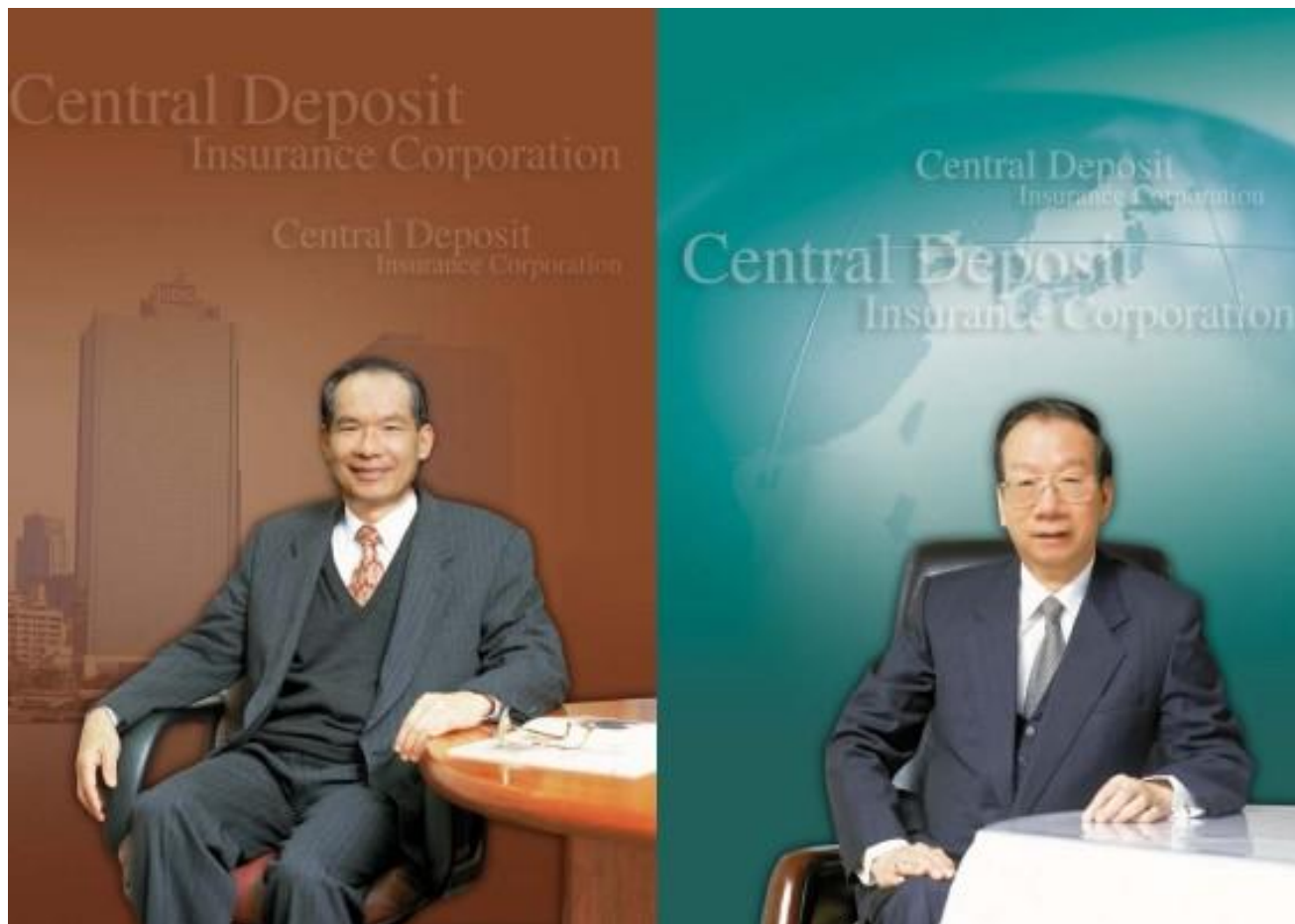


Message from the Chairman and the President



Taiwan's corporations and financial institutions have suffered heavy strikes from the bubble economy, the long-term slump in the real estate market and earthquake in 1999. Non-performing loans in financial institutions have increased rapidly and their profitability has declined. Thus unsound financial institutions and non-performing loans have become issues demanding urgent resolution by the government. In addition to the government setting up the Financial Restructuring Fund in July 2001 to dispose of unsound financial institutions so as to promote the sustainable development of the economy and maintain stability in financial order, the National Economic Development Conference held in August 2001 set up economic reform goals, and concrete measures for financial reform were planned out in reference to the experience of advanced countries to serve as guidelines for the future implementation of reforms.

In addition to handling deposit insurance and examining insured institutions in accordance with the law, Central Deposit Insurance Corporation has also been commissioned by the Financial Restructuring Fund to shoulder the mission of disposing of unsound financial institutions. With the establishment of financial holding companies, financial organizations are towards large-scale and diverse operations. The removal of fences between banking, securities and insurance businesses, deposit insurance risk become broader and more complex. Therefore, the entire staff of CDIC will work together toward the goals of reinforcing the functions of the deposit insurance mechanism, controlling risk effectively so as to prevent the occurrence of systemic risk, and accomplishing the policy missions of protecting the benefits of depositors and maintaining credit order.

The major tasks undertaken by CDIC during this year are described below:

1. Disposing of eight unsound financial institutions

To strengthen the financial market and enable failed financial institutions to withdraw smoothly and peacefully, and thus avoid a crisis of confidence among depositors and a domino type of systemic risk, Legislative Yuan passed the law for the establishment and management of the Financial Restructuring Fund last year, providing NT\$140 billion for disposing of financial institutions whose operating structures has severely deteriorated because of a rapid climb in the amount and ratio of non-performing loans. CDIC, per authorization by the Government, prompted thirty-six failed community financial institutions to withdraw. This year, CDIC continued to handle the disposition of eight institutions likewise. By allowing those institutions to withdraw smoothly and peacefully from the market, this achieved the goal of protecting the benefits of depositors and maintaining the stability of the financial system.

2. Striking at financial crime

To prosecute the illegal behavior of persons related to financial institutions, CDIC focused on insured institutions with major changes in their fiscal conditions, high non-performing loans ratios, and low net worth in carrying out special investigations and providing assistance in the collection of evidence. In addition, the Ministry of Justice set up a Supervisory Committee for the Prosecution of Financial Crime in November with the aim of speeding up the investigation of financial fraud; CDIC is a member of the committee, and has sent professional investigators to participate in the committee and facilitate investigative agencies with the handling of money laundering, extension of illegally excessive loans, embezzlement of assets, breach of trust, and other financial crime cases, and thus build up a fair, just, and disciplined financial environment.

3. Strengthening control of insured risk

To gain a timely grasp of changes in the fiscal and business conditions of insured institutions, CDIC vigorously promoted the establishment of a media reporting system for community financial institutions by formulating internet monitoring systems and establishing warning standards for insured institutions so as to reinforce the early-warning function. CDIC also worked in line with the international trend toward capital-based monitoring by sending special personnel to follow up closely on the data reported by community financial institutions that, on the most recent examination base date, had an adjusted net worth of under 2% of deposits or that had non-performing loans ratios in the double-digit range, and to attend guidance meetings regularly with the aim of restoring health to the operations of those institutions and preventing the occurrence of insurance incidents.

4. Planning of transition from blanket guarantee to limited coverage

Legislative Yuan passed the Statute for the Establishment and Management of Executive Yuan's Financial Restructuring Fund last year to provide a blanket guarantee for depositors and meet the needs of financial reconstruction. In view of the fact that the establishment of the Fund is a transitional expedient measure that could easily rise to moral risk, its period of operation should not be too long; to take timely action to cope with the possible impact of transition from the blanket guarantee of the Fund back to limited coverage once the Fund's period of operation has expired, CDIC has carried out planning for the improvement of the deposit

insurance mechanism in reference to the experience of the advanced countries. The key points of this planning include the prompt corrective action, the promotion of the public disclosure of information, and the accelerated accumulation of the deposit insurance reserves fund, all having the aim of smooth transition from the blanket guarantee system to the limited coverage mechanism so that the market restraint mechanism can be exercised.

5. Participating in International Association of Deposit Insurers

International Association of Deposit Insurers (IADI) was established in Basel, Switzerland, in May this year. The objects of IADI are to contribute to the stability of financial systems by promoting international cooperation and to encourage wide international contact among deposit insurers and other interested parties. CDIC participated in IADI as a founding member and set up an International Affairs Section to promote international exchange and absorb the experiences of other countries in implementing deposit insurance systems, so that Taiwan's deposit insurance system can develop in line with international trends, its international image can be upgraded, and its international visibility strengthened.

6. Readjusting the organizational structure

In coordination with financial monitoring and the disposition of unsound financial institutions, CDIC readjusted its organization by reorganizing Department of Monitoring and Assistance into two units, Department of Risk Management and Department of Resolution. The former handles management of coverage risk, the disposition of runs on banks and assistance for problem financial institutions. The latter handles the placing of financial institutions under supervision or conservatorship, provision of financial assistance to assist mergers and acquisitions among insured institutions, and liquidation of the assets and liabilities of failed institutions. This operation is aimed at enhancing business performance through a professional division of duties. In addition, to promptly handle emergencies at insured institutions in central and southern Taiwan, and to carry out examination, assistance, supervision, and conservatorship of insured institutions in those areas, CDIC has established an office in the south and, with permission from Ministry of Finance, set up a Central Region Office in Taichung in December this year so as to reinforce monitoring performance.

Over the past year, the entire CDIC staff has worked in a concerted effort, with the support and encouragement of all sectors, to complete successfully all of its business tasks as well as missions entrusted by the government. We wish to take this opportunity to express our most heartfelt appreciation for all the help we have received, and our fervent hope is that all of you will continue favoring us with your assistance in the future.

Chairman



President



Status of Economics and Finance in Taiwan

With the slow recovery of the global economy, Taiwan's external trade resumed growing in 2002 and the economic growth rate for the year as a whole rose to 3.54%, up from -2.18% the year before. The monitoring indicator light also changed gradually from blue, indicating a recession, to green, indicating steady economic performance.

Along with the elimination of international barriers to trade and the attractive effect of cheap labor in mainland China, Taiwan's enterprises are migrating offshore and corporate operations on the island are becoming more difficult by the day. Private investment willingness, as a result, is low. Further, the government's fiscal problems have led to a large-scale reduction in public investment, the unemployment rate is climbing continuously, and private consumption spending has declined, creating a whole series of influences that are unfavorable to economic development. In addition to reducing the rediscount rate and the secured loan rate 12 times in succession from the end of 2000 through the end of 2001, Taiwan's the Central Bank of China moved to revitalize the domestic economy by cutting the rediscount rate four more times in 2002 with the aim of maintaining a ease-money policy, reducing the cost of capital, and heightening the willingness to invest. Encumbered by the lack of improvement in the domestic investment environment, however, for the finance industry as a whole the total amount of loans at the end of 2002 was down.

Beginning in November 2002 Taiwan business leading economic indicators turned downward for two months in a row. In the future, membership in the WTO means that the domestic market will be opened more widely day by day; the impact on local industries will become more severe, and the government and the people should work with concerted efforts for the healthy growth of the island's overall economy in the years to come.

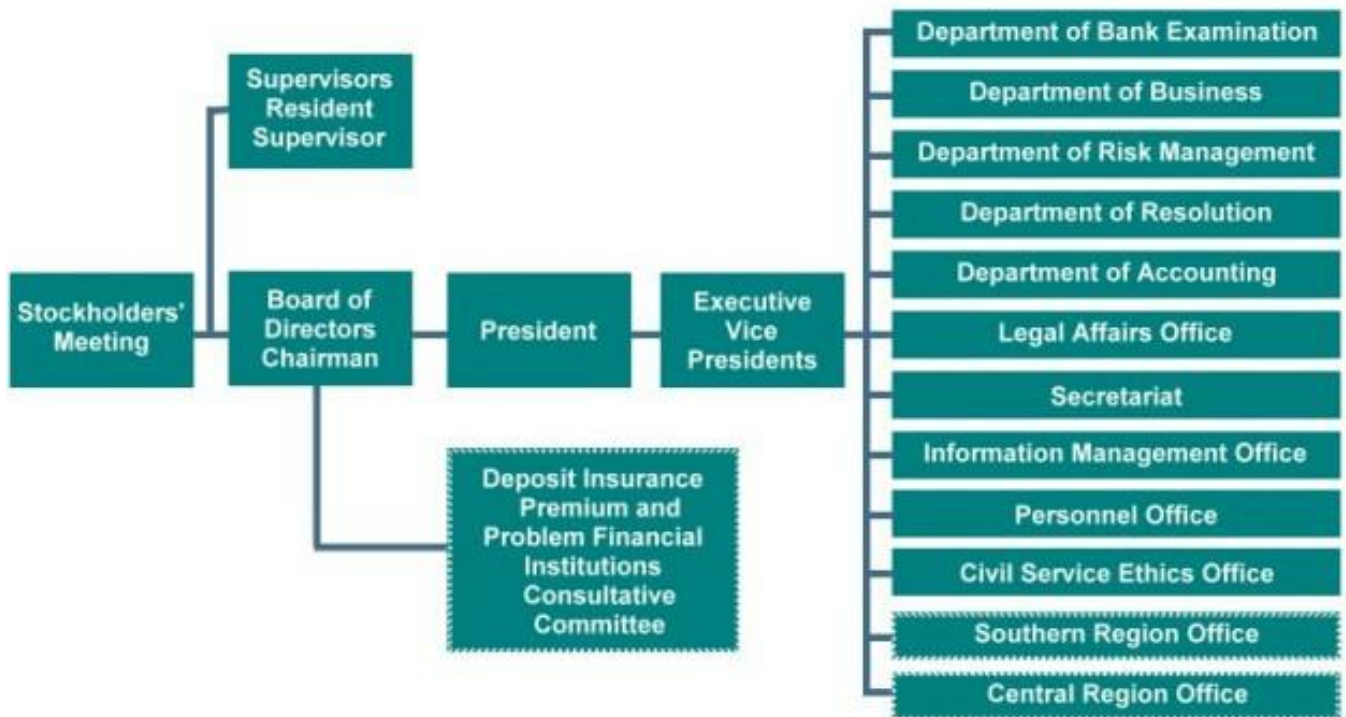
Major Economic and Financial Indicators, 1998-2002

Indicat	1998	1999	2000	2001	2002
1.Economic Growth					
Economic Growth Rate(%)	4.57	5.42	5.86	-2.18	3.54
GDP(US\$billion)	2,672	2,879	3,094	2,812	2,815
Per Capita Income (US\$1)	11,333	12,100	12,916	11,637	11,633
2.External Trade					
Export Surplus(US\$ billion)	59.2	109.0	83.1	156.3	180.7
Export Growth (%)	-9.4	10.0	22.0	-17.2	6.3
Import Growth (%)	-8.5	5.8	26.5	-23.4	4.9
Growth in Export Orders (%)	-4.0	7.3	20.4	-11.5	11.2
Foreign Exchange Reserves at Year-end (US\$ billion)	903	1,062	1,067	1,222	1,617
3.Business Indicators (year-end)					
Monitoring Light	Blue	Green	Green	Blue	Green
Monitoring Score	14	28	16	15	24
Leading Index	96.7	105.3	98.4	96.7	101.1
Coincident Index	99.8	105.2	101.6	97.8	104.1

4. Population and Unemployment Rate (year-end)					
Population (million)	2,193	2,209	2,228	2,241	2,252
Unemployment Rate (%)	2.69	2.92	2.99	4.57	5.17
Commodity Prices					
Annual Increase in CPI (%)	1.68	0.18	1.26	-0.01	-0.20
Annual Increase in WPI (%)	0.60	-4.55	1.82	-1.34	0.06
6. Interest Rates (year-end)					
Central Bank Rediscount Rate (%)	4.750	4.500	4.625	2.125	1.625
Central Bank Secured Loan Rate (%)	5.125	4.875	5.000	2.500	2.000
Foreign Exchange Rate (NT\$:US\$)	32.200	31.400	32.992	34.999	34.753
7. Money Supply (year-end)					
M2 Annual Growth (%)	9.04	7.08	6.73	4.73	2.79
M1a Annual Growth (%)	-0.49	7.87	-0.92	0.07	10.34
M1b Annual Growth (%)	2.87	14.08	0.37	10.72	11.08
8. Loans by Financial Institutions (year-end)					
Total Loans (NT\$ billion)	131,140	136,874	143,329	139,150	135,616
Non-performing Loans Ratio (%)	4.93	5.67	6.20	8.16	6.84

Sources: The Central Bank of China, Directorate-General of Budget, Accounting and Statistics, Executive Yuan, Bureau of Foreign Trade, Ministry of Economic Affairs, and Council for Economic Planning and Development, Executive Yuan website

Organization Chart



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)
	Jiin-Tarng Yue (Representative of the Central Bank of China)
	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

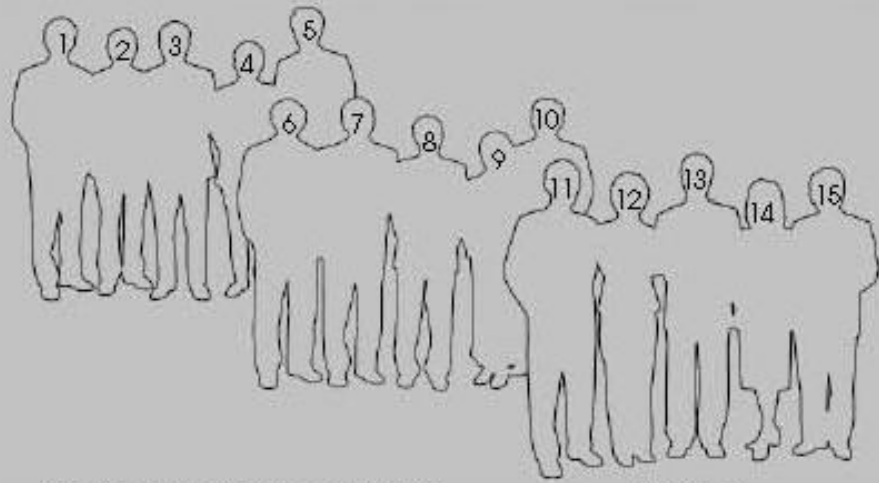
Resident Supervisor	Chang-Shang Chen (Representative of the Ministry of Finance)
Supervisors	Kuo-Chung Hsu (Representative of the Ministry of Finance)
	Tang-Chieh Wu (Representative of the Ministry of Finance)

Senior Executives

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

Directors of the Various CDIC Departments





- | | |
|---|------------------|
| 1. Department of Business Director | Allen Chen |
| 2. Civil Service Ethics Office Director | Chih-Hung Chiang |
| 3. Executive Vice President | L.C. Pan |
| 4. Department of Accounting Director | Huei-Ling Liu |
| 5. Information Management Office Director | Shui-Dong Huang |
| 6. Secretariat | Tsu-I Yeh |
| 7. Advisor | William Lou |
| 8. Executive Vice President | W.H. Lai |
| 9. Personnel Office Director | Tung-Meng Lin |
| 10. Department of Risk Management Director | William Su |
| 11. Department of Resolution Director | Robert L.I. Chen |
| 12. Legal Affairs Office Director | Mang-Chih Lee |
| 13. Executive Vice President | Howard N.H. Wang |
| 14. Advisor | Ruby Hou |
| 15. Department of Bank Examination Director | John J.T. Chang |

Business Operations

CDIC is vested with the exclusive responsibility for handling deposit insurance in Taiwan, Republic of China. Its objectives are to protect the benefits of depositors in financial institutions, promote savings, maintain an orderly credit system, and enhance the sound development of financial operations. To enable CDIC to practically implement these objectives, the Deposit Insurance Act vests CDIC with four important responsibilities: handling deposit insurance, examining insured institutions, assisting problem insured institutions, and handling failed insured institutions. In addition, Executive Yuan's Financial Restructuring Fund has entrusted CDIC with the policy mission of dealing with financial institutions whose operations have become unsound. Following are brief descriptions of CDIC's implementation of its major tasks and policy mission in 2002:

1. Deposit Insurance

(1) Participation of Financial Institutions in Deposit Insurance

After participation in deposit insurance was switched from a voluntary to a mandatory basis, all legally approved deposit-taking institutions in Taiwan have joined the deposit insurance system and become CDIC-insured institutions. Because of the government's active promotion of its financial reform policy, another eight insured institutions with unsound operations were withdrawn from the market through the Financial Restructuring Fund during this year; five insured institutions were voluntarily acquired by other institutions; and one new foreign bank branch was added. This brings the number of insured institutions down from 417 at the end of 2001 to 405 at the end of 2002.

(2) Protection of Depositors and Deposits in Insured Institutions

Taiwan's deposit insurance system currently espouses limited coverage, with each individual depositor in an insured institution being covered to a maximum of NT\$1 million. According to statistics compiled from data reported by all insured institutions, as of Dec. 31, 2002 total insurable deposits amounted to more than NT\$18,147 billion, of which approximately NT\$8,214 billion were within the maximum amount of coverage. The average ratio of insured deposits to total insurable deposits in all insured institutions was 45.3%. The average ratio of depositors in all insured institutions having deposits within the maximum coverage to all depositors was 94.8%. Analysis by type of financial institution shows that the local branches of foreign banks had the lowest ratio, at 88.3%, while domestic banks had the highest ratio, at 95.0%. This indicates that Taiwan's current maximum coverage of NT\$1 million is able to provide most small depositors with full protection.

(3) Impact of the Executive Yuan's Financial Restructuring Fund on the Insurance Coverage Extended to Depositors

The maximum amount of insurance coverage that CDIC extends to each individual depositor in an insured institution is currently NT\$1 million. However, with the mechanism of the Financial Restructuring Fund (established for a period of three years, from July 1, 2001 to July 10, 2004, extendable for one year if necessary) in place, for all of the

unsound financial institutions that the Fund has taken under handling the full amount of deposits and interest are covered without being subject to the maximum coverage limit of NT\$1 million.

(4) Implementation of the Risk-based Premium System

With the permission of Ministry of Finance, CDIC instituted a tiered deposit insurance rate assessment system on July 1, 1999 to coordinate with the mandatory coverage system and reasonably reflect the operating risk of insured institutions. In view of the need for a sound deposit insurance system to build up adequate funds for insurance pay-off 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% on Jan. 1, 2000. This enabled CDIC to build up an adequate special reserve for compensation payments and to reinforce its ability to handle problem insured institutions, and further to protect the interests of depositors, effectively guide insured institutions in reducing operating risk, and maintain financial order in Taiwan. Among all insured institutions at the present time, approximately half are subject to the 0.05% rate and about 25% are subject to each the 0.055% and 0.06% rate. At the end of 2002 the amount of the accumulated deposit insurance pay-off special reserves totaled NT\$9.66 billion.

2. Bank Supervision

(1) Status of Financial Examination

CDIC's examination of financial institutions is 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 under the Regulations Governing Ministry of Finance's Commissioning CDIC with the Examination of Community Financial Institutions. Beginning in July 1996 CDIC has undertaken the examination of all 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 the various computer centers shared by community financial institutions.

CDIC's financial examinations are primarily done on site, and secondarily via the auditing of statements. On-site examinations are divided into 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 are of a specific nature and are focused on specified areas of business as commissioned by the competent authority in response to abnormal changes in financial conditions or other unexpected incidents. During fiscal year 2002 CDIC completed 303 general examinations of headquarters institutions and 822 general examinations of branch institutions. In addition, to control insurance risk CDIC carried out 209 specific examinations of insured institutions, focusing on loan operations and internal management, asset assessment, related parties, large loans requiring assessment, and other specific matters.

(2) Enhancement of Supervision Performance

§ Participation in the Financial Crime Enforcement Supervisory Team

In accordance with a suggestion made by a meeting of the Financial Crime Enforcement Working Group of Executive Yuan's Financial Reform Task Force, Ministry of Justice established a Financial Crime Enforcement Supervisory Team on Nov. 1, 2002 in order to reinforce enforcement against financial crime. CDIC is a member of the team and sends investigative personnel to participate in its work.

§ Participation in the Financial Examination Committee

The membership of the Financial Examination Committee is made up of representatives from Ministry of Finance, the Central Bank of China, CDIC, and Taiwan Cooperative Bank, and its brief is the planning and integration of financial examination. During this year, the meeting mentioned above set up "Examination Division of Duties, Examination Report Formats, Examination Manual, Working Manuscript, Basic Data, and Financial Data Report Categories for Financial Holding Companies" as well as "Examination Guidelines for Bank Auditing," and cooperates in their implementation.

§ Uncovering of Financial Fraud

In carrying out financial examinations during this year CDIC uncovered two cases of business fraud. In addition to turning the cases over to the local authorities, the company also notified Ministry of Finance and The Central Bank of China to deal with the cases and avoid continuing losses in the examined institutions.

§ Revision of the "Working Manuscript for Examination, Key Business Items for Examination, and Business Questionnaire for Financial Institutions"

CDIC has established a "Working Manuscript for Examination Key Business Items for Examination, and Business Questionnaire for Financial Institutions in accordance with the business categories of financial institutions, and reviews them in line with changes in the financial environment and revisions of financial laws and regulations, to keep them in conformity with actual conditions and boost the effectiveness of examinations. To strengthen services to financial institutions, CDIC has also published the Working Manuscript and Questionnaire on its website for downloading by financial institutions for use in developing computer programs and designing management reports.

§ Revision of the "Reference Standards for the Assessment of Financial Institution Assets"

The objective of asset assessment is to weigh the quality of assets of the institution under examination and provide an important basis for the making of decisions on the continued operation of institutions whose financial conditions have deteriorated. To strengthen the rigor of assessment, CDIC's "Reference Standards for the Assessment of Financial Institution Assets" were revised to allow examiners to carry out assessments under the principles of caution and objectivity so as to express the true financial status of the institution under examination.

§ Participation in the New Basel Capital Agreement Study Team

In response to the proposed implementation of the new Basel Capital Accord by the Bank for International Settlements at the end of 2006, Ministry of Finance invited CDIC to participate in the Examination Supervision Group for the new Basel Capital Accord for the purpose of studying issues of agreement-related

monitoring techniques, procedures, and laws, thus providing the authorities with a reference for the formulation of coordinating measures and the revision of financial regulations.

§ Training of Examiners to Strengthen Examination Skills

To promote the exchange and propagation of examination experiences, and to absorb new professional financial know-how, CDIC invited its own outstanding senior examiners and outside experts to speak at numerous examination case seminars and special lectures. The curricula of these events focused on risk management for new types of financial products, the monitoring of financial holding companies, and the investigation of illegal financial behavior with the aim of strengthening the ability to assess the overall operating risk of financial institutions and improve evidence-gathering capability in the investigation of illegal behavior.

3. Risk Management

(1) Financial Early-Warning System

To gain a grasp of the operating status and financial conditions of financial institutions in a timely fashion, to detect problem financial institutions at an early date, and to provide a reference for planning the focus and frequency of on-site examinations, Ministry of Finance has continued to commission CDIC to set up a National Financial Early-Warning System. In line with the financial environment and the needs of supervision, CDIC will continue adjusting and revising the system. Following are brief descriptions of tasks regarding early-warning operations that were undertaken during this year:

- To increase the sharing of information and supervisory functions among competent authority, CDIC submits 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 a timely grasp of the financial and business status of financial institutions; in addition, related operational defects are rectified in a timely manner so as to improve the results of supervision.
- In line with the government policy of progressive public disclosure of information on financial institutions, CDIC regularly publishes some of the contents 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 web site in order to give the public an understanding of the operating information of financial institutions and to reinforce the self-discipline function.
- To speed up the control of operating information on financial institutions, with the approval of Ministry of Finance CDIC converts the scheduled reports of credit cooperatives from written to media reports, and beginning in September 2002 formally adopted the media report data for the compilation of management reports, thereby upgrading the timeliness of data processing.
- The online transmission systems of CDIC and financial institutions are used for the timely acquisition of warnings about abnormal changes in the operations of financial institutions. CDIC asks the competent authority for the institution in question to oversee the improvement of the institution in accordance with the regulations so as to reduce insurance risk.

(2) Off-site Monitoring and Follow-up Evaluation

CDIC has, in accordance with relevant regulations, drawn up CDIC Enforcement Procedures for the Follow-up Evaluation of Insured Institutions' Business Deficiencies, and, in accordance with the Regulations Governing Ministry of Finance's Commissioning of CDIC with the Examination of Community Financial Institutions, carries out follow-up evaluation of the examined institutions based on the results of the examinations. Following are descriptions of activities in this area:

- Establishment and Updating of Files on Insured Institutions' Operations

Establishment and updating of basic data files, business deficiency files, and operational status files for insured institutions in order to maintain a good understanding of their operating information. In addition, establishment of files on major unexpected incidents and major warning events, and files on institutions with high dishonored check ratios for use as a reference in carrying out specific-scope and follow-up evaluations and thus controlling the operating risk of insured institutions.

- Follow-up Evaluation of the Deficiencies of Insured Institutions

Documentary follow-up evaluation of insured institutions under CDIC's inspection responsibility is carried out via written comments on evaluations, and related agencies and insured institutions are notified about major deficiencies that need to be rectified. On-site re-evaluation is also carried out, as is specific-scope on-site follow-up evaluation of insured institutions with abnormal operating conditions.

- Supervision of the Internal Auditing of Institutions

Charts are compiled using the internal audit reports and self-evaluation work of the institutions, and the resulting data are evaluated so as to gain an understanding of the effectiveness of their internal auditing work and related internal deficiencies. In addition to using this as a reference in carrying out inspections, CDIC also asks the insured institutions to review their major deficiencies and to make improvements so as to make sure that the internal auditing function is carried through.

- Handling of Complaints and Tip-offs from the Public

CDIC takes complaints and tip-offs from the public; these are taken into the general inspection work of CDIC or are investigated as special cases, and the results are handled in accordance with the regulations or replies are made to those making the complaints or tip-offs.

(3) Provision of Assistance

- Assistance for Insured Institutions with Operating Deficiencies

To reduce insurance risk and maintain financial order, CDIC helps insured institutions with major operating deficiencies through an account officer system, and adopts appropriate and timely assistance measures to deal with their deficiencies.

- Attendance at Major Meetings of Insured Institutions

On instructions from the competent authority, CDIC dispatches personnel to join in some of the important meetings of boards of directors or boards of standing directors of insured institutions with the aim of helping them to make decisions on important issues. CDIC also sends people to join in joint or special assistance meetings called by the competent authority, and cooperates closely with the competent authority in helping insured institutions to carry out improvements and in strengthening guidance of their business operations.

- Interviewing of Personnel from Insured Institutions with Abnormal Operating Conditions

The primary responsible persons or related executives of insured institutions are interviewed and asked for explanations about the deterioration of financial and business conditions, and to propose improvement programs, in order to strengthen and improve their operations.

- Financial Assistance to Insured Institutions with Liquidity Crises

CDIC moves to avoid systemic risk by operating in accordance with Article 17 of the Deposit Insurance Act and with the permission of Ministry of Finance to place deposits in a insured institutions with liquidity crises, and to help with the merger of institutions into banks.

(4) Holding Operation and Management Seminars

CDIC held a "Strengthening of Assistance for and Management of Community Financial Institutions" seminar in May 2002 in order to strengthen horizontal contacts with monitored institutions and improve assistance to insured community institutions. During this seminar, the exchange of experiences and intensive communication were used to improve assistance for community financial institutions.

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.

4. Disposition

(1) Supervision and Conservatorship

CDIC has been commissioned by the Financial Restructuring Fund to dispose of unsound financial institutions. The Operating Manual for the Disposition of Unsound Financial Institutions has been compiled to serve as reference and training material in carrying out supervision and conservatorship of such institutions, and brief explanations of the status of this operation follow:

- Conservatorship of the Chung Shing Bank Turned Over to Land Bank of Taiwan

CDIC received instructions to place the Chung Shing Commercial Bank under supervision beginning on Apr. 28, 2000. On Oct. 18, 2001 the Financial Restructuring Fund passed a resolution listing the bank as an object of disposition, and on Oct. 25 that year it was placed under conservatorship and the authority of the

shareholders' meeting, board of directors, and panel of supervisors was vested in CDIC. CDIC further received instructions to turn conservatorship of the bank over to Land Bank of Taiwan on Oct. 5, 2002.

- Conservatorship of Kaohsiung Business Bank

Because the asset quality of the Medium Business Bank of Kaohsiung continued to deteriorate and its adjusted net worth dropped into the negative range, and it was unable to carry out a capital increase within the stipulated time limit, Ministry of Finance instructed CDIC to place the bank under conservatorship on Jan. 28 this year and to exercise the powers of its shareholders' meeting, board of directors, and panel of supervisors during the period of conservatorship. The Financial Restructuring Fund resolved to list this bank as an object of disposition on Feb. 8, and at the end of this year it remained under CDIC conservatorship.

- Conservatorship of Tainan City Fifth Credit Cooperative

This year's general-scope examination of the business of Tainan City Fifth Credit Cooperative revealed that its adjusted net worth was in the negative range and that its financial situation was deteriorating severely, arousing concerns that the interests of depositors would be harmed. The matter was reported to the Management Committee of the Financial Restructuring Fund, which resolved on May 15 to list the credit cooperative as an object for disposition. Ministry of Finance designated CDIC as conservator, and a conservatorship team took over the credit cooperative on May 17 to exercise the powers of the cooperative representatives, board of directors, and panel of supervisors. The credit cooperative was sold by open bidding and was taken over by the winning bidder, Sunny Bank, on Aug. 24, 2002.

- Conservatorship of Seven Unsound Farmers' Association Credit Departments

The adjusted net worth of the unsound credit departments of seven credit cooperatives-those of Shengang Township in Taichung County; Jhanghua City; Fuhsing Township in Changhua County; Linnei Township in Yunlin County; Nanhua Township in Tainan County; Dashu Township in Kaohsiung County; and Chaozhou Township in Pingtung County-were in the negative range, and their financial condition showed no concrete improvement after three to six months of intensive guidance; the Management Committee of the Financial Restructuring Fund resolved on June 28, therefore, to list these credit departments as objects for disposition, and Ministry of Finance instructed CDIC to assume the powers of their farmers' association representatives, boards of directors, and panels of supervisors. On orders from Ministry of Finance, the seven credit departments were acquired by Taiwan Cooperative Bank and Land Bank of Taiwan on July 27.

(2) Planning and Personnel Training Work on Commission from the Financial Restructuring Fund

Under current laws and regulations, CDIC can be commissioned to dispose of unsound financial institutions by one of three means: assumption, purchase and assumption, and cash pay-off. With the exception of a small number of institutions whose assets were assumed by the Financial Restructuring Fund itself, the remaining 44 unsound financial institutions that had been disposed of by the Fund by the end of 2002 were taken over by banks. To carry out handling the sale by bidding or auction of the assets of unsound financial institutions as permitted under the existing Statute and absorb market experience, CDIC's planning and training operations are as follows:

- A Planning Committee for Non-performing Loans Procurement was organized and given the task of collecting information on the latest domestic and overseas developments in the packaging, sale, announcement, and transfer of bad debt. The committee also holds discussion meetings on an unscheduled basis to provide for the planning work.
 - To prepare a mechanism for the disposition of bad debt, personnel from the Korea Asset Management Corp. were invited to visit CDIC and engage in an exchange of ideas on such issues as the primary principles followed in Korea's implementation of financial reform and CDIC's future purchase and disposition of bad debt. The results are to be used as a reference in planning the relevant mechanism.
 - CDIC personnel were sent to visit Taiwan Financial Asset Service Corp., Taiwan Asset Management Corp., and financial institutions experienced in selling bad assets in order to get an understanding of practical operations and current legal restrictions, and to assess the feasibility of cooperation with other companies.
 - Financial and legal consultants who have helped domestic banks in the successful sale of non-performing loans were invited to CDIC for talks, for the purpose of absorbing market experience.
 - Domestic experts experienced in the sale and management of bad debt were invited to teach courses on the management and disposition of bad debt, thus strengthening the training of CDIC personnel.
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5. Computerization

CDIC carries out system adjustment and revision, or the development of new systems, to meet business needs and to reinforce the functions of current application systems. Following are brief descriptions of tasks that have been completed in this area:

- The examination operating systems for three types of examination reports-those for banks, credit cooperatives, and farmers' and fishermen's associations-were integrated into a single entry window so as to simplify operations for financial examiners.
 - To keep up with trends in the development of information technology and upgrade the efficiency of CDIC's application systems, work was completed on first-stage development of a Windows version of personnel and payroll systems, thereby greatly enhancing the efficiency of system implementation.
 - An Internet data transmission system for credit cooperatives was developed with the aim of replacing manual reporting, and the information functions needed for the automatic financial early-warning system were added, so as to enhance operating efficiency.
 - The establishment of an "Open Asset Auction Website" mechanism was simulated, including the confirmation of bidders, display of information on assets being auctioned, auction operations, and automatic notification of winning bidders, and provided for the reference of the Financial Restructuring Fund.
-

6. Research and Development

- CDIC personnel were sent to Switzerland, Korea, the U.S., the U.K., and the Philippines to investigate and study systems, operating procedures, and results of implementation related to CDIC operations, and

to absorb the experience of other countries, for use as a reference in formulating directions for the development of Taiwan's deposit insurance system.

- CDIC collected the latest information with regard to deposit insurance and banking supervision both locally and overseas and completed numerous research papers that were used for reference purposes.
- Deposit Insurance Premium and Problem Financial Institutions Consultative Committee held two address the issues of how the government should reinforce the corporate governance of financial institutions so as to strengthen their competitiveness, and how the maximum insured amount of deposits and risk-based premiums should be readjusted once the term of the Financial Restructuring Fund has expired and the system has returned to limited coverage, so as to alleviate the impact on depositor confidence and on the financial system. Participants in the conferences brought up numerous valuable ideas that merit consideration.
- To provide the measures needed to cope with the expiration of the term of the Financial Restructuring Fund and the return of deposit insurance to a limited guarantee, Attorney Chen Chun-shan was commissioned to carry out a planning study of "Accompanying Measures for the Return to a Limited-Amount Deposit Insurance Mechanism." This study has been completed and submitted to Ministry of Finance for approval.
- In accordance with one of the methods stipulated in the Deposit Insurance Act for CDIC to use in executing its insurance responsibilities, prior planning was carried out for the temporary assumption and continuation of operations of failed financial institutions in the name of CDIC. The plan was submitted to Ministry of Finance for approval.
- Quarterly the Deposit Insurance Journal were published, carrying articles submitted by experts and scholars in the fields of financial institution management, the financial business, financial supervision, deposit insurance systems, and financial regulation. The quarterly was sent to related agencies, financial institutions, colleges and universities, elected representatives from various levels of parliament , libraries, and cultural centers for study and reference.
- Four Deposit Insurance Collection volumes were published, containing the study reports submitted by CDIC personnel who were sent abroad for investigation during the previous year, for reference by related agencies, financial institutions, academic organizations, and experts and scholars.

7.International Exchange

In line with the trend toward a high degree of internationalization, liberalization, and resource integration in global economics and finance, CDIC moved to make Taiwan's deposit insurance mechanism more perfect and to reinforce the island's international image and boost its international visibility by participating in International Association of Deposit Insurers (IADI) as a founding member and by setting up an International Affairs Committee and International Affairs section under Department of Business in order to strengthen the promotion of international exchange. This effort included participation in the activities of IADI and the financial supervisory agencies and deposit insurance agencies of major countries, the reception of and arrangement of study curricula for deposit insurance colleagues from other countries, and the sending of personnel abroad to investigate and absorb the successful experiences of other countries. CDIC also helped to carry out global deposit insurance questionnaire surveys and guidance for developing effective deposit insurance system in cooperation with international organizations and foreign deposit insurance agencies, with the aim of sharing supervisory information and practical experience through international exchange so

that Taiwan's deposit insurance system will be able to develop in line with international trends and standards.

Following are some of the major international exchange activities which CDIC participated in or organized during this year:

- Mr. Nguyen Manh Dung, deputy head of Vietnam's deposit insurance agency, visited CDIC in April along with representatives of that country's central bank and finance ministry to study Taiwan's deposit insurance mechanisms and operating methods. Arrangements were made for them to visit other financial institutions as well.
- In May, CDIC Chairman Chin-Tsair Tsay traveled to Basel, Switzerland to participate in the founding meeting of International Association of Deposit Insurers (IADI). He signed the IADI's organizational statute on behalf of CDIC, making CDIC one of the association's 25 founding members. The movement to organize IADI was initiated by the Canadian deposit insurance company, and it is an organization that operates under the Bank for International Settlements. The objects of IADI are to contribute to the stability of financial systems by promoting international cooperation and to encourage wide international contact among deposit insurers and other interested parties. An Asian regional committee under IADI is designed to reinforce the development of deposit insurance systems within the region. In addition to its annual meeting in May, IADI convened a special membership meeting via the Internet on Oct. 30 for the purpose of presenting reports and engaging in discussions on operating reports and budgets, the establishment of deposit insurance criteria procedures, and standing and regional committees. CDIC participates actively in all of IADI's activities and maintains close interchange with participants with the aim of bringing the operation of Taiwan's deposit insurance mechanism closer to perfection.
- CDIC President Johnson C.S. Chen traveled to Malaysia in August to participate in the 4th Ministers' Meeting of the Financial Supervisory Bodies of SEACEN Member Countries jointly organized by the South East Asian Central Banks (SEACEN) organization and the Asia Pacific Economic Cooperation forum, where discussions were held on the experience of banking development in the Asia-Pacific region and international trends in banking supervision.
- In September CDIC Executive Vice President L.C. Pan led other CDIC colleagues for an on-site inspection of the Korea Deposit Insurance Corp., the Korean Financial Supervisory Service, the Korean Asset Management Corp., and other organizations related to the implementation of financial reform in order to gain a clear understanding of the successful experience of financial reform in Korea and of the conversion from blanket guarantee to a limited coverage in the process of financial reconstruction.
- CDIC held a Seminar on the Disposition of non-performing loans on Oct. 16, and invited Beom Choi, executive director of the International Business Group of KAMCO, to travel to Taiwan to deliver an address on financial reform in Korea and hold comprehensive discussions with domestic financial executives.
- Mr. Car. Lingren, consultant to the International Monetary Fund, visited CDIC in October for an exchange of ideas on the Asia-Pacific regional economic situation.
- Anton Tarihoran and I.H. Viraguna Oka of the Indonesian central bank visited CDIC in October for an exchange of opinions on the establishment of policies regarding the risk assessment of insured institutions by financial supervisory agencies and the effectiveness of internal controls.
- L. William Seidman, former chairman of the Federal Deposit Insurance Corporation of the United States, and Harrison Young, former president of the FDIC, visited CDIC in October and November,

respectively, for exchanges of opinions on the mechanism for the disposition of problem financial institutions.

- Masanori Ishizuka and others from the Japanese deposit insurance corporation visited CDIC in December and engaged in an exchange of opinions on the operating mechanism of the Asian regional committee of the International Association of Deposit Insurers.
- CDIC Executive Vice President Howard N.H. Wang traveled to Thailand in December to participate in the Forum for Asian Insolvency Reform organized by the Organization for Economic Cooperation and Development (OECD) to discuss the development of bankruptcy reform and the disposition of non-performing loans in Asia.
- Planning was carried out for the establishment of formal bilateral cooperative relations with the Koran deposit insurance corporation so as to advance cooperation and exchange between the two sides and reinforce the development of the deposit insurance system.

8. Human Resources

(1) The CDIC Manpower Structure

year	No. of Employees	Average Age	Educational Background		
			Graduate School	College	Others
2002	290	38	45	237	8
2001	294	38	43	242	9
2000	282	38	43	230	9
1999	291	35	51	231	9
1998	296	34	54	233	9

No. of personnel by department in 2002:

Dept. of Bank Examination	164
Dept. of Risk Management	35
Dept. of Resolution	20
Dept. of Business	14
Legal Affairs Office	9
Dept. of Accounting	8
Secretariat	12
Personnel Office	5
Information Management Office	14
Civil Service Ethics Office	2

(2) Personnel Training

The following training programs were carried out during this year to upgrade the quality of CDIC employees and strengthen their professional know-how:

- Personnel were sent on an intensive basis to participate in professional training programs offered by such institutions as the Taiwan Academy of Banking and Finance, Institute for Information Industry, and Training Program for Government Personnel.
- CDIC itself organized monthly professional business seminars, with lectures by outstanding senior CDIC bank examiners and outside experts as well as actual case studies.
- CDIC personnel were sent overseas for study and observation, or for participation in international conferences , in order to strengthen research in subjects related to deposit insurance.
- Once- or twice-weekly English and Japanese classes were offered to upgrade the proficiency of CDIC personnel in those languages.

Financial Statements and CPA Reports

INDEPENDENT AUDITORS' REPORT

NO. 121491EA

To the Board of Directors of Central Deposit Insurance Corporation

We have audited the accompanying balance sheets of Central Deposit Insurance Corporation as of December 31, 2002, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Central Deposit Insurance Corporation for 2001, which have not been audited by a CPA, are attached for your reference.

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 Central Deposit Insurance Corporation as of December 31, 2002, and the results of its operations and its cash flows for the year then ended, in conformity with the law and with Republic of China generally accepted accounting principles applied on a consistent basis.

Clock & Co., CPAs

BALANCE SHEETS

	NOTES	2002		2001	
		Amount	%	Amount	%
CURRENT ASSETS		\$22,146,506	97	\$19,884,224	97
Cash and Cash Equivalents	3	17,781,894	78	17,564,060	86
Marketable Security	2,4	4,099,440	18	1,895,548	9
Receivables	5	246,944	1	406,556	2
Prepayments		18,054	—	17,341	—
Other Current Assets	6	1,174	—	719	—
FIXED ASSETS-NET	2,7	565,003	3	534,061	3
Cost		600,028	3	556,636	3
Land		228,833	1	221,783	1
Buildings		265,486	2	247,182	2

Machinery and Equipment		71,078	—	56,539	—
Transportation Equipment		14,902	—	12,807	—
Other Equipment		19,729	—	18,325	—
Revaluation Increment		66,149	—	66,149	—
Cost and Revaluation increment		666,177	3	622,785	3
Less Accumulated Depreciation		101,174	—	88,724	—
Buildings		45,726	—	41,318	—
Machinery and Equipment		35,992	—	31,057	—
Transportation Equipment		8,240	—	6,931	—
Other Equipment		11,216	—	9,418	—
INTANGIBLE ASSETS	8	6,893	—	7,030	—
OTHER ASSETS		6,969	—	6,969	—
Guarantee Deposits Paid		6,959	—	6,952	—
Other Deferred Charges		10	—	17	—
TOTAL ASSETS		\$22,725,371	100	\$20,432,284	100
CURRENT LIABILITIES		\$ 1,759,666	8	\$ 598,759	3
Bonds Sold Under	9	1,619,465	7	474,595	2
Payables	10	140,201	1	124,164	1
LONG-TERM LIABILITIES		25,551	—	27,335	—
Reserve for Land Revaluation Increment Tax		25,551	—	25,551	—
Accrued Pension Liability		—	—	1,784	—
OTHER LIABILITIES		9,663,390	43	8,529,425	—
Reserve for Special Compensation		9,661,871	43	8,528,358	42
Guarantee Deposits Received		1,499	—	1,067	—
Temporary Receipts and Suspense		20	—	—	—
TOTAL LIABILITIES		11,448,606	51	9,155,519	45
Capital Stock	11	10,000,000	44	10,000,000	49
Capital Surplus		40,598	—	40,987	—
Paid-in Surplus		—	—	389	—
Reserve of Asset Revaluation		40,598	—	40,598	—
Retained Earnings		1,236,167	5	1,235,778	6
Legal Reserve		235,701	1	235,701	1
Special Reserve		1,000,466	4	921,423	5
Unappropriated Retained Earnings		—	—	78,654	—
TOTAL STOCKHOLDERS' EQUITY		11,276,764	49	11,276,765	55
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$22,725,371	100	\$20,432,284	100

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

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

(Expressed in New Taiwan Thoundsands)

DESCRIPTION	NOTES	2002		2001	
		Amount	%	Amount	%
OPERATING REVENUE		\$4,186,380	100	\$4,307,087	100
Interest Revenue		585,293	14	898,505	21
Premium Revenue		3,597,274	86	3,408,582	79
Gain on Trading of Notes and Bills		3,813	—	—	—
OPERATING COSTS		3,816,544	91	3,822,034	89
Handling Fees		153	—	129	—
Insurance Expenses		207	—	331	—
Interest Expenses		21,053	—	71,638	1
Special Loss Reserve Provisions		1,268,757	30	3,559,013	83
Financial Restructuring Fund Expenses		2,334,715	56	—	—
Agent Fees		191,659	5	190,923	5
GROSS PROFIT		369,836	9	485,053	11
OPERATING EXPENSES		368,640	9	351,218	8
Transaction Expenses		309,715	8	294,524	7
General & Administrative Expenses		53,211	1	52,131	1
Other Operating Expenses		5,714	—	4,563	—
OPERATING INCOME		1,196	—	133,835	3
NON-OPERATING INCOME		968	—	3,493	—
Indemnity Income		118	—	83	—
Other Income		850	—	3,410	—
NON-OPERATING EXPENSES		2,164	—	2,084	—
Loss on Disposal of Assets		251	—	500	—
Other Expenses		1,913	—	1,584	—
INCOME BEFORE INCOME TAX		—	—	135,244	3
INCOME TAX		—	—	(135,244)	(3)
NET INCOME		\$ —	—	\$ —	—
EARNINGS PER SHARE		\$ —	—	\$ —	—

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

(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, 2001	\$10,000,000	\$ 389	\$ 40,598	\$ 235,701	\$ 921,423	\$ 78,654	\$11,276,765
BALANCE, DECEMBER 31, 2001	\$10,000,000	\$ 389	\$ 40,598	\$ 235,701	\$ 921,423	\$ 78,654	\$11,276,765
Transfer from Paid-in Surplus		(389)				389	—
Transfer from Unappropriated Retained Earnings					79,043	(79,042)	—
BALANCE, DECEMBER 31, 2002	\$10,000,000	—	\$ 40,598	\$ 235,701	\$ 1,000,466	—	\$11,276,76

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

(Expressed in New Taiwan Thousand Dollars)

DESCRIPTION	2002	2001
CASH FLOWS FOR OPERATING ACTIVITIES		
Net Income	\$ —	\$ —
Adjustment		
Depreciation	13,503	13,919
Amortization	3,346	2,854
Insurance Pay-off Special Reserves	1,133,513	3,694,257
Net Loss on Disposal of Fixed Assets	251	500
Changes in Assets and Liability		
Bonds Sold Under Repurchase Agreement	1,144,870	424,595
Receivables	160,612	(32,959)
Prepayments	(713)	16,613
Other Current Assets	(455)	(293)
Payables	16,036	(37,075)
Accrued Pension Liabilities	(1,784)	(88)
Net Cash Provided by Operating Activities	2,469,179	4,082,323
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Decrease(Increase) in Deposits with the Central Bank of China	—	2,360,500

(Increase)Decrease in Marketable Securities	(2,203,892)	489,012
Intangible Assets Increase	(3,201)	(4,950)
(Increase)Decrease in Guarrantee Deposits Paid	(6)	9
Acquisition of Fixed Assets	(44,701)	(8,055)
Proceeds from Disposal of Fixed Assets	4	4
Net Cash Used in investing Activities	(2,251,796)	2,836,520
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in Accommodation from Central Bank of China	—	(1,810,000)
Increase(Decrease) in Guarantee Deposits Received	432	(897)
Increase(Decrease) in Temporary Receipts and Suspense	20	(44)
Cash Dividends	—	(200,000)
Net Cash Used in Financing Activities	452	(2,010,941)
NET INCREASE (DECREASE) IN CASH AND CASH DQUIVALENTS	217,834	4,907,902
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	17,564,060	12,656,158
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$17,781,894	\$17,564,060
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest Expense Paid(Net of Amount Capitalized)	\$ 20,594	\$ 74,193
Income Tax Paid	—	140,837

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

CENTRAL DEPOSIT INSURANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 and 2001

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

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, the Central Bank of China and five insured financial institutions based on the shares that each of them have 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 of 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, 2002, 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

- 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 the 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 the Directorate General of Budget, Accounting & Statistics, Executive Yuan, and the Ministry of Audit, Control Yuan serves as the authority for final approval. As of 2001, the Corporation's account books were completely examined by Directorate General of Budget, Accounting & Statistics, Executive Yuan and the Ministry of Audit, Control Yuan. Consequently, the balance at the beginning of 2002 was subject to the balance at the end of 2001, which has been examined by the Ministry of Audit, Control Yuan.
- 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 investment in government bonds and bank debentures.
- Repurchased Bond Liabilities

Bond transactions are listed as repurchased bond liabilities based on the quality of transaction purposes.
- 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.
- 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.
- 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 Standards 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 Central Trust of China.

- o 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.

- o Limitation of Earning Allocation

According to Article 7 of the Deposit Insurance Act, "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 EQUIVALENTS

	2002	2001
Petty Cash	\$ 375	\$ 275
Checking Deposits	4,919	4,835
Time Deposits	17,776,600	17,558,950
Total	\$17,781,894	\$17,564,060

4. MARKETABLE SECURITIES

	2002	2001
Bonds	\$ 4,099,440	\$ 1,895,548

5. RECEIVABLES

	2002日	2001
Tax REceivable	\$ 71,249	\$ 113,075
Interest Receivable	174,695	293,369
Other Receivables	—	112
Total	\$ 245,944	\$ 406,556

6. OTHER CURRENT ASSETS

	2002	2001
Provisional Amount Paid for Others	\$ 371	\$ 493
Insurance Premiums Paid for Others	803	226
Total	\$ 1,174	\$ 719

7. FIXED ASSETS

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

2001

	Cost	Revaluation Increment	Accumulated Depreciation	Net
Land	\$221,783	\$ 66,149	\$ —	\$287,932
Buildings	247,182	—	41,318	205,864
Machinery and Equipment	56,539	—	31,057	25,482
Transportation Equipment	12,807	—	6,931	5,876
Other Equipment	18,325	—	9,418	8,907
Total	\$556,636	\$ 66,149	\$ 88,724	\$534,061

(1) The fire insurance coverage on fixed assets as of December 31, 2002 and 2001 was approximately \$292,109 and \$245,227, respectively.

(2) Depreciation for 2002 and 2001 was \$13,503 and \$13,919, 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 of June 22, 1984, the Corporation has revaluated lands after obtaining the approval of the Ministry of Audit. The land value was increased by NTS66,149 Long-term Liabilities - Reserve for Land Revaluation Increment Tax is NTS25,551, and Capital Surplus - Reserve for Asset Revaluation Increment is NTS40,598.

8. INTANGIBLE ASSETS

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

	Jan. 1, 2001	Increase	Decrease	Dec.31 2001
Computer Software	\$ 4,912	\$ 4,951	\$ 2,833	\$ 7,030

10. BONDS SOLD UNDER REPURCHASE AGREEMENT

	2002	2001
Bonds Sold under REpurchase Agreement	\$ 1,619,465	\$ 474,595

11. PAYABLES

	2002	2001
Interest Payable	\$ 713	\$ 253
Accrued Expenses	102,657	103,918
Income Tax Payable	36,049	19,027
Advance Collection for Customers	782	966
Total	\$ 140,201	\$ 124,164

12. CAPITAL STOCK

	Dec.31, 2002 & 2001
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

13. INCOME TAX

o Income Tax Payable

	2002	2001
Income before Income Tax	\$ —	\$135,244
Other Adjustments	—	1,725
Insurance Pay-off Special Reserve	—	389,031
Taxable Income	\$ —	\$526,000
Tax Liability	\$ —	\$131,490
Additional 10% of Income Tax on Unappropriated Earnings	—	3,754
Current Tax Expense	—	135,244
Less: Prepaid Income Tax	—	(99,195)
Income Tax Payable	\$ —	\$ 36,049

o Income Tax

	2002	2001
Current Tax Expense	\$ —	\$135,244

- o The Company's income tax returns, with the exception of those for 2002, have been assessed by the tax authority.

o Integrated Tax-Related Information

	2002	2001
Shareholders' Imputation Credit Account Balance	\$107,735	\$107,735

Statistics

Table 1 Number of Insured Institutions for the Last Five Years

Type of Institution\Year	FY2002	FY2001	Fy2000(7/1/1999 - 12/31/2000)	FY1999	FY1998
Domestic Banks (including postal savings system)	52	53	53	51	39
Investment and Trust Companies	3	3	3	3	4
Credit Cooperative Associations	37	39	48	51	53
Credit Departments of Farmers' Association	253	260	287	287	249
Credit Departments of Fishermen's Associations	25	25	27	27	27
Local Branches of Foreign Banks	35	37	38	42	29
Total	405	417	456	461	401

Notes :

1. The number of insured institutions in FY2002 was 12 less than the year before. The main reasons for this were that one credit cooperative association and the credit departments of seven farmers' associations with unsound operations from the market after being handled by the Financial Restructuring Fund. In addition, one credit cooperative association acquired by a bank, two banks were merged into one, three local branches of foreign banks were merged and one new local branch of a foreign bank was established.
 2. Before 1999, the fiscal year was July 1 to June 30 the following year. Beginning in 2001, the fiscal year became the calendar year, from Jan. 1 to Dec. 31.
-

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

Unit: NT\$ million

Type of Financial Institution	Year 2002			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 2001	Year 2000	Year 1999	Year 1998
Domesitic Banks (including the postal savings system)	6,950,160	15,725,317	44.2	44.7	43.5	44.9	40.2
Investment and Trust Companies	61,014	122,538	49.8	45.5	31.9	26.2	26.3
Credit Cooperative Associations	375,194	675,095	55.6	56.6	56.6	56.0	54.9
Credit Departments of Farmers' Associations	731,749	1,174,597	62.3	62.7	62.7	62.8	63.0
Credit Departments of Fishermen's Associations	20,894	31,659	66.0	67.4	67.4	67.4	69.5
Local Branches of Foreign Banks	75,209	417,933	18.0	22.1	24.6	27.7	27.9
Total	8,214,220	18,147,139	45.3	46.1	42.7	44.2	46.6

Notes :

1. Insured deposits are the total amount of each depositor's deposits which do not exceed the NT\$1 million maximum insurable coverage. (With the exception of FY1998-FY1999, when the base date was Dec. 31, the base date is June 30.)
2. 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

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 and Shareholders' 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)						
2002	1,000	405	18,147,139	8,214,220	45.3	100	3,597	9,662	11,277	0.12	0.25
2001	1,000	417	17,894,174	8,116,092	45.4	100	3,408	8,528	11,277	0.11	0.24
2000	1,000	456	16,773,476	7,582,735	45.2	100	3,321	4,916	11,220	0.06	0.21
1999	1,000	459	16,420,852	7,769,081	47.3	100	900	1,752	10,185	0.02	0.15
1998	1,000	406	8,113,246	3,594,906	44.3	67.9	509	2,200	8,967	0.06	0.31
1997	1,000	403	7,313,529	3,289,797	45.0	65.8	465	1,793	8,467	0.05	0.31
1996	1,000	400	7,152,291	3,058,978	42.8	63.6	427	1,421	5,753	0.05	0.23
1995	1,000	350	6,550,052	2,772,773	42.3	51.9	325	1,080	5,587	0.04	0.24
1994	1,000	200	4,953,265	1,923,972	38.8	48.7	252	820	5,472	0.04	0.33
1993	1,000	183	4,076,410	1,608,539	39.5	40.6	189	618	5,331	0.04	0.37
1992	1,000	173	3,038,070	1,151,692	37.9	39.4	146	481	4,181	0.04	0.04
1991	1,000	163	2,444,853	943,196	38.6	37.3	120	396	2,076	0.04	0.26
1990	1,000	157	1,916,763	753,861	39.3	33.2	98	300	2,007	0.04	0.31
1989	1,000	151	1,524,996	618,248	40.5	31.4	77	222	1,985	0.04	0.36
1988	1,000	141	1,110,468	483,378	43.5	23.4	59	157	1,974	0.03	0.44
1987	700	99	808,249	379,379	46.9	18.9	97	116	1,611	0.03	0.46
1986	70	79	531,693	201,850	38.0	17.3	69	48	1,195	0.02	0.62

Notes :

1. With the exception of 2002, 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 Dec.31 of the relevant year.
2. Insured Deposits are the total of each individual depositor's deposits which do not exceed the maximum insurable coverage.

3. Ratio of Insured Deposits is the ratio of total insurable deposits of insured institutions to those of insurable deposits.
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 Jan. 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 Jan. 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 banks to acquire the Donggang Township Credit Cooperative Association, Pingtung County, causing a reduction in insurance pay-off special reserves.

Table 4 Number of Examinable Insured Institutions and On-Site Examinations for the Last Five Years

Type of Institution	FY2002	FY2001	Fy2000(7/1/1999 - 12/31/2000)	FY1999	FY1998
Domestic Banks	17	17	17	16	13
Investment and Trust Companies	2	2	2	2	3
Credit Cooperative Associations	37	39	48	51	56
Credit Departments of Farmers' Associations	253	260	287	287	287
Credit Departments of Fishermen's Associations	25	25	27	27	27
Information Centers of Community Financial Institutions	6	7	7	6	-
Number of Examinable Head Office	340	350	388	389	386
Number of Examined Head Office & Branch On-Site Examinations	1,334	1,197	1,913	1,589	1,524

Notes :

1. The number of examinable head office is which CDIC is responsible to examine.
2. The number of examined head office & branch on-site examinations is 1,334 in 2002 including 347 examinations of insured institutions (both head office and branches) plus 987 commissioned examinations (both head office and branches).
3. The reduction in the number of examinable credit cooperative associations, credit departments of farmers' associations, and information centers of community financial institutions in 2002 was due to the merger or acquisition by commercial banks of the Sinying Credit Cooperative and Tainan Fifth Credit Cooperative, the disposition of the credit departments of seven farmers associations by the Financial Restructuring Fund, and the dissolution of the Area Farmer's Association Computer Common Center.

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

Unit: NT\$ million)

Item	FY2002	FY2001	Fy2000(7/1/1999 - 12/31/2000)	FY1999	FY1998
Operating Revenue	4,186	4,308	5,205	1,418	1,396
Interest Revenue	585	899	1,401	751	710
Premium Revenue	3,597	3,409	3,804	663	485
Other Revenue	4	-	-	4	-
Commission Revenue	-	-	-	-	201
Operating Costs and Expenses	4,185	4,174	4,570	1,013	913
Provision for Insurance Pay-off Special Reserves	1,269	3,559	3,538	596	388
Financial Restructuring Fund Expenses	2,335	-	-	-	-
Interest Expenses	21	72	282	43	132
Commission Expenses	192	191	268	-	188
Business Expenses	310	295	400	261	232
Administrative Expenses	53	52	74	53	52
R&D and Training Expenses	3	3	4	6	6
Other Expenses	2	2	4	6	4
Net Operatin Income	1	134	635	405	483
Net Non-operating Income	-1	1	-2	-169	-2
NEt Income Before Income Tax	-	135	633	236	481

Notes :

1. The figures for FY 2002 remain subject to audit by Ministry of Audit; those for the other years have been audited by Ministry of Audit.
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 business year, and shall place the whole amount of the profit, if any, in the deposit insurance pay-off. Reserves fund, and not in accordance with the relevant provisions of the Company Law."

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

Introduction to Executive Yuan's Financial Restructuring Fund

- Establishment and Objectives of the Financial Restructuring Fund

The Statute for the Establishment and Management of Executive Yuan's Financial Restructuring Fund was passed by Legislative Yuan 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 unsound financial institutions from the market. The Statute was set up in consideration of the paramount importance of speed and financial support in handling unsound financial institutions so as to avoid the occurrence of a crisis of confidence among investors and chain-effect risk, and of the consequent need to provide blanket protection for depositors for a defined period of time. In reference to practices in the United States, Japan, South Korea, and Malaysia, the injection of public funds by the government and operation for a set period of time were adopted, and the Financial Restructuring Fund was set up in the form of a public fund, instead of a corporation designed for sustained operation, to quickly dispose of unsound financial institutions within a determined period of time so as to stabilize financial order, protect the interests of depositors, and assure the stability of the financial system.

- Competent Authority

The competent authority for Executive Yuan's Financial Restructuring Fund is the competent authority for the Banking Law, which is currently Ministry of Finance.

- Governing Body: The Financial Restructuring Fund Management Committee

In accordance with the provisions of Article 6 of the Financial Restructuring Fund Statute, the governing body of the Financial Restructuring Fund is the Financial Restructuring Fund Management Committee. The Committee is responsible for deliberating the utilization of the Fund; approving its receipt, disbursement, and custodianship plans; reviewing its financial reports and cashflow arrangements; and approval of other matters 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 are the concurrently serving head and deputy head, respectively, of the competent authority for the Financial Restructuring Fund Statute. In addition, four committee members are the concurrently serving deputy governor of the Central Bank of China, deputy chairman of Council of Agriculture Executive Yuan, 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 training 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.

- 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 of Bureau of Monetary Affairs, Ministry of Finance, to serve concurrently as the Fund's executive secretary. The appointment of other concurrently serving 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.

- Financial Resources and Funding Accommodation

The Fund's resources consist primarily of the proceeds from business taxes levied on financial institutions and insurance premium income received from the financial sector. Business income tax revenues include those levied on financial institutions from this year through 2005. Deposit insurance premium revenues are those additional revenues, collected by CDIC for a 10-year period beginning in January this year, that result from the increased deposit insurance premium assessment imposed on Jan. 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, 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.

- Objects of Application

In accordance with the provisions of the Statute, three categories of unsound financial institutions are subject to disposition by the Financial Restructuring Fund:

- § Institutions the adjusted net worth of which is negative.
- § Institutions that are unable to pay their debts.
- § Institutions the financial situations of which are deteriorating, and which have been determined by the competent authority as being unable to continue operating.

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.

- Disposition Methods for Unsound Financial Institutions

To handle unsound financial institutions quickly and effectively, and to avoid crises of confidence among depositors as well as chain-reaction risks, the Financial Restructuring Fund Statute removes the limit on the total amount of compensation that may be made and the requirement that the cost of disposing of unsound

financial institutions must be less than the losses from cash pay-offs as provided in the Deposit Insurance Act, and stipulates that in disposing of unsound financial institutions under commission from the Financial Restructuring Fund CDIC may apply for use of the Fund to provide full compensation for deposit and non-deposit liabilities. In line with the provisions of the current Banking Law, the Financial Institutions' Merger Law, and the Deposit Insurance Act, disposition may be handled by the following methods:

- § Setting the Liabilities and Taking Over the Assets, and Selling Such Assets by Tender.
- § Making Up the Gap that the Liabilities Exceed the Assets
- § Injecting Funds by Means of Preferred Shares.

- Custody of the Fund

In addition to being used for the disposition of unsound financial institutions, the Fund's funds should 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.

- Disposition of Acquired Assets

In accordance with the provisions of the Financial Restructuring Fund Statute, the Fund may commission CDIC to provide full compensation for the deposit and non-deposit liabilities of unsound financial institutions and, in the name of the Financial Restructuring Fund, to 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 Financial Restructuring Fund.

- Accounting Treatment

In its handling of accounting and auditing matters the Financial Restructuring Fund should conform to generally accepted accounting principles and auditing standards, and should establish an accounting system that conforms to such principles and standards.

- Period of Operation, and Termination of Operations

The period of operation of the Financial Restructuring Fund is three years beginning with the date on which the Financial Restructuring Fund Statute was promulgated; with the approval of Legislative Yuan, however, its operation may be extended for one additional year. Following the termination of the Financial Restructuring Fund, its assets and liabilities will be taken over by National Treasury Agency. In the case that assets taken over by the Fund are not completely disposed of within its period of operation, such assets may be valued as property by National Treasury Agency and invested in CDIC in order to enhance the efficiency of disposition and increase CDIC's capital.

- Penalties for Causing Losses to the Financial Restructuring Fund

To prevent the making of illegal profits by the responsible officials or employees of institutions participating in the deposit insurance system, leading to concerns about moral hazard, Article 16 of the Financial Restructuring Fund Statute stipulates that "Any person who intentionally abuses his or her official position to

gain illegal benefit for himself or herself, or a third person, or to do harm to the interests of an institution participating in deposit insurance, CDIC, or the Fund, resulting in damage to the assets or other interests of an institution participating in deposit insurance, CDIC, or the Fund, will be subject to up to three years' imprisonment plus a fine of up to NT\$100 million." Also, to prevent the responsible persons or two or more employees of insured institutions from collaborating in the commission of the crimes described above, the Statute also stipulates that for such behavior the penalties will be increased by half, and the violators will be held jointly responsible for making compensation, in order to provide an effective deterrent. To put a stop to moral hazard, CDIC may also, in its own name, file civil proceedings, on behalf of institutions participating in deposit insurance or of the Fund, against those responsible for paying compensation.

- Principles for Handling Unsound Financial Institutions

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

- Disclosure of Information

A special Financial Restructuring Fund zone has been set up on CDIC website (www.cdic.gov.tw) to give the public an understanding of the process of disposition, via the publishing of related information under the principles of openness and transparency, when the Fund disposes of unsound financial institutions. The following information has already been published:

- § Status of payments to fill the gap between assets and liabilities of unsound financial institutions under disposition by the Financial Restructuring Fund.
- § Principles, special checking procedures, and assessment results for the assessment of assets and liabilities of unsound financial institutions by commissioned accountants.
- § Status of follow-up of cases of involvement in illegal behavior by responsible persons or employees of unsound financial institutions under disposition by the Financial Restructuring Fund.
- § Financial statements, roster of Management Committee members, and minutes of meetings of the Financial Restructuring Fund.
- § Laws and regulations related to the Financial Restructuring Fund.

Operations Commissioned to CDIC

- Handling of Unsound Financial Institutions
 - § Public Tender Offering for Chung Shing Bank

The net worth of Chung Shing Bank was negative at the end of September 2001, and the eighth meeting of the Financial Restructuring Fund Management Committee resolved to list the bank as a subject for disposition. Public tenders were carried out three times in 2002, on Feb. 5, May 15, and

July 19, along with price comparison and price negotiation, but all failed either because there were no bidders or the bidding prices were higher than the floor price set by the Committee. CDIC will continue handling this matter in accordance with instructions from the Financial Restructuring Fund Management Committee and the competent authority.

§ Public Tender Offering for Kaohsiung Business Bank

Because the adjusted net worth of Kaohsiung Business Bank had become negative, the 11th meeting of the Financial Restructuring Fund Management Committee passed a resolution approving its listing as a subject for disposition. The first public tender offer for the bank was carried out in March 2002, but the bid failed because there were no bidders. To facilitate follow-up disposition, CDIC will coordinate closely with instructions from Ministry of Finance and the disposition measures approved by the Financial Restructuring Fund Management Committee in order to maintain financial order.

§ Disposition of Seven Unsound Credit Departments of Farmers' Associations

In view of the negative net worth of the credit departments of farmers' associations of Shengang Township in Taichung County, Jhanghua City, Fusing Township in Changhua County, Linnei Township in Yunlin County, Nanhua Township in Tainan County, Dashu Township in Kaohsiung County, and Chaozhou Township in Pingtung County, the Financial Restructuring Fund resolved at the 14th meeting of its Management Committee to delegate authority to CDIC to commission accountants to carry out asset assessments of those credit departments. After receiving permission from Ministry of Finance, CDIC dispatched 31 people on July 12, 2002 to move into those institutions and take charge of related matters. On July 15, Taiwan Cooperative Bank and Land Bank of Taiwan sent 35 people to support this effort and help gain an understanding of the institutions' financial and business conditions, and to control moral risk. After a preliminary determination by the accountants that the net worth of the seven credit departments were indeed all negative, Taiwan Cooperative Bank and Land Bank of Taiwan completed the legal procedures for assumption of the credit departments on July 27 in line with Ministry of Finance instructions and in accordance with the related laws and regulations.

§ Public Tender Offering for Tainan City Fifth Credit Cooperative

Tainan City Fifth Credit Cooperative was found during a general financial business examination this year to have a negative adjusted net worth and a financial situation so deteriorated as to cause concern that the benefits of depositors might suffer harm. At its 13th meeting, the Management Committee of the Financial Restructuring Fund approved the listing of the credit cooperative as a subject for disposition and resolved that the method of disposition should be the open price comparison and negotiation procedure. CDIC carried out two open price comparisons and negotiations, on June 28 and July 19, and during the second price comparison and negotiation the Sunny Bank won the right to acquire the credit cooperative. Ministry of Finance agreed to the assumption of all of the credit cooperative's business operations, assets, and liabilities by the Sunny Bank on Aug. 24, and to its continued operation. To date, all of the business operations are normal.

§ Unresolved Issues in the Disposition of the Unsound Credit Departments of 36 Farmers' and Fishermen's Associations

The unresolved issues with the unsound credit departments of the 36 farmers' and fishermen's associations include primarily the division of real estate and the transfer of movable property. Since following negotiations differences of opinion between the various units continued to exist and no consensus was reached, Executive Yuan organized a task force in accordance with a resolution of the Seminar on Promoting the Sustainable Operation of Farmers' and Fishermen's Associations, held on Nov. 7, 2002, to negotiate and resolve the issues. This cross-ministerial task force held the first meeting of its Committee on Handling the Division of Assets and Related Issues of Farmers' and Fishermen's Association Credit Departments under Conservatorship on Nov. 17. To help with the division of assets by the farmers' and fishermen's associations, and the banks taking over their credit departments, CDIC will continue working in line with the resolutions of the task force, instructions from Ministry of Finance, and the resolutions of the Financial Restructuring Fund in carrying out matters related to disposition.

- Legal Prosecution

CDIC has collected materials related to illegal behavior by the responsible persons and employees of the 36 unsound financial institutions taken under disposition on behalf of the Financial Restructuring Fund in 2001, with the purpose of engaging in prosecution of civil and criminal responsibility. Most of the lawyers involved, however, feel that there are a number of points of contention regarding the legal basis for civil recovery action, and that those points of contention would likely affect the progress of any future prosecution. In addition to studying the matter together with the lawyers, therefore, CDIC has asked the competent authority for an interpretation and requested the lawyers to pursue recovery action vigorously in line with the interpretation. Also, in dealing with cases of illegality regarding the seven credit departments of farmers' and fishermen's associations and the eight other unsound financial institutions taken under disposition in July 2002, CDIC is actively engaged in gathering material for use in civil and criminal prosecution. Regarding Chung Shing Bank and Kaohsiung Business Bank, although they have been listed as objects of disposition by the Financial Restructuring Fund, CDIC is unable to engage in civil recovery action in its own name on behalf of the Financial Restructuring Fund because the payment of compensation has not yet been carried out. If suspected criminal behavior is discovered, however, the cases will be turned over to prosecutorial agencies for investigation.

- Payment of Compensation by the Fund

An assessment by commissioned accountants of the assets and liabilities of 44 unsound financial institutions in accordance with the Guidelines for the Assessment of Assets and Liabilities of Unsound Financial Institutions as passed by the Financial Restructuring Fund Management Committee found that the total amount of compensation that the fund was legally required to pay the assuming banks was NT\$89,781 million. Of this total, the amount to be paid to the 36 community financial institutions disposed of in 2001 was NT\$77,224 million; the amount to be paid for the seven credit departments of farmers' associations taken under disposition in 2002 was NT\$9,386 million, and for Tainan City Fifth Credit Cooperative the amount this year was NT\$3,171 million.

- Results of Disposition

The disposition by the Financial Restructuring Fund of 44 unsound financial institutions, from the careful preliminary implementation planning, the stationing of personnel to assist in preventing moral risk, the commissioning of professional accountants to carry out assets and liabilities assessment, and negotiation with banks to take over the unsound institutions and change their operating licenses, to the Fund's making of payments to make up the gap between assets and liabilities, not only cleared up the twisted and complicated long-term problems of community financial institutions but also, under the principle of preserving social equity and justice, dealt generously with the interests of the employees of the 44 institutions and provided for the continued operation of the other units of the farmers' and fishermen's associations. In consideration of both the right of employees to work and the alleviation of their mentality of opposition, Ministry of Finance also coordinated actively with the assuming banks to retain as many of the employees of the original institutions as possible, and handled generously, within the scope of the law, the allocation and issuance of retirement and severance reserve funds. After the credit departments of the farmers' and fishermen's associations were taken over by banks, the division of real estate was also handled generously in consideration of the needs of other units of the associations for operating premises so as to facilitate the continued normal operation of those units.

The disposition of the 44 financial institutions mentioned above by the Financial Restructuring Fund is an unavoidable measure taken by the government, in consideration of the current operating situation of some unsound institutions, to protect the benefits of depositors and stimulate the healthy development of the financial system. After the operations of the 44 financial institutions were taken over by 10 large banks, the vast majority of their employees were retained and their business was continued under the principle of non-interruption of operations. The repayment of their deposits in their entirety is guaranteed by the takeover banks, and the affected farmers and fishermen can apply to the takeover banks for loans. In addition, the loan interest rates offered by the takeover banks are lower than the rates offered by the original community financial institutions. As a result of the takeovers, therefore, people in the local areas have acquired access to more complete financial services.

The 44 Unsound Financial Institutions Handled by the Financial Restructuring Fund and the Acquiring Institutions

Acquiring Bank	Acquired Institution	Acquisition Date
1. United World Chinese Commercial Bank	1. Credit Department of Songshan District Farmers' Association, Taipei City	Sept. 1, 2001
	2. Credit Department of Pingdong City Farmers' Association, Pingtung County	Sept. 15, 2001
2. Bank of Taiwan	1. Credit Department of Taiwan Provincial Farmers' Association	Sept. 15, 2001
	2. Credit Department of Sinyuan Township Farmers' Association, Pingtung County	Sept. 15, 2001
	3. Credit Department of Pingtung County Farmers' Association	Sept. 15, 2001
	1. Credit Department of Fongyuan City Farmers' Association, Taichung County	Sept. 15, 2001
	2. Credit Department of Gaoshu Township Farmers' Association, Pingtung County	Sept. 15, 2001
	3. Credit Department of Fangliao District Farmers' Association, Pingtung County	Sept. 15, 2001
	4. Credit Department of Kinmen County Farmers' Association	Sept. 15, 2001

3.Land Bank of Taiwan	5.Credit Department of Fusing Township Farmers' Association, Changhua County	July 27, 2001
	6.Credit Department of Nanhua Township Farmers' Association, Tainan County	July 27, 2001
	7.Credit Department of Dashu Township Farmers' Association, Kaohsiung County	July 27, 2001
	8. Credit Department of Chaozhou Township Farmers' Association, Pingtung County	July 27, 2001
4.Hua Nan Commercial Bank	1.Credit Department of Guanyin Township Farmers' Association, Taoyuan County	Sept. 15, 2001
	2.Credit Department of Sinfong Township Farmers' Association, Hsinchu County	Sept. 15, 2001
	3.Credit Department of Siaogang District Farmers' Association, Kaohsiung City	Sept. 15, 2001
	4.Credit Department of Jiadong Township Farmers' Association, Pingtung County	Sept. 15, 2001
	5.Credit Department of Jhutian Township Farmers' Association, Pingtung County	Sept. 15, 2001
5.First Commercial Bank	1.Credit Department of Zihguan District Fishermen's Association, Kaohsiung County	Sept. 15, 2001
	2.Credit Department of Cigu Township Farmers' Association, Tainan County	Sept. 15, 2001
	3.Credit Department of Nansi Township Farmers' Association, Tainan County	Sept. 15, 2001
	4.Credit Department of Changjih Township Farmers' Association, Pingtung County	Sept. 15, 2001
	5.Credit Department of Wanluan District Farmers' Association, Pingtung County	Sept. 15, 2001
6.Chang Hwa Commercial Bank	1.Credit Department of Fenyuan Township Farmers' Association, Changhua County	Sept. 15, 2001
	2.Credit Department of Puyan Township Farmers' Association, Changhua County	Sept. 15, 2001
	3.Credit Department of Fangyuan Township Farmers' Association, Changhua County	Sept. 15, 2001
	4.Credit Department of Linbian Township Farmers' Association, Pingtung County	Sept. 15, 2001
	5.Credit Department of Checheng District Farmers' Association, Pingtung County	Sept. 15, 2001
7.Farmers Bank of China	1.Credit Department of Fangliao District Fishermen's Association, Pingtung County	Sept. 15, 2001
	2.Credit Department of Liouguei Township Farmers' Association, Kaohsiung County	Sept. 15, 2001
	3.Credit Department of Neimen Township Farmers' Association, Kaohsiung County	Sept. 15, 2001
	4.Credit Department of Niaosong Township Farmers' Association, Kaohsiung County	Sept. 15, 2001
	5.Credit Department of Wandan Township Farmers' Association, Pingtung County	Sept. 15, 2001
8.Taiwan Cooperative Bank	1.Taichung City First Credit Cooperative	Sept. 15, 2001
	2.Taichung City Fifth Credit Cooperative	Sept. 15, 2001
	3.Taichung City Ninth Credit Cooperative	Sept. 15, 2001
	4.Taichung City Eleventh Credit Cooperative	Sept. 15, 2001
	5.Credit Department of Shengang Township Farmers' Association, Taichung County	July 27, 2002
	6.Credit Department of Jhanghua City Farmers' Association, Changhua County	July 27, 2002

	7.Credit Department of Linnei Farmers' Association, Yunlin County	July 27, 2002
9.Sunny Bank	1.Credit Department of Yuanlin Credit Cooperative, Changhua County	Sept. 15, 2001
	2.Pingdong City Second Credit Cooperative	Sept. 15, 2001
	3.Tainan City Fifth Credit Cooperative	Aug. 24, 2002
10.Macoto Bank	1.Gangshan Credit Cooperative, Kaohsiung County	Sept. 15, 2001

Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund

Promulgated by Presidential Decree on July 9, 2001

Hua Tzung No. 9000134150

Article 1

This Statute has been formulated in order to establish the Executive Yuan's Financial Restructuring Fund (hereinafter simply referred to as the Fund) to handle financial institutions with unsound operations, with a view to stabilizing financial conditions, maintaining orderly credit, improving the financial structure, and promoting a healthy financial environment.

Article 2

The establishment, management and utilization of the Fund are each in accordance with the provisions of this Statute. For those areas not covered by the provisions of this Statute, the regulations contained in other related laws shall apply where appropriate.

Article 3

The competent authority that applies to this Statute is the competent authority referred to in the Banking Law.

Article 4

This Fund has the following sources:

1. Business tax levied on each industry, whether value-added or non-value-added pursuant to paragraph 1 of Article 11 of the Business Tax Law over the four-year period extending from January 2002 to the end of December 2005.
2. Within a ten-year period commencing January 2002, in accordance with the additional deposit insurance assessment income resulting from the increase in the deposit insurance assessment rate that became effective on January 1, 2000.
3. Income from utilizing this Fund to deal with financial institutions with unsound operations.
4. Income from interest received on this Fund and income from related uses.
5. Other funding sources ratified by the Executive Yuan. The total amount of funds used shall not exceed the

funding sources as laid down in the above paragraphs.

Until there is sufficient income from business tax and deposit insurance assessment income as referred to in items 1 and 2 of paragraph 1 above, in order to handle the pay-off items referred to in paragraph 3 of Article 5 and paragraph 1 of Article 10, this Fund shall empower the Central Deposit Insurance Corporation to invoke Article 20 of the Deposit Insurance Act to apply for accommodation. Alternatively, the Fund will empower the CDIC to invoke Article 72-1 of the Banking Law to issue bank debentures in its own name, and shall use the income generated from financial resources referred to in items 1 and 2 of paragraph 1 as collateral to sustain cash receipts and expenditures. The principal, interest and expense in relation to the accommodation for which the Central Deposit Insurance Corporation applies and the bank debentures it issues shall be repaid out of the financial resources referred to in paragraph 1.

Article 5

A financial institution that is referred to by this Statute as having unsound operations, is one that is characterized by one of the following:

1. Its adjusted net worth is negative.
2. It is unable to pay its debts.
3. Its financial situation has deteriorated, and the competent authority maintains that it is unable to continue operating.

This Fund shall give priority to the handling of community financial institutions.

The Central Deposit Insurance Corporation, when handling community financial institutions, shall, pursuant to paragraph 1 of Article 15 and paragraph 2(a) of Article 17 of the Deposit Insurance Act, apply to use this Fund, and shall utilize the whole amount to settle the deposit-related and non-deposit-related claims of financial institutions with unsound operations. It shall also use this Fund to acquire such institutions' assets, and shall not be subjected to the provisos of the restrictions in Article 9 of that Act concerning the maximum insurance coverage, or paragraph 2 of Article 15 and paragraph 2 of Article 17 of that Act concerned with the cost of providing assistance being less than the loss arising from the cash pay-offs.

Article 6

This Fund shall set up a Financial Restructuring Fund Management Committee (hereinafter referred to as the Committee) to handle the verification of the following items:

1. The uses to which the Fund is put.
2. The Fund's receipts and expenditure maintenance plan.
3. The Fund's financial reports and funding deployment.
4. Other matters concerned with the management, administration and public disclosure of the Fund.

The execution and formulation of the above resolutions shall be handled by the Central Deposit Insurance Corporation.

For resolutions of the Committee to be passed, at least two thirds of the Committee members must be present, of which at least two thirds of those present must support the resolution.

Article 7

The Committee shall be composed of nine to thirteen members, of which one shall be the Chairman, who pursuant to this Regulation shall concurrently serve as head of the competent authority. Another Committee member, who pursuant to this Regulation shall concurrently serve as a deputy head of the competent authority, shall be the Vice Chairman. Other Committee members, who shall serve concurrently in that capacity, shall include a Deputy Governor of the Central Bank of China, a Vice-Chairman of the Council for Agriculture, Executive Yuan, the Deputy Director of the Directorate-General for Budget, Accounting and Statistics, and the Chairman of the Central Deposit Insurance Corporation, and shall be appointed in that capacity and excused from office on the same basis. The remaining Committee members shall be selected on the basis of their professional knowledge and experience in the fields of law, economics, finance and other areas relevant to the Committee.

These Committee members who belong to the same party shall not exceed half of the total number of Committee members. These selected Committee members shall be appointed for a first term of three years, and for a second term of two years. Should a Committee member change his position before the term expires, his term of office shall extend to the original expiration date.

Article 8

The Committee shall have one Executive Secretary, who shall be a Grade 12 officer or above appointed by the Committee Chairman and who shall concurrently serve in that capacity. The Executive Secretary shall administer the affairs of the Committee as directed by the Committee Chairman. If the affairs are such that more people are needed, the competent authority and its subordinate departments shall dispatch currently-employed staff to concurrently serve in that capacity, and shall hire between one and five persons as is considered necessary.

Article 9

Meetings of the Committee shall be convened and chaired by the Committee Chairman. Whenever the Committee Chairman is for cause unable to execute the above duties, the Vice-Chairman shall act for him. Whenever the Committee Vice-Chairman is for cause unable to execute the above duties, the Committee Chairman shall designate one of the other Committee members to act for him.

Article 10

The Fund shall entrust the Central Deposit Insurance Corporation with the handling of financial institutions whose operations are unsound in accordance with the following methods:

1. Settling the financial institutions' liabilities and taking over the assets, and selling such assets by tender.
2. The difference by which the liabilities to be settled exceed the assets.
3. Becoming a shareholder in the financial institutions by means of special shares.

The Fund regards such financial institutions in the same way as the financial institutions and asset management companies referred to in the Financial Institutions' Merger Law, and applies the related regulations contained within that law.

Article 11

The Fund's funds, apart from the portion used in accordance with the provisions of Article 5, shall be maintained by the Committee in the Fund's name in the form of:

1. Cash
2. Deposits in creditworthy financial institutions.
3. Purchases of government bonds, bank debentures, and negotiable certificates of deposit issued by banks.
4. Other methods that conform to the regulations of the competent authority.

Article 12

The proceeds resulting from selling the assets of financial institutions with unsound operations taken over by the Fund by tender, auction or by means of other methods shall be deposited in the Fund.

Article 13

The handling of the Fund's accounting and auditing matters shall be based on the system of generally accepted accounting and auditing principles.

Article 14

The established period during which this Fund remains operative shall extend for a period of three years from the date of promulgation. However, this period may be extended by one year after obtaining the agreement of the Legislative Yuan.

Article 15

After the Fund ceases to be operative, its assets and liabilities shall be acquired by the National Treasury. Its assets shall be valued by the National Treasury and reinvested in the Central Deposit Insurance Corporation.

Article 16

The responsible persons or officials of institutions that participate in deposit insurance who violate the terms of their office with intent by illegally benefiting from the Fund whether for themselves or a third party, or damaging the benefits of institutions participating in deposit insurance, the CDIC or the Restructuring Fund, to the extent that the property or other beneficiaries of institutions participating in deposit insurance, the Central Deposit Insurance Corporation or this Fund suffer damage or loss, shall receive a jail sentence of between three and ten years, together with a fine of up to NT\$100 million.

In cases where the responsible officials or employees of institutions that participate in deposit insurance collaborate with at least one other person in exhibiting the criminal behavior referred to in the previous paragraph, the aforesaid penalties shall be increased by half, and the violators shall jointly or severally be required to pay compensation. Those referred to in the first paragraph who fail in their attempt to commit a crime will be punished.

The Central Deposit Insurance Corporation shall, in its own name and on behalf of institutions that participate in deposit insurance or this Fund, file civil proceedings against persons who should pay compensation.

Article 17

This Regulation shall become effective on the date of promulgation.

Appendixes

The Enlargement 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 Nov. 1995 	Same as left column
Participating Institutions	<ul style="list-style-type: none"> • Domestic general banks (excluding postal savings bank) • Small and medium business banks • Trust and investment companies • Credit cooperatives • Credit Departments of Farmers' and Fishermen's Associations • Foreign bank branches in Taiwan (even if their deposits are protected in their home countries) • Other financial institutions designated by the Ministry of Finance 	<ul style="list-style-type: none"> • Postal savings bank added in Jan. 1999 • Beginning Jan. 1999, foreign bank branches whose deposits are protected in their home countries may not participate 	Same as left column
Insurance Premium	Flat rate of 0.05% of covered deposits	<ul style="list-style-type: none"> • Still flat rate, but reduced to 0.04% in July 1987 • Reduced to 0.015% in Jan. 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 Jan. 1, 2000 	Same as left column
Maximum Coverage	NT\$700,000	Raised to NT\$1 million on Aug. 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 Jan. 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 Jan. 1999: Institutions that are approved by the competent authority and that provide government bonds as collateral	Same as left column
Means of Fulfilling Insurance Obligation	<ul style="list-style-type: none"> • Cash payoffs • Deposit transfers • Temporarily continued operation in name of CDIC 	This additional means added in Jan. 1999: Provision of financial assistance to bring about merger or acquisition by other financial institutions	Same as left column

Advance Payment for Deposit and Non-deposit Debt in Excess of Insured Amount	None	Provisions added in Jan. 1999: Under the principle that there will be no increase in cost to the CDIC, the CDIC may make advance payments of claims to meet the liquidity needs of the failed institution's creditors.	Same as left column
Exemption from Invitation for Tender, Price Comparison, Price Negotiation, and the Provisions of Article 25-27 of the Budget Law when Disposing of Unsound and Failed Financial Institutions	None		Same as left column
Recipients of Financial Assistance, and Method of Assistance	Limited to loans or the purchase of assets to enable failed financial institutions to resume operation, when such resumption is deemed necessary	Revised in Jan. 1999 as follows: <ul style="list-style-type: none"> • Institutions under assistance, supervision, or conservatorship, may be extended loans or deposits. • Other financial institutions that merge with or acquire institutions that are under assistance, supervision, or conservatorship, or that have failed, may be assisted with loans, deposits, or the provision of funds and guarantees. 	Same as left column
Borrowing of Funds from Other Financial Institutions	None	Added Jan. 1999	Same as left column
Provision of Collateral when Applying to the Central Bank for Accommodation	Full collateral must be provided.	Provisions added in Jan. 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 the 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 Jan. 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 Jan. 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 Jan. 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 the 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.

The Responsibilities of the Various CDIC Departments

1. Department of Bank Examination:

Handles matters related to general and specific scope examinations of insured institutions.

2. Department of Business:

Handles deposit insurance, international affairs, the utilization and management of funds, research and

development, cash pay-off, deposit transfer pay-off, and the temporary operation of failed financial institutions in the name of CDIC.

3. Department of Risk Management:

Handles matters related to the National Financial Early-Warning System, management of coverage risk, off-site monitoring of insured institutions, disposition of bank runs, and assistance for problem financial institutions.

4. Department of Resolution:

Handles the placing of financial institutions under supervision or conservatorship, provision of financial assistance to assist mergers and acquisitions among insured institutions, advance payments to uninsured creditors, and liquidation of the assets and liabilities of failed institutions.

5. Department of Accounting:

Handles all budgets, financial accounting, statistics and internal auditing.

6. Legal Affairs Office:

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

7. Secretariat:

Handles confidential matters, documentation, procurement, cashier affairs, assets management, public relations, custodianship of official chops, management of printed materials, and other general affairs.

8. Information Management Office:

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

9. Personnel Office:

Handles personnel management and training matters.

10. Civil Service Ethics Office:

Handles matters related to civil service ethics.

Research and Development Achievements

(1) Research Reports from Overseas Study Trips in FY2002

§ A Report on Participation in the Founding and First Annual Conference of the IADI.

§ An Investigation into the Implementation of Financial Reforms in South Korea.

§ A Study of How the United States Provides Financial Supervision Under Bank Mergers and Acquisitions.

§ The Computerization of External Monitoring of Financial Institutions in England.

§ Asset Securitization, Risk Management, and the New Capital Agreement.

(2) Written or Translated Reports on Domestic and Overseas Business Information Collected by CDIC Employees

- § Accompanying Measures for the Conversion of Blanket Deposit Insurance Guarantees to Limited Coverage.
- § The Key Points of Future Financial Reform from the Aspect of Deposit Insurance.
- § The Readjustment of Maximum Insurance Coverage and Risk-based Differential Premiums.
- § The Scope of Coverage of Retirement Fund Deposits Encompassed in Deposit Insurance.
- § Transaction Risk in Internet Banking, and Preventive Measures.
- § The Financial Safety Net and the Disposition Mechanism for Failed Banks.
- § A Comparison of the Amounts of Public Funds Used for Handling Financial Crises in Major Countries.
- § Suggestions for Deposit Insurance Reform in the United States.
- § The Conversion of Blanket Deposit Insurance Guarantees to Limited Coverage by the Korea Deposit Insurance Corporation.
- § An Introduction to the Deposit Insurance System Organized by Japan's Agricultural Finance System and Farm and Fishery Products Industry.
- § An Introduction to Deposit Insurance of Vietnam Agricultural and Fishery Co-operative Savings Insurance Corporation, Financial Resolution Institutions of Korea and Danaharta Nasional Berhad of Malaysia..
- § An Excerpted Translation of Guidance for Developing Effective Deposit Insurance Systems.
- § A Translation Report of Coordination of Expanded Supervisory Information Sharing and Specific Examination in the United States.
- § A Translated Report of the Experience of the Korean Asset Management Company.
- § An Excerpted Translation of Overcoming Crisis and the Role of Deposit Insurance: Achievements and Challenges Ahead of Korea.
- § An Excerpted Translation of Survey of Deposit Insurance Systems Funding Schemes Outside Japan.
- § An Excerpted Translation of Institute for de Protection of Banks savings and depositor Preference of Mexico.
- § A Translation Report of What's Wrong with Taiwan Banks?
- § A Translation Report of Taiwan Banks: Which Way Out?
- § A Study of Most Actionable Collateral Reserve for the Financial Restructuring Fund.
- § Increasing Funding Sources for the Financial Restructuring Fund by Raising Deposit Insurance Premiums or Insured Amount.
- § A Comparative Analysis of Fund Raising Methods for the Financial Restructuring Fund.
- § An Analysis of Funding Problems for the Financial Restructuring Fund.

(3) Deposit Insurance Collections

- § A Study on Guidance for Developing Effective Deposit Insurance Systems.
- § The Disposition of Non-Performing Loans of Financial Institutions by the Danaharta Nasional Berhad of Malaysia.
- § Financial Reform in Japan.
- § The Risk Management Supervisory Framework of Canada's Financial Examination Administration.