,572	\$245,944

6. OTHER CURRENT ASSETS

Unit : NT\$ thousand

	2003	2002
Provisional Amount Paid for Others	\$1,131	\$ 371
Insurance Premiums Paid for Others	406	803
Total	\$1,537	\$ 1,174

7. FIXED ASSETS

Unit : NTS thousand

2003				
	Cost	Revaluation Increment	Accumulated Depreciation	Net
Land	\$228,833	\$ 66,149	\$—	\$294,982
Buildings	265,486	—	50,460	215,026
Machinery and Equipment	67,065	—	34,681	32,384
Transportation Equipment	16,323	—	8,625	7,698
Other Equipment	20,017	—	12,487	7,530
Total	\$597,724	\$ 66,149	\$ 106,253	\$ 557,620

2002				
	Cost	Revaluation Increment	Accumulated Depreciation	Net
Land	\$228,833	\$ 66,149	\$—	\$ 294,982
Buildings	265,486	—	45,726	219,760
Machinery and Equipment	71,078	—	35,992	35,086
Transportation Equipment	14,902	—	8,240	6,662
Other Equipment	19,729	—	11,216	8,513
Total	\$ 600,028	\$ 66,149	\$ 101,174	\$ 565,003

1. The fire insurance coverage on fixed assets as of December 31, 2003 and 2002 was approximately \$309,577 and \$292,110 respectively.
2. Depreciation for 2003 and 2002 was \$15,661 and \$13,503 respectively.
3. In accordance with the regulations as stated in official letter No. tai-(83)-chu-hsiao-5-tzu-ti-05739 from Directorate General of Budget, Accounting & Statistics, Executive Yuan on June 22, 1984, the Corporation has revaluated lands after obtaining the approval of Ministry of Audit. The land value was increased by NT\$66,149 Long-term Liabilities - Reserve for Land Revaluation Increment Tax is NT\$25,551, and Capital Surplus - Reserve for Asset Revaluation Increment is NT\$40,598.

8. INTANGIBLE ASSETS

Unit : NT\$ thousand

	Jan. 1, 2003	Increase	Decrease	Dec. 31, 2003
Computer Software	\$ 6,893	\$ 1,118	\$ 3,482	\$ 4,529

Unit : NT\$ thousand

	Jan. 1, 2002	Increase	Decrease	Dec. 31, 2002
Computer Software	\$7,030	\$ 3,201	\$ 3,338	\$ 6,893

9. BONDS SOLD UNDER REPURCHASE AGREEMENT

Unit : NTS thousand

	2003	2002
Bonds Sold under Repurchase Agreement	\$ 1,906,424	\$1,619,465

Bond Repurchase rates intervals at year ends of 2003 and 2002 are 0.75 % ~0.925% and 1.05%~1.35% respectively.

10. PAYABLES

Unit : NT\$ thousand

	2003	2002
Interest Payable	\$590	\$713
Accrued Expenses	109,678	102,657
Income Tax Payable	—	36,049
Advance Collections for Customers	922	782
Total	\$ 111,190	\$140,201

11. CAPITAL STOCK

Unit : NT\$ thousand

	December 31, 2003 & 2002
Authorized Capital	10,000,000 Thousand Dollars
Paid-in Capital	10,000,000 Thousand Dollars
Authorized Shares	1,000,000 Thousand Shares
Outstanding Shares	1,000,000 Thousand Shares

12. INCOME TAX

(1) Income Tax Payable

Unit : NT\$ thousand

	2003	2002
Current Tax Expense	—	—
Less: Prepaid Income Tax	(55,539)	(71,248)
Tax Refund Receivable	\$ (55,539)	\$ (71,248)

(2) The Company's income tax returns, with the exception of those for 2003, have been assessed by the tax authority.

(3) Integrated Tax Related Information

	2003	2002
Shareholders' Imputation Credit Account Balance	\$ 144,736	\$ 126,762

Statistics

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

Type of Institution \ Year	2003	2002	2001	2000	1999
Domestic Banks	53	55	56	56	55
Credit Cooperative Associations	35	37	39	48	50
Credit Departments of Farmers' Associations	253	253	260	287	287
Credit Departments of Fishermen's Associations	25	25	25	27	27
Local Branches of Foreign Banks	35	35	37	38	40
Total	401	405	417	456	459

Notes:

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

(2)The figure for domestic banks includes Chunghwa Post Corporation and three trust and investment corporations.

Table 2: Ratio of Insured Deposits to Total Insurable Deposits for the Last Five Years

Unit: NT\$ million

Type of Institution	Year 2003			Ratio of Insured Deposits to Total Insurable Deposits (%)			
	Insured Deposits(a)	Total Insurable Deposits (b) item	Ratio of Insured Deposits to Total Insurable Deposits (%) (a)/(b)	Year 2002	Year 2001	Year 2000	Year 1999
Domestic Banks	7,339,206	16,313,665	45.0	44.2	44.8	43.4	44.0
Credit Cooperative Associations	356,567	649,380	54.9	55.6	56.6	56.6	56.8
Credit Departments of Farmers' Associations	714,098	1,158,031	61.7	62.3	62.7	62.7	62.8
Credit Departments of Fishermen's Associations	20,462	31,293	65.4	66.0	67.4	67.4	67.2
Local Branches of Foreign Banks	72,267	392,100	18.4	18.0	22.1	22.1	28.1
Total	8,502,600	18,544,469	45.8	45.3	46.1	45.2	46.1

Notes:

(1)The standard date for the annual figures in the table is June 30.

(2)The figure for domestic banks includes Chunghwa Post Corporation and three trust and investment corporations.

(3)Insured deposits are the total amount of each depositor's insurable deposits which do not exceed the NT\$1 million maximum coverage.

(4)Total insurable deposits refer to the total amount of NT dollar deposits in checking accounts, passbook deposits, passbook savings deposits, time deposits, time savings deposits, and trust fund accounts.

Table 3: Insured Deposits, Insurance Pay-off Special Reserves and Stockholders' Equity

Unit: NT\$ million

year-end (Dec.31)	The Max. Insurance Coverage	Insured institutions				Insurable Deposits Ratio %	Premiums	Insurance Pay-off Special Reserves (c)	Stockholders' Equity (d)	Ratio of Insurance Pay-off Special Reserves to Insured Deposits% (c)/(b)	Ratio of Insurance Pay-off Special Reserves Plus Stockholders' Equity to Insured Deposits % [(c)+(d)]/(b)
		No. of Insured Institutions	Total Insurable Deposits (a)	Insured Deposits (b)	Ratio of Insured Deposits to Total Insurable Deposits% (b)/(a)						
2003	1.0	401	18,544,469	8,502,600	45.8	100.0	3,766	10,946	11,277	0.13	0.26
2002	1.0	405	18,339,760	8,273,608	45.1	100.0	3,597	9,662	11,277	0.12	0.25
2001	1.0	417	17,894,174	8,116,092	45.4	100.0	3,408	8,528	11,277	0.11	0.24
2000	1.0	456	16,900,795	7,701,342	45.6	100.0	3,321	4,916	11,220	0.06	0.21
1999	1.0	459	16,420,478	7,769,067	47.3	100.0	900	1,752	10,185	0.02	0.15
1998	1.0	407	15,000,627	6,991,799	46.6	67.9	509	2,200	8,967	0.03	0.16
1997	1.0	405	7,313,529	3,289,797	45.0	65.8	465	1,793	8,457	0.05	0.31
1996	1.0	400	7,152,291	3,058,978	42.8	63.6	427	1,421	5,753	0.05	0.23
1995	1.0	350	6,550,052	2,772,773	42.3	51.9	325	1,080	5,587	0.04	0.24
1994	1.0	200	4,953,265	1,923,972	38.8	48.7	252	820	5,472	0.04	0.33
1993	1.0	183	4,076,410	1,608,539	39.5	40.6	189	618	5,331	0.04	0.37
1992	1.0	173	3,038,070	1,151,692	37.9	39.4	146	481	4,181	0.04	0.40
1991	1.0	163	2,444,853	943,196	38.6	37.3	120	396	2,076	0.04	0.26
1990	1.0	157	1,916,763	753,861	39.3	33.2	98	300	2,007	0.04	0.31
1989	1.0	151	1,524,996	618,248	40.5	31.4	77	222	1,985	0.04	0.36
1988	1.0	141	1,110,468	483,378	43.5	23.4	59	157	1,974	0.03	0.44
1987	1.0	99	808,249	379,379	46.9	18.9	97	116	1,611	0.03	0.46
1986	0.7	79	531,693	201,850	38.0	17.3	69	48	1,195	0.02	0.62

Notes:

- (1)With the exception of 2003, when the base date for Total Insurable Deposits, Insured Deposits, and the ratio between the two is June 30, the base date for statistics in this chart is December 31 of the relevant year.
- (2)Insured Deposits: The total of each individual depositor's insurable deposits which do not exceed the maximum coverage.
- (3)Insurable Deposits Ratio: The ratio of total insurable deposits of insured institutions to those of insurable institutions.
- (4)The annual deposit insurance premium was 0.05% in 1985; it was reduced to 0.04% on July 1, 1987, and further to 0.015% on January 1, 1988. A risk-based premium rate was adopted on July 1, 1999, and the differential rates were set at three levels: 0.015%, 0.0175%, and 0.02%. On January 1, 2000, the rates were readjusted to 0.05%, 0.055%, and 0.06%.
- (5)In September 1999, CDIC provided assistance in the amount of NT\$1,284 million to help Taiwan Bank to acquire the Donggang Township Credit Cooperative Association of Pingtung County, causing a reduction in insurance pay-off special reserves.
- (6)Article 4 of the Financial Restructuring Fund Statute stipulates that the Fund's resource include CDIC's incremental insurance premium income covering a 10-year period from January 2002 onwards that arises as a result of the increase in the deposit insurance premium rate which took effect on January 1, 2000.

Table 4: Number of Examined Institutions and On-Site Examinations for the Last Five Years

Type of Institution \ Year	2003	2002	2001	2000	1999
Domestic Banks	18	19	19	19	18
Credit Cooperative Associations	35	37	39	48	50
Credit Departments of Farmers' Associations	253	253	260	287	287
Credit Departments of Fishermen's Associations	25	25	25	27	27
Information Centers of Community Financial Institutions	6	6	7	7	6
Number of Examined Institutions	377	340	350	388	388
Number of On-Site Examinations of Head Offices and Branches	1,226	1,334	1,197	1,177	1,503

Notes:

- (1)Annual figures used in this table are based on period from January 1 to December 31.

(2)The number of domestic banks includes two trust & investment corporations.

(3)The increase in on-site examinations in 1999 is due to inspections related to Y2K threats.

(4)The 1,226 on-site examinations conducted in 2003 include 350 examinations of insured institutions (head office and branches) plus 876 commissioned examinations (head office and branches).

Table 5: Major Revenue and Expense Items for the Last Five Years

Unit: NT\$ million

Item \ Year	2003	2002	2001	2000	1999
Operating Revenues	4,249	4,186	4,308	4,287	1,695
Interest revenue	483	585	899	967	810
Premium revenue	3,766	3,597	3,409	3,320	884
Other revenue	-	4	-	-	1
Commission revenue	-	-	-	-	-
Operating Costs and Expenses	4,244	4,185	4,174	3,888	1,289
Provision for insurance pay-off special reserves	1,215	1,269	3,559	3,088	837
Financial Restructuring Fund expenses	2,435	2,335	-	-	-
Interest expenses	14	21	72	187	138
Commission expenses	175	192	191	268	-
Business expenses	344	310	295	289	253
Administrative expenses	54	53	52	50	52
Other operating expenses	7	5	5	5	6
Other expenses	-	-	-	1	3
Net Operating Income	5	1	134	399	406
Net Non-Operating Income (loss)	(5)	(1)	1	84	(169)
Net Income before Income Tax	-	-	135	483	237
Income Tax Expenses	-	-	135	121	98
Net Earnings this period	-	-	-	362	139

Notes:

(1) Annual figures are calculated based on the periods January 1 to December 31. However, since the fiscal year system has replaced by a calendar year system in 2001, the figures for 1999 and 2000 are calculated based on the half-year figures for those two years; the figures for 2001 and 2002 are reviewed and audited by Ministry of Audit; and those for 2003 remain subject to audit by the Ministry.

(2) Pursuant to the revisions to Article 7 of the Deposit Insurance Act, on July 9, 2001, "CDIC shall close all accounts at the end of each fiscal year, and shall place the whole amount of the profit, if any, in the deposit insurance pay-off special reserves, and not in accordance with the relevant provisions of the Company Law." Therefore, CDIC's net income before income tax has been placed in the insurance pay-off special reserves since 2001.

Disposition of Problem Financial Institutions Under Commission by the Financial Restructuring Fund

Introduction to the Financial Restructuring Fund

I Establishment and Objectives of the Financial Restructuring Fund

The Financial Restructuring Fund Statute was passed by the National Assembly on June 27, 2001 and promulgated by the President on July 9 of the same year with the aim of strengthening Taiwan's financial market and reinforcing the mechanism for withdrawal of problem financial institutions from the market. The Statute was set up in consideration of the paramount importance of speed and financial support in handling problem financial institutions so as to avoid the triggering of a financial crisis, and of the consequent need to provide blanket protection for depositors for a defined period of time. In reference to practicing in the United States, Japan, South Korea, and Malaysia, their government injected public funds for disposition of problem financial institutions, the Financial Restructuring Fund was set up in the form of a public fund instead of a corporation designed for sustained operation.

I Competent Authority

The Financial Restructuring Fund's competent authority is the competent authority as stated in the Banking Law. As of December 31, 2003, this is Ministry of Finance.

I Governing Body

The Financial Restructuring Fund's governing body is the Financial Restructuring Fund Management Committee. The Committee is responsible for deliberating the uses and operations of the Fund, approving the Fund's receipts and expenditures custodianship plans, reviewing the Fund's financial reports and cash flow arrangements, and the appraisal of other issues related to the Fund's management, implementation and public disclosure.

The Committee consists of nine to thirteen members, including one chairman and one vice-chairman, who according to the Financial Restructuring Fund Statute serve concurrently as the head and deputy head of the competent authority, respectively. In addition, four committee members are the concurrently serving deputy governor of the Central Bank of China, deputy chairman of Council of Agriculture, deputy director of Directorate General of Budget, Accounting and Statistics, and chairman of CDIC; the appointment of these members is based on their official posts. The choice of the remaining members is based on their professional expertise or experience in law, economics, finance, and other relevant fields. The number of committee members belonging to any single political party may not exceed half of the total membership, in order to assure the independence of the Committee's decision-making process.

I Executive Body

To provide for the implementation of the business of the Financial Restructuring Fund, the chairman may, in accordance with Article 8 of the Financial Restructuring Fund Statute, appoint the director general of Bureau of Monetary Affairs, Ministry of Finance, to serve concurrently as the Fund's executive secretary. The appointment of other concurrently serving the Fund officials from among the personnel of Bureau of Monetary Affairs and CDIC may be delegated to the executive secretary. The implementation of resolutions passed by the Committee may, in accordance with Article 10 of the Financial Restructuring Fund Statute, be entrusted to CDIC, and the results of implementation are reported to the Committee for ratification in order to achieve the division of duties objective.

I Financial Resources and Funding Accommodation

The main financial resources of the Fund include government financial business tax revenue and deposit insurance premium revenue received from the financial sector. The former one covering the years 2002-2005, and it is estimated to be about NT\$120 billion. The latter one covering a 10-year period beginning in January 2002 is estimated to be about NT\$20 billion, based on the increased deposit insurance premium rate that took effect on January 1, 2000.

Prior to the full realization of the financial resources described above, CDIC may be entrusted to apply for accommodation from the Central Bank of China, to borrow funds from other financial institutions, or to issue financial debentures in order to meet the needs of the Fund's operations. The Fund's financial resources will be used to repay any such accommodation, borrowing, or issuance.

I Applicable Financial Institutions

Pursuant to the Financial Restructuring Fund Statute, three categories of problem financial institutions are subject to disposition by the Financial Restructuring Fund:

- n The financial institution's adjusted net worth is negative.
- n The financial institution is unable to pay its debts.
- n The financial institution's financial situation is deteriorating, and the competent authority maintains that it is unable to continue to operate.

Among all financial institutions at the present time, community financial situations are in relatively serious condition because of structurally derived problems. The Fund has been directed, therefore, to give priority to the disposition of community financial institutions.

I Handling Failed Financial Institutions

In order to effectively resolve failed financial institutions and avoid a crisis of confidence among depositors and chain risk reaction, the Financial Restructuring Fund Statute has removed the restrictions in the Deposit Insurance Act that states the cost of handling failed financial institutions shall be less than the loss arising from the cash pay-off. The Statute also stipulates that the Fund shall provide a transitional blanket guarantee to all depositors and other creditors of the failed financial institutions handled by the Fund. As to the way in which the financial institutions are handled, this will be in line with relevant regulations at the present time such as the Banking Law, the Financial Institutions' Merger Law and the Deposit Insurance Act, including:

- n Setting the liabilities and taking over the assets, and selling such assets by tender.
- n Making up the gap that the liabilities exceed the assets.
- n Injecting funds by means of preferred shares.

I Custody of the Fund

The Fund's funds, apart from being used to handle problem financial institutions, shall be deposited in the form of cash in creditworthy financial institutions; used to purchase government bonds, financial debentures, or negotiable certificates of deposit issued by banks; or managed in other ways as prescribed by the competent authority.

I Disposition of Acquired Assets

Pursuant to the Financial Restructuring Fund Statute, the Fund may commission CDIC with the full amount required to settle the deposit and non-deposit claims on problem financial institutions. Then, CDIC in the name of the Financial Restructuring Fund take over the assets of such institutions and dispose of them via sale by tender, auction, or other method. Any proceeds from the disposal of assets will be placed in the Fund.

I Accounting Treatment

When handling accounting and auditing matters, the Financial Restructuring Fund shall conform to generally accept accounting principles and auditing standards, and shall establish an accounting system that conforms to such principles and standards.

I The Fund's Period of Operation and its Termination

The Fund shall be operative for a period of three years from the date on which the Financial Restructuring Fund Statute is promulgated. However, the period may be extended for a further year with the approval of the National Assembly. After the Fund is no longer operational, its assets and liabilities shall be taken over by the National Treasury. However, if the assets which have been taken over by the Fund still have not been fully disposed of by the set time, the National Treasury may value them as property, and reinvest such assets in the CDIC, in order to handle them more efficiently and increase the CDIC's capital.

I Penalties for Causing Losses to the Fund

To prevent the making of illegal profits by the responsible officials or employees of insured institutions, leading to the occurrence of moral hazard, the Financial Restructuring Fund Statute stipulates that any person who intentionally gains illegal benefit for himself or a third party, or damages property or other interests of insured institutions, CDIC, or the Fund, such person shall receive a sentence of between 3-10 years, together with a fine of up to NT\$100 million. Also, to prevent the responsible persons or employees of insured institutions from collaborating together in committing the crimes described above, the Statute stipulates that the aforesaid penalties shall be increased by half, and the violators shall be jointly required to pay compensation, in order to serve as an effective deterrent. The CDIC shall also, in its own name, file civil proceedings against the persons who should pay compensation on behalf of the institution participating in deposit insurance or the Fund, to thereby put a stop to moral hazard.

I Principles for Handling Problem Financial Institutions

To implement the Fund's mission quickly following passage of the Financial Restructuring Fund Statute, ex-Chairman Yan Chingchang called the first meeting of the Committee on July 16, 2001 and announced the four principles for the Fund's handling of problem financial institutions: “Stability of financial order,” “Protection of the benefits of depositors,” “Continuity of financial services,” and “Minimization of social costs.”

I Disclosure of Information

A special the Financial Restructuring Fund zone has been set up on CDIC website(cdicwww.cdic.gov.tw) to give the public an understanding of the process of disposition. The information in above zone includes the following:

- n Status of payments to make up the gap between assets and liabilities of problem financial institutions under disposition by the Financial Restructuring Fund.
- n Principles, special checking procedures and assessment results for the assessment of assets and liabilities of problem financial institutions by commissioned accountants.
- n Status of follow-up the cases involved in illegal behavior by persons-in-charge or employees of problem financial institutions under disposition by the Financial Restructuring Fund.
- n Financial statements, list of Management Committee members, and minutes of meetings of the Financial Restructuring Fund.
- n Laws and regulations related to the Financial Restructuring Fund.
- n The Financial Restructuring Fund Q&A.

Operations Commissioned to CDIC

I Sale by Public Tender of Kaohsiung Business Bank

n NPLs auction

In view of the three unsuccessful attempts to auction off Chung Shing Bank in 2002, and in order to effectively use its funds, the Financial Restructuring Fund Management Committee agreed at its 17th meeting in February 2003 to first dispose of Kaohsiung Business Bank and commission financial consultants to assist with the tender offering and relevant matters. The tender was divided into two parts; one for the sale of the bank's NPLs and the other for the sale of operations and assets/liabilities excluding NPLs. The NPL portion of the tender of NT\$32.7 billion (NT\$21.7 billion after deducting the on-book value of written-off NPLs) was issued by two groups representing the bank's individual and corporate customers on June 24. Seven local and foreign investors bid on the tender and Lone Star Asia-Pacific, Ltd. won both the individual and corporate blocks with a bid of NT\$8.23 billion. The two sides signed a sales contract on June 30 and the transaction was completed on October 27.

n Auction of non-NPL operations and assets/liabilities

On October 13, the Finance Committee of the National Assembly held a meeting at which they resolved to provide funding support for the tender sale of the non-NPL operations and assets/liabilities of Kaohsiung Business Bank. They also resolved that the rights and interests of personnel should be handled according to

the maximum benefits stipulated in the Labor Standards Law and that contractually stated programs for personnel arrangements should be observed. The auction was therefore planned in accordance with directives by CDIC and PricewaterhouseCoopers Financial Advisory Services Co., Ltd. and held in December 2003. Since none of the bids met the reserve price set by the Financial Restructuring Fund, a second auction was scheduled for the first quarter of 2004

I Auctioning of Chung Shing Bank

- n Commissioning of financial consultant to plan and conduct the auction of NPLs and non-NPL assets/liabilities and operations**

In order to ensure that the tender sale of the NPLs and non-NPL assets/liabilities and operations of Chung Shing Bank was conducted in a fair, impartial, open and transparent manner, CDIC obtained approval from the Financial Restructuring Fund Management Committee to auction off the bank according to the model adopted for the tender sale of Kaohsiung Business Bank. CDIC commissioned a financial consultant through an open selection process to assist in the planning and execution of the tender and related matters. PricewaterhouseCoopers Financial Advisory Services Co., Ltd. was awarded the contract and signed an agreement with CDIC on August 15, 2003.

- n Successful sale of the first block of NPLs**

PricewaterhouseCoopers Financial Advisory Services Co., Ltd. suggested a strategy, by which the bank would be sold off in two parts, consisting of NPLs and non-NPL assets/liabilities and operations. It further recommended that the NPLs tender be divided into two blocks. After obtaining approval of this proposal by the Financial Restructuring Fund Management Committee, the first block of NPLs amounting to NT\$37.4 billion (NT\$22.8 billion after deducting the on-book value of written-off NPLs) was put up for auction on December 15. Lone Star Asia- Pacific, Ltd. won the corporate block with a bid of about NT\$4.03 billion; and the individual block was jointly purchased by Lehman Brothers Commercial Corporation Asia Ltd. and Taiwan Asset Management Corporation for about NT\$4.19 billion. The sales contracts were signed on December 18 and the transactions were scheduled to complete in April 2004.

- n Planning auction of second block of NPLs and non-NPL assets/liabilities and operations**

The auctioning of the second block of NPLs and non-NPL assets/liabilities and operations of Chung Shing Bank was scheduled to take place in the first quarter of 2004. The scope and timetable of the sale of the bank's non- NPL assets/liabilities and operations will be re-discussed following deliberation of legislation to expand funding resources for the Financial Restructuring Fund.

I Public Auction of 28 Plots of Land Assumed by the Fund

- n The Financial Restructuring Fund assumed 28 plots of agricultural land in the course of its disposal of problem financial institutions. Based on interpretations by Ministry of Justice and National Property Bureau, ownership of this land was registered under the Republic of China with Ministry of Finance designated as the managing agency. In July this year, the taxes on the land were paid and the registration of the transfer of ownership was completed.**
- n In accordance with a resolution of the Financial Restructuring Fund Management Committee, CDIC conducted a reassessment and arranged for the tender sale of the land. China Credit**

Information Service, Ltd. prepared an assessment report for each individual plot at the end of September. After an on-site inspection, 18 plots certified for agricultural use were put up for auction. The reserve price was set by the CDIC's Reserve Price Deliberation Committee and approved by the Financial Restructuring Fund Management Committee. A public auction was held on December 17 and the outcome was scheduled to announce on January 1, 2004.

I Unresolved Issues in the Disposition of the Problem Credit Departments of 36 Farmers' and Fishermen's Associations

In accordance with the disposition guidelines approved by the Financial Restructuring Fund Management Committee and written directives of the competent authority, CDIC continued to coordinate the division and transference of the assets of the credit departments of 36 farmers' and fishermen's associations as well as other important unresolved matters. It also dispatched personnel to attend relevant coordination meetings held by the competent authority, and followed up on outstanding matters in accordance with resolutions of the Financial Restructuring Fund Management Committee.

I Legal Prosecution

Since its establishment, the Financial Restructuring Fund has paid out about NT\$90 billion to dispose problem financial institutions. In order to safeguard the rights and interests of the Fund and uphold justice, legal action should be taken against the personnel of financial institutions who created losses for those institutions to ensure that they are held accountable for their civil obligation and criminal responsibility. CDIC therefore actively pursues civil and criminal action against illegal acts by the responsible parties and employees of financial institutions in accordance with the Financial Restructuring Fund Statute and resolutions of the Financial Restructuring Fund Management Committee. As of the end of 2003, CDIC had submitted 172 cases of illegal behavior to prosecution agencies for handling, and recovery of losses has already been sought in about 70 civil cases.

I Payment by the Fund

The commissioned accountants assessed the assets and liabilities of 44 problem financial institutions in accordance with the Guidelines passed by the Financial Restructuring Fund Management Committee. The total amount of payment, which the Fund was legally required to pay the assuming banks as of the end of 2003, was approximately NT\$89.77 billion. Of this total, the amount to be paid to for 36 community financial institutions disposed in 2001 was about NT\$77.21 billion; the amount to be paid for the 7 credit departments of farmers' associations taken under disposition in 2002 was about NT\$9.39 billion, and for Tainan City Fifth Credit Cooperative the amount in 2002 was about NT\$3.17 billion.

I Efficacy of Disposition

In the short period between July 2001 and 2002, the Financial Restructuring Fund disposed of 44 community financial institutions, setting a precedent in Taiwan for the smooth withdrawal of problem financial institutions from the market. The achievements of the Fund's hard work and development in various matters have earned widespread public support. However, the financial resources available to the Fund following the disposition of the said 44 institutions is insufficient to dispose of Chung Shing Bank, Kaohsiung Business Bank, and other banks with deteriorating operations, as well as the many financial institutions with unsound

financial condition. In view of this situation, the Financial Restructuring Fund decided this year to adopt a separate auction approach for selling off the NPLs of problem banks. With the assistance of a specially commissioned financial consultant, and upholding the principles of openness and transparency, the Fund successfully auctioned off the NPLs of Kaohsiung Business Bank and Chung Shing Bank. This model of recovering funds through the sale of unprofitable assets to enhance the value of the remaining assets of problem financial institutions, and thereby reduces the cost of disposal, has become an important strategy for the Financial Restructuring Fund in disposing problem financial institutions.

In the disposal of problem financial institutions, time is of paramount importance. However, a draft amendment to expand the financial resources of the Financial Restructuring Fund has not been able to smoothly complete the legislative process, with the result that mechanisms for removing problem financial institutions from the market cannot be readily put into action. The government is currently waiting for the National Assembly to approve more funds for resolving the problem in financial system so as to comprehensively upgrade national financial competitiveness and promote the stable economic growth.

Appendixes

Expansion and Improvement of Taiwan's Deposit Insurance System

	Year CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985~July 2001)	Current System (July 2001~)
Type of Participation	Voluntary	Changed to mandatory coverage in January 1999	Same as left column
Capital	<ul style="list-style-type: none"> ● Legally prescribed capital: NT\$2 billion ● Paid-in capital: NT\$800,050,000 	<ul style="list-style-type: none"> ● Legally prescribed capital raised to NT\$5 billion in July 1992 ● Prescribed capital raised to NT\$10 billion in November 1995 	Same as left column
Participating Institutions	<ul style="list-style-type: none"> ● Domestic banks (including trust and investment companies, but not including postal savings bank) ● Credit cooperatives ● Credit departments of farmers' and fishermen's associations ● Foreign bank branches in Taiwan (even if their deposits are protected in their home countries) ● Other financial institutions designated by Ministry of Finance 	<ul style="list-style-type: none"> ● Postal savings bank added in January 1999 ● Beginning January 1999, foreign bank branches whose deposits are protected in their home countries may not participate 	Same as left column
Insurance Premium	Fiat rate of 0.05% of covered deposits	<ul style="list-style-type: none"> ● Still fiat rate, but reduced to 0.04% in July 1987 ● Reduced to 0.015% in January 1988 ● Risk-based rate system adopted on July 1, 1999, and three rates instituted: 0.015%, 0.0175%, and 0.02% ● Three rates adjusted to 0.05%, 0.055% and 0.06% on January 1, 2000 	Same as left column

	Year CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985–July 2001)	Current System (July 2001–)
Maximum Coverage	NT\$700,000	Raised to NT\$1 million on August 15, 1987	Remains at NT\$1 million; however, during the three-year period of operation of the Financial Restructuring Fund which the government established in July 2001 to accommodate the disposition of unsound financial institutions, all deposits and non-deposit debts of institutions approved for disposition by Financial Restructuring Fund Committee are fully covered
Scope of Coverage	Deposit principal and interest	From January 1999, limited to deposit principal	Same as left column, limited to principal; for institutions being disposed of by the Financial Restructuring Fund, however, all deposits and non-deposit debts are fully covered
Institutions in Which CDIC Funds May be Deposited	Limited to the Central Bank of China	These institutions added in January 1999: Institutions that are approved by the competent authority and that provide government bonds as collateral	Same as left column

	Year CDIC Established (Sept. 27, 1985)	Subsequent Changes (Sept. 27, 1985~July 2001)	Current System (July 2001~)
Borrowing of Funds from Other Financial Institutions	None	Added in January 1999	Same as left column
Provision of Collateral when Applying to the Central Bank for Accommodation	Full collateral must be provided	Provisions added in January 1999 as follows: <ul style="list-style-type: none"> ● That part for which the CDIC is unable to provide collateral will be guaranteed by the National Treasury ● When the secured portion exceeds CDIC's net worth, the competent authority and the Central Bank must apply to the Executive Yuan for approval 	Same as left column
Penalty for Refusal to Participate in Deposit Insurance	None	Provision added in January 1999: A fine of double the amount of the insurance premium will be imposed	Same as left column
Penalty for Non-acceptance of Deposit Insurance Assistance or Failure to Comply with Opinions of Assisting Personnel	None	Provision added in January 1999: A fine of NT\$360,000 to NT\$1.8 million will be imposed	Same as left column
Penalty for Failure to Comply with a Corrective Order within the Prescribed Time Limit	None	Provision added in January 1999: A further fine of one to five times the amount of the original fine may be imposed	Same as left column
Method of Allocation of CDIC's Surplus	As stipulated in the Company Law		The entire amount of surplus remaining after the accounts are closed is paid into the special reserve for insurance payoffs
Public Disclosure of Important Financial and Business Information of Banks	None		Information is disclosed on a quarterly basis