

Condition and Performance of Domestic Banks

Taiwan District
The Republic of China

Quarterly Report
June 30, 2002

Bank Examination Department
The Central Bank of China, Taipei

Contents

	Page
Condition and Performance of Domestic Banks-----	1
Consolidated Balance Sheet of Domestic Banks -----	7
Balance Sheet (OBUs and Overseas Branches only) -----	15
Consolidated Income Statement of Domestic Banks -----	23
Income Statement (OBUs and Overseas Branches only) -----	31
Guarantee Contents -----	39
Notional Amounts Outstanding of Derivatives -----	47
The Main Financial and Performance Ratios	
1.The Peer-Group Average -----	55
2.Individual Bank -----	56
Glossary-----	109

Condition and Performance of Domestic Banks

Second Quarter 2002

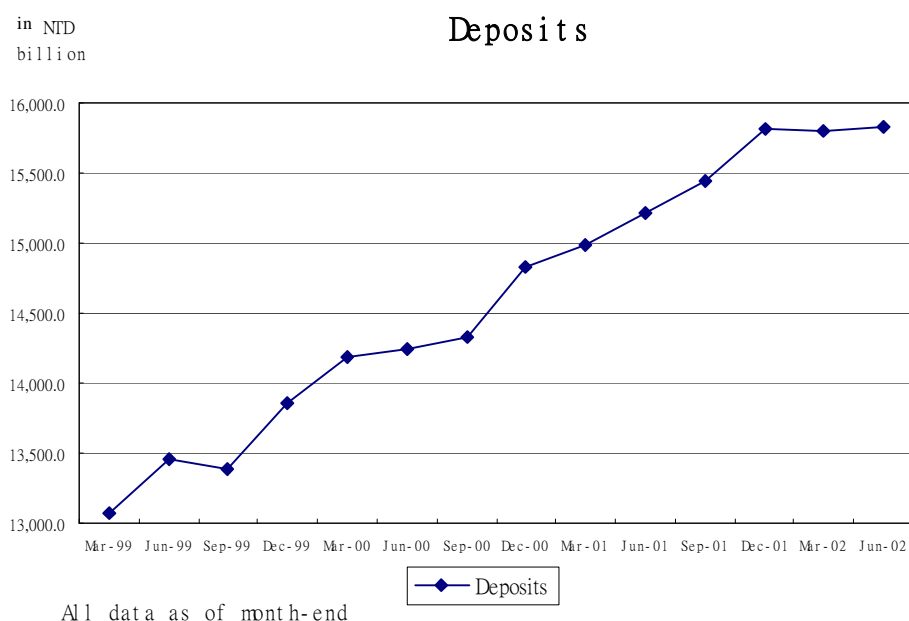
Summary of Condition and Performance

Although Taiwan economy recovered gradually, but affected by the recession of the U.S.A, the corporate sector still remained weak demand for financial services. The banks continuously wrote off bad loans to improve their asset quality. The NPL ratio had been lowered this quarter. However, there were a large amount of funds floating in the financial market, the average liquidity ratio (16.92%) was highly in excess of the statutory ratio (7%). Due to the bank's conservative attitude to extend loans but keeping aggressive to dispose of bad loans in the second quarter of 2002, the outstanding of total loans declined compared with the preceding quarter. The total deposits and investments, however, continuously grew.

Key Trends

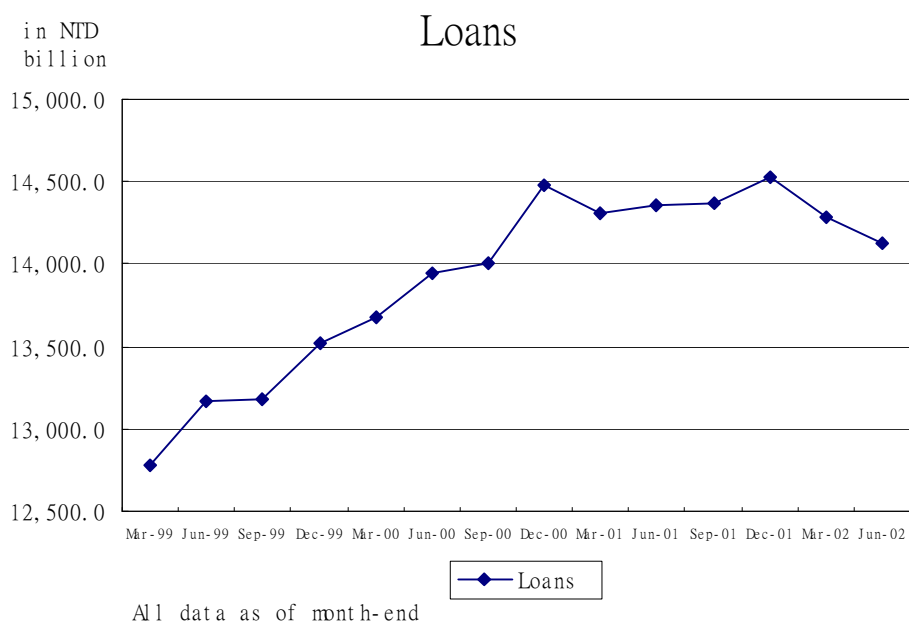
● Deposits

As of June 30, 2002 total deposits of domestic banks were NT\$15,824.3 billion. The figure increased NT\$22.5 billion from NT\$15,801.8 billion at end-March, 2002 or grew by 0.14%. Owing to the increases of government deposits and the finance holding company's deposits by issuing ECB (European Convertible Bond) , the annual growth rate stood at 1.80% on June 30, 2002.



- **Loans**

As of June 30, 2002 the total outstanding loans was NT\$14,129.8 billion. The figure has been a decrease of NT\$151.1 billion or 1.06% since the end of preceding quarter. The decline was mainly owing to the repayments of the Treasury's short-term borrowing from banks and banks' selling loans or writing-off bad loans. It showed an annual growth rate of -1.13% at the end-June, 2002.

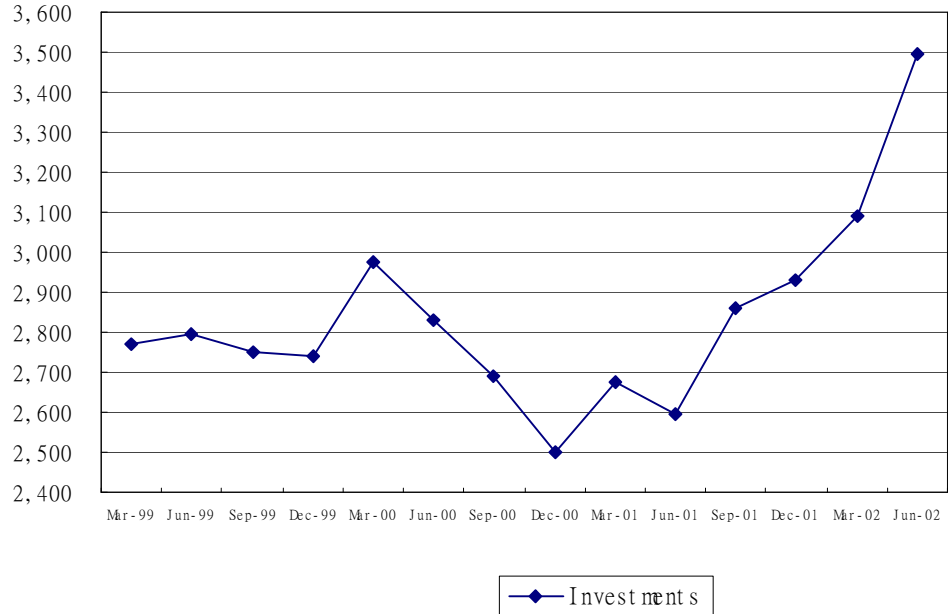


- **Investments**

The outstanding of investments as of end-June, 2002 amounted to NT\$3,492.9 billion. The figure has increased NT\$401.4 billion or 12.98% since 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 24.49% compared with -1.91% of end-June, 2001.

Investments

in NTD
billion



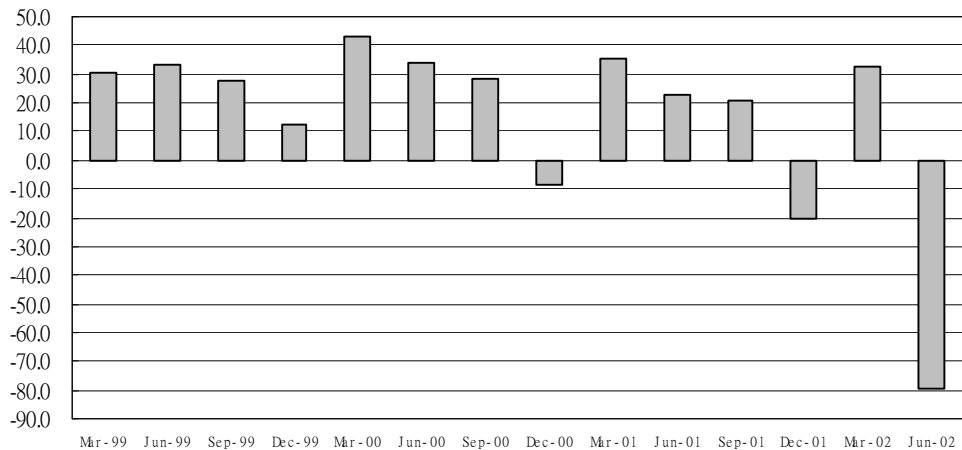
All data as of month-end

Earnings

Consolidated net income before tax (NIBT) in the second quarter of 2002 was NT\$-79.6 billion. The figure was largely cut down from NT\$32.3 billion in the previous quarter. The decrease was mainly attributed to the large amount of charge-off bad loans.

in NTD
billion

NIBT



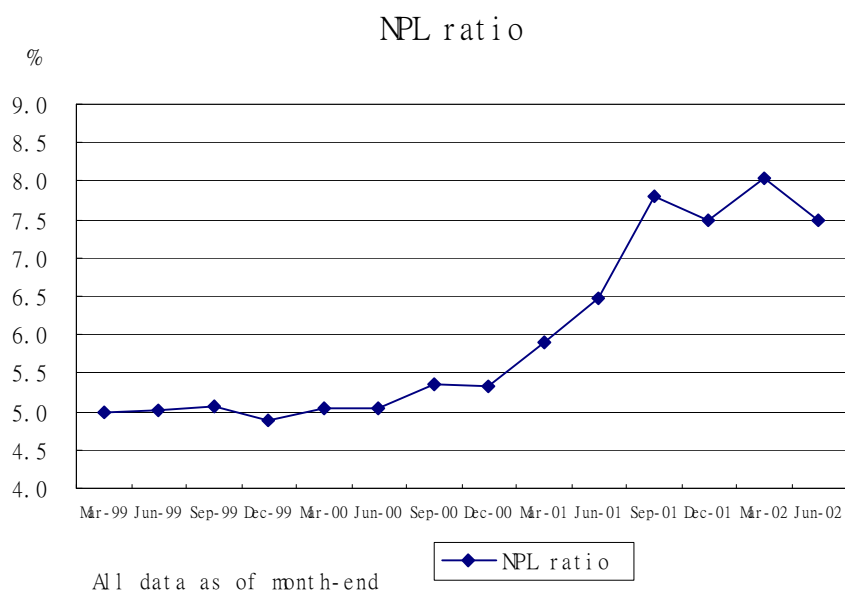
All data were on the quarterly basis

- **Non-Performing Loan Ratio**

The average ratio of non-performing loan was 7.48% as of June 30, 2002. Compared to the end of preceding quarter, the percentage points have decreased 0.56. The decrease of the outstanding of NPLs was attributed to:

- Banks wrote off bad loans in large amount.

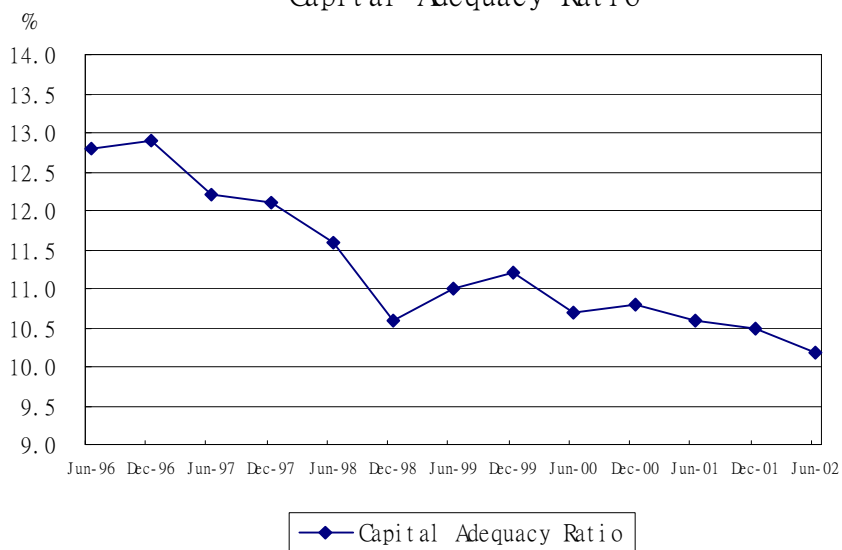
- The repayments of borrowers and the disposal of banks' collaterals increased.



- **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). At the end-June of 2002, the average Capital Adequacy Ratio was 10.17%, which was 0.23 percentage points downward from the end of 2001.

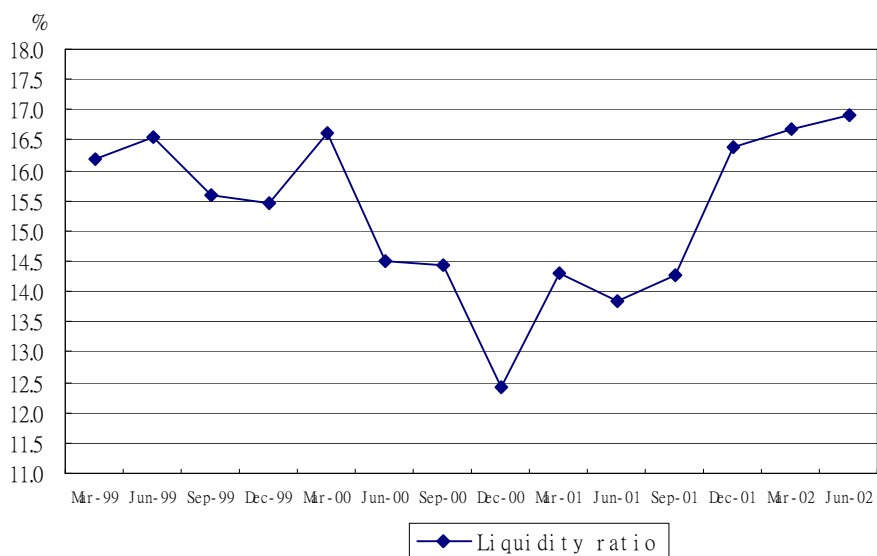
Capital Adequacy Ratio



Liquidity Ratio

The liquidity ratios of domestic banks, except Chung Shing bank, were over the statutory ratio (7%) in June 2002. The average liquidity ratio was 16.92%. It rose by 3.07 percentage points from the end-June, 2001.

Liquidity ratio



All data were the average of the last month of quarters