

Glossary

■ *Data Sources*

In order to publish this report on time, all data are collected based on unaudited figures submitted by each domestic bank's headquarter, including the domestic banking units, offshore banking units and overseas branches. However, the information disclosed on the banks' website was audited by the banks or Certified Public Accountant (CPA).

■ *Computation Methodology*

The dollar amounts displayed for all income and expense items in the report are shown for the year-to-date period. The income and expense and related data used in ratios are annualized for interim reporting period. However, the year-end report represents a full fiscal year, the data do not have to be annualized. Thus the income and expense items are multiplied by the factors listed below before dividing it by the corresponding assets or liabilities.

March -----	4.0
June-----	2.0
September -----	1.3

The peer-group average is a winsorized mean based on an average of banks within the 25th and 75th percentile values for a given ratio. The values below first quartile (Q1) are substituted by Q1. The values above third quartile (Q3) are substituted by Q3.

■ *Definitions*

● *Total Risk-based Capital / Risk-weighted Assets*

Qualifying capital

Credit-risk-weighted assets + (Market-risk-equivalent assets+ Operation-risk-equivalent-assets)*12.5

● *Qualifying capital*

Qualifying capital = tier 1 capital + tier 2 capital + tier 3 capital

A. Tier 1 capital includes:

- 1.Common shares
- 2.Perpetual non-cumulative preferred shares
- 3.Non-cumulative subordinated bonds without maturity date
- 4.Prepaid capital
- 5.Capital surplus (excluding capital surplus from increment of fixed assets)
- 6.Legal reserve
- 7.Special reserve
- 8.Cumulative surplus
- 9.Minority interest
- 10.Shareholders' equity - other (excluding unrealized gain on revaluation increment and financial assets held for trade)
- 11.Less: goodwill

unamortized loss on disposal of non-performing loans
capital deductions (including credit risk, asset securitization and market risk)

B. Tier 2 capital includes:

- 1.Perpetual cumulative preferred shares
- 2.Cumulative subordinated debt without maturity date
- 3.Capital surplus from increment of fixed assets (including revaluation increment)
- 4.45% of unrealized gains on financial assets held for trade
- 5.Convertible bonds
- 6.Operating reserve and loss provision
- 7.Long-term subordinated debt
- 8.Non-perpetual preferred shares (with a term more than 5 years)
- 9.The part of perpetual non-cumulative preferred shares and non-cumulative subordinate debt without maturity date combined exceeding 15% of Tier 1 capital
10. Less: capital deductions (including credit risk, asset securitization and market risk)

C. Tier 3 capital includes:

1. Short-term subordinated debt
- 2.Non-perpetual preferred shares (with a term more than 2 years)

● *Risk-weighted assets*

The risk-weighted assets shall be determined by multiplying the capital requirements for market risk plusing operation risk by 12.5 and adding the resulting figures to the sum of risk-weighted assets for credit risk.

● *The non-performing loan ratio*

$$\text{The NPL ratio} = \frac{\text{Non-performing loans}}{\text{Total loans}}$$

According to the regulation effected on 1 July 2005, the definition of "non-performing loans" is :

- 1.Loans which repayment of principal or interest have been overdue for more than 3 months ;
- 2.Any loan of which the principal debtors and surety have been sued for non-payment or the underlying collateral has been disposed, although the repayment of principal or interest have not been overdue for more than 3 months

● *NTD Liquidity ratio*

$$\text{The NTD liquidity ratio} = \frac{\text{Actual liquid reserves}}{\text{Total reservable liabilities}}$$

Actual liquid reserves include:

- 1.Excess reserves
- 2.Net balance due from banks
- 3.Treasury bills
- 4.CDs issued by CBC
- 5.Net holding of NCDs deducted from bank's own issuance
- 6.Net Banker's acceptance deducted from bank's own acceptance
- 7.Commercial acceptance.
- 8.Net Commercial paper deducted from bank's own guarantee
- 9.Government bonds
- 10.Net Corporate bonds deducted from bank's own guarantee
11. Net Bank debentures (including subordinated bank debentures, deducted from bank's own issuance)
- 12.Deposits with appointed banks within 1 year
- 13.NTD debentures and Corporate bonds issued in Taiwan by international financial organization approved by CBC and FSC.
- 14.Others approved by CBC as "liquidity assets."

Total reservable liabilities include:

- 1.Reservable deposits (including checking deposits, demand deposits, saving deposits, term deposits and treasury deposits)
- 2.Net balance due to banks
- 3.The outstanding of repurchase agreement on bills and bonds
- 4.Others approved by CBC