

Appendix 1

Key Points of the Regulations Governing the Extension of Land Collateralized Loans and Housing Loans in Specific Areas by Financial Institutions¹ (Hereinafter the Regulations)

2010.12.30

I. Scope

1. Financial Institutions referred to in the Regulations include domestic banks, local branches of foreign banks, credit cooperatives, Agricultural Bank of Taiwan, credit departments of farmers' and fishermen's associations, Chunghwa Post Co., and insurance companies.
2. In addition to Taipei City and 10 districts in New Taipei City (Xinbei City), covering Banciao, Sanchong, Jhonghe, Yonghe, Sinjhuang, Xindian, Tucheng, Lujhou, Shulin, Sijhih, the scope of "Specific Areas" prescribed in the Regulations is amended to also include 3 other New Taipei City districts, namely Sanxia, Linkou, and Damsui.
3. Pursuant to these amendments, land collateralized loans shall be governed by the Regulations.

II. Housing loans in Specific Areas

1. The loan-to-value (LTV) ratio will be capped at 60%, down from 70%, for home purchases in Specific Areas by individuals (natural persons) who have taken out other outstanding real estate loans.
Financial institutions shall, before extending new housing loans to individual borrowers against collateral located in Specific Areas, verify the borrowers' credit history related to housing loans with the Joint Credit Information Center.
With regard to housing loans newly extended to borrowers who have other outstanding loans for real estate purchases, financial institutions shall:
 - (1) Limit new loans to no more than 60% of the appraisal value of the collateral,
 - (2) Remove grace periods, and
 - (3) Grant no additional loans against the same collateral for home renovations, as working capital, or for other purposes.
2. Housing loans extended to companies (corporate legal persons) shall be governed by the Regulations and shall conform to relevant rules in the sub-paragraphs (1) to (3) prescribed above.

¹ The content of Appendix 1 is provided as a summary of the Regulations and should not be considered or used as the official English translation of the Regulations.

III. Land collateralized loans

When extending collateralized loans against collateral of residential or commercial land plots located in urban planning districts (including but not limited to Specific Areas), financial institutions shall:

1. Require borrowers to present concrete plans of construction projects;
2. Apply a maximum LTV ratio of 65% of the acquisition cost or the valuation price, whichever is lower, where 10% of the approved loan amount shall not be disbursed until the construction commences; extend no additional credit for working capital or other purposes.
3. Bills finance companies shall comply with the rules in the above two paragraphs when providing guarantees to bill issuance against collateralized residential or commercial land plots located in urban planning districts.

IV. Effective date

The Regulations shall enter into force as of December 31, 2010. Loans already approved by financial institutions on or before December 30, 2010, may be disbursed in accordance with the original terms and conditions granted when the loans were approved.

Appendix 2

Adjustment to Reserve Requirement Ratios on Banks' Deposits

Unit: % of the deposited amount

Type of Deposits		Before adjustment	After adjustment
Checking deposits		10.750	10.750
Demand deposits		9.775	9.775
Demand deposits from non-residents' funds*	Amount exceeding the outstanding balance on Dec. 30, 2010	9.775	90.000
	Amount below the outstanding balance on Dec. 30, 2010	9.775	25.000
Demand savings deposits		5.500	5.500
Time deposits		5.000	5.000
Time savings deposits		4.000	4.000
Foreign currency deposits		0.125	0.125

* : Reserve requirement adjustments for demand deposits from non-residents' funds, and a zero remuneration rate on funds originating from the aforesaid deposits on banks' B reserve accounts held with the CBC will begin to apply on January 1, 2011.

Appendix 3

Explanatory notes on the money growth target zone for the year 2011

1. For the first eleven months of 2010, the annual growth rate of M2 averaged 4.54%, close to the median (4.5%) of the 2010 target range (2.5%-6.5%). The pickup in economic activity and increased demand for funding have boosted bank credit growth. Despite gradual declines from January to May due to a higher base effect, M2 growth turned up in June and continued to climb to register an annual growth rate of 5.20% in November.
2. By incorporating the DGBAS's latest projections of economic growth and CPI inflation for 2011 into simulation, the CBC estimates the annual increase in the demand for M2 will be 4.38% in 2011. Using 0.5 percentage point increments with a median of 4.5%, and an error bound of plus or minus 2 percentage points, the M2 growth target zone for 2011 is set at 2.5% to 6.5%, the same as this year.