

Condition and Performance of Domestic Banks

Taiwan District
The Republic of China

Quarterly Report
March 31, 2002

Bank Examination Department
The Central Bank of China, Taipei

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Condition and Performance of Domestic Banks

First Quarter 2002

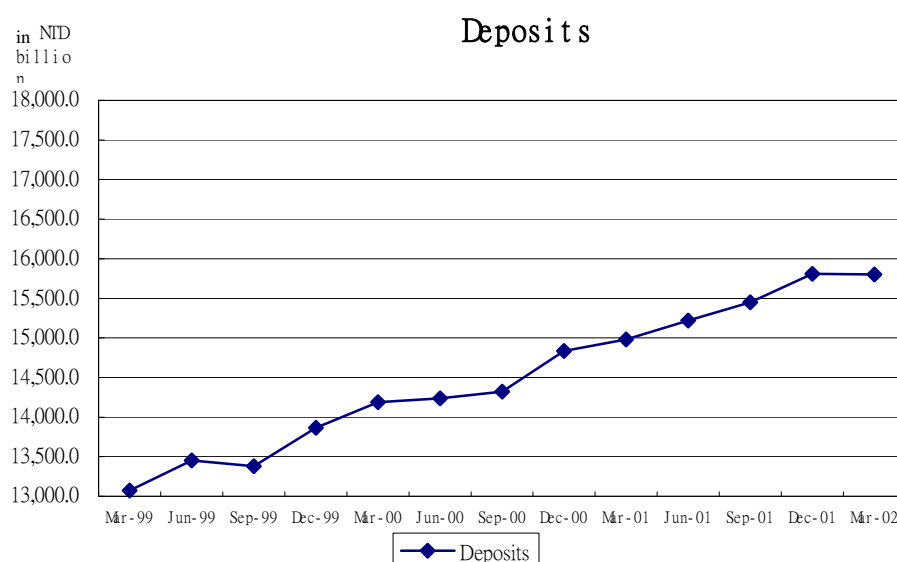
Summary of Condition and Performance

Owing to the economy didn't recover apparently, the rate of unemployment remained around 5%. The corporate sector didn't have strong fund demand from banks. Although banks had an aggressive attitude in charge-off of bad loans, the NPL ratio didn't drop as expectation. Asset quality still needs to be improved. The increased provisioning for loan losses did not grow as quickly as non-performing loans. In the first quarter of 2002, the outstanding of total deposits and loans declined compared with the preceding quarter. However, the total investments continuously grew.

Key Trends

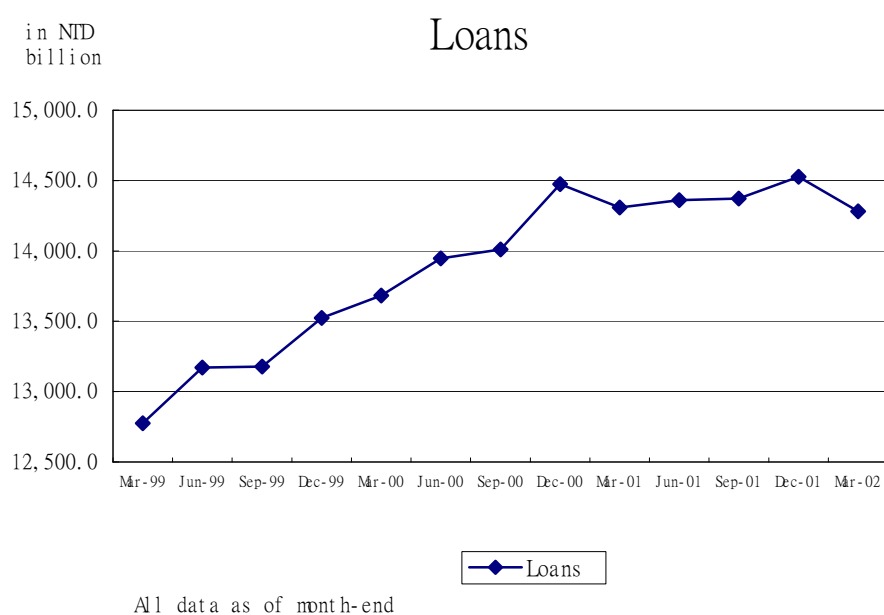
● Deposits

As of March 31, 2002 total deposits of domestic banks were NT\$15,801.8 billion. The figure decreased NT\$7.2 billion from NT\$15,809.0 billion at end-December, 2001 or declined by 2.3%. However, owing to the return of currency to the banks after the Chinese lunar new year and the continuous foreign capital inflows stimulated by the booming stock market, the annual growth rate stood at 3.84% following the 3.41% on March 31, 2001.



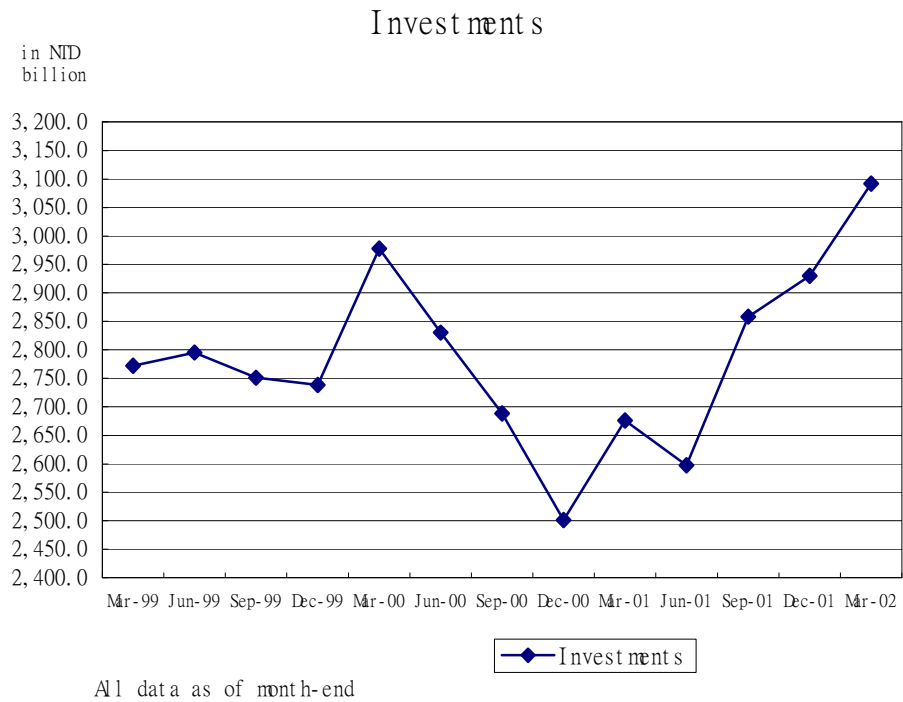
- **Loans**

As of March 31, 2002 the total outstanding loans was NT\$14,280.9 billion. The figure was a decrease of NT\$246.5 billion or 1.70% lower than the end of preceding quarter. The decreased figure was mainly due to the repayments of the Treasury's short-term borrowing from banks. Due to banks' conservative attitude for loans business, the loan annual growth rate stood at 0.22% lower than the 3.41% of March 31, 2001.



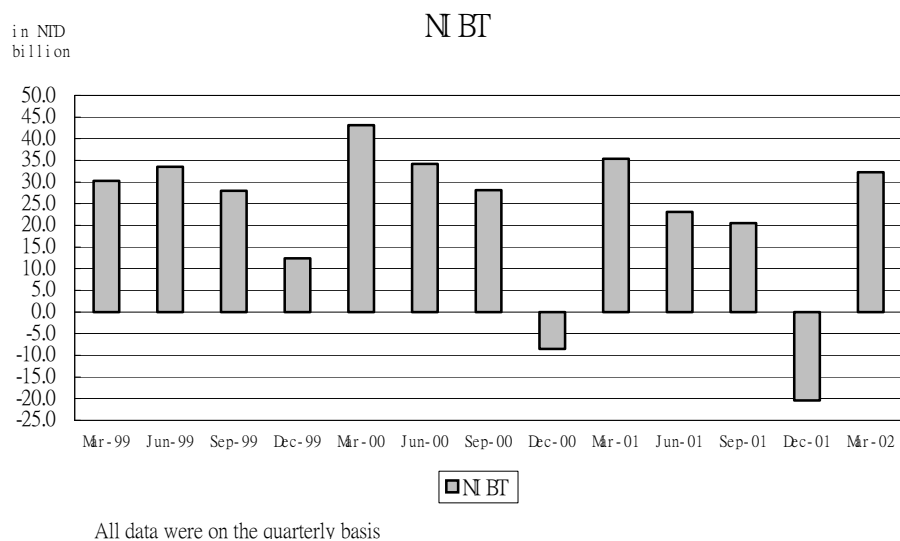
- **Investments**

The outstanding of investments as of end-March, 2002 amounted to NT\$3,091.5 billion. The figure increased NT\$161.4 billion or 5.51% over the end of preceding quarter. It showed that some funds have been moved from loans to bonds and securities investments. The annual growth rate of investment also moved upward, standing at 15.51% compared with -9.94% of end-March, 2001.



● Earnings

Consolidated net income before tax (NIBT) in the first quarter of 2002 was NT\$32.3 billion. The figure largely rose from NT\$-20.4 billion in the previous quarter. The increase was mainly attributed to the gain of bonds and securities investments and the decrease of the provision of loan loss reserves.



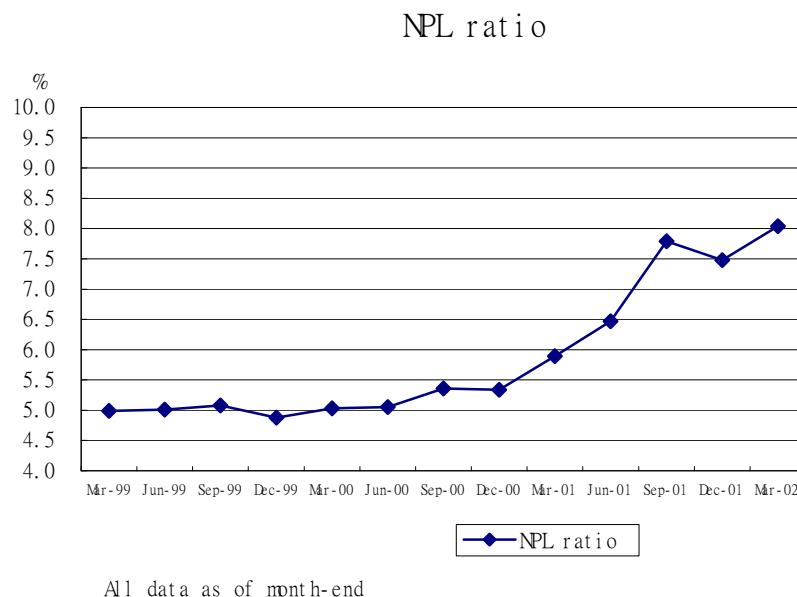
- **Non-Performing Loan Ratio**

The average ratio of non-performing loan was 8.04% as of March 31, 2002. Compared to the end of preceding quarter, the percentage points have increased 0.56. The increase of the outstanding of NPLs was attributed to:

The recession didn't recover apparently. The enterprises' finances fell into trouble owing to the sluggish business operation,

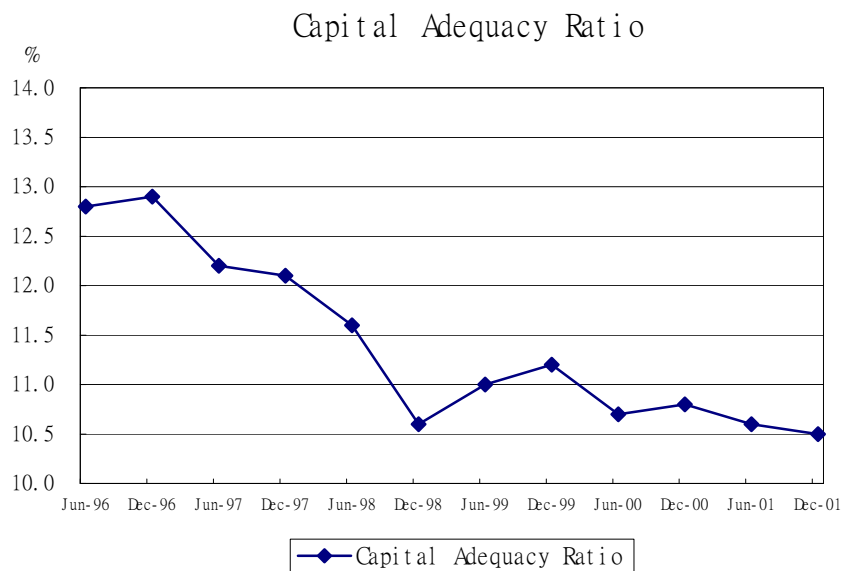
Parts of individual borrowers couldn't repay their debts due to the unemployment rate still remained at high level,

Restructured loans couldn't be repaid on schedule from the borrowers.



- **Capital Adequacy Ratio**

Capital rules in Taiwan, R.O.C don't have significant differences with Basel Capital Accord guidelines. Banks reported the Capital Adequacy Ratio every half year (each end-June & end-December). This quarterly report didn't show the average Capital Adequacy Ratio at the end of March and September.



● Liquidity Ratio

The liquidity ratios of domestic banks, except Chung Shing bank, were over the statutory ratio (7%) in March 2002. The average liquidity ratio was 16.67%. It rose by 0.3 percentage points from the end-March, 2001.

