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***

$$\frac{\text{Qualifying capital}}{\text{Credit-risk-weighted assets + Market-risk-equivalent assets}}$$

- ***Qualifying capital***

qualifying capital = tier 1 capital + tier 2 capital + tier 3 capital - deduction items

A. Tier 1 capital, including:

1. Common stockholder's equity
2. Noncumulative perpetual preferred stock
3. Capital reserves (except the appreciation reserves of fixed assets)
4. Retained earnings (deducting the insufficiency of operation reserves and loan loss provisions)
5. Minority interest
6. Cumulative effect of equity adjustments
7. Less: goodwill and treasury stock

B. Tier 2 capital, including:

1. Perpetual preferred stock
2. Appreciation reserves of fixed assets
3. 45% of unrealized holding gains of long-term equity investments
4. Operation reserves
5. Convertible debt securities
6. Allowance for loan and lease losses(except the reserves created against identified losses)
7. Long-term subordinated debt and long-term non-perpetual preferred stock

C. Tier 3 capital include short-term subordinated debt and short-term non-perpetual preferred stock. The two items should be unsecured; be fully paid up; have an original maturity of at least two years; be not redeemable before the arranged date; include a lock-in clause precluding payment of either interest or principal if the payment would cause the issuing organization's risk-based capital ratio to fall below the minimum requirement.

D. Deduction items

1. Booking value of investments in other banks that are not consolidated for accounting purpose and held more than one year.
2. Booking value of investments in non-bank subsidiaries, excluding the investments in banking-related subsidiaries that are consolidated.

E. Restrictions

1. Tier 2 capital may not exceed 100% of tier 1 capital.
2. Long-term subordinated debt and long-term non-perpetual preferred stock included in tier 2 capital may not exceed 50% of tier 1 capital.
3. Tier 3 capital can only be used for market risk capital charge.
4. The sum of tier 2 and tier 3 capital for market risk capital charge may not exceed 250% of tier 1 capital for market risk capital charge.

- ***Risk-weighted assets***

assets adjusted for risk-based capital definition which includes on-balance-sheet as well as off-balance-sheet items multiplied by risk weights that range from zero to 100 percent. The risk-weighted assets equal credit-risk-weighted assets plus market-risk-equivalent assets.

- ***The non-performing loan ratio***

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

The items of the “non-performing loan” include:

1. Loans which payment of principal has been overdue for more than 3 months;
2. Installment repayments for medium and long-term loans are overdue for more than 6 months;
3. Any loan of which the debtor has been prosecuted for non-payment, or the underlying collateral has been disposed;
4. Any loan of which repayment of interest has been overdue for more than 6 months.

The following loans are exempted from NPL:

1. Restructured Loans of which short-term loans should repay within 5 years and medium and long-term loans should repay within twice of residual period of time fully.
2. Loans compensated by the Credit Guaranty Funds.
3. Loans of which the collateral has been disposed by court, but the proceeds have not been distributed yet
4. Loans with sufficient certificate of deposits or reserve.
5. Relief Loans granted approval from Ministry of Finance (MOF) under some conditions, including:
   A. The enterprises must apply for assistance and get approval from MOF.
   B. All the creditor banks should reach a consensus.
   C. Those enterprises should perform all the repayment terms required by creditor banks.

- **Liquidity ratio**

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

Actual liquid reserves include:

Excess reserves
Net balance due from banks
Treasury bills
Net holding of NCDs issued by banks
Banker’s acceptance
Commercial paper
Government bonds
Corporate bonds
Bank debentures
Deposits with appointed banks
Others approved by CBC

Total reservable liabilities include:

Reservable deposits
Net balance due to banks
The outstanding of repurchase agreement on bills and securities（this item is effective from the data of October, 2002）