

## *Condition and Performance of Domestic Banks*

### *Fourth Quarter 2014*

#### ■ *Summary of condition and performance*

As of end-Dec. 2014, there were 40 domestic banks with 3,461 branches and 38 off-shore banking units in Taiwan. The largest banks were Bank of Taiwan, Mega International Commercial Bank and Taiwan Cooperative Bank in terms of assets, while the largest in terms of the net income before tax for 2014 were CTBC Bank Co., Ltd., Mega international Commercial Bank and Cathay United Bank.

As of end-Dec. 2014, for the domestic bank as a whole the average capital adequacy ratio registered 12.35% was well above the regulatory requirement of 8%, indicating that capital adequacy for domestic banks kept satisfactory. Asset quality remained sound and the provisions for loans were sufficient to cover potential losses. The profitability for domestic banks kept increasing in 2014 while liquidity kept ample with the liquidity ratio well above the regulatory requirement of 10%.

#### ■ *Key trend*

As of end-Dec. 2014, domestic banks held a total of NT\$42,561.7 billion in assets, increasing by NT\$643.8 billion or 1.54% compared to end-Sep. 2014. Total liabilities and equities amounted to NT\$39,646.6 billion and 2,915.1 billion, increasing by NT\$568.3 billion and NT\$ 75.5 billion or 1.5% and 2.7%, respectively, compared to end-Sep. 2014. Domestic banks as a whole posed a net income before tax of NT\$320.7 billion in 2014, increasing by NT\$ 62.5 billion or 24.2%, compared to the same period of previous year contributed by an increase of the net revenues other than interest. In addition, net income before tax increases dramatically for OBUs and overseas branches than that in the same periods of previous year. The major income statement components are tabulated as follows:

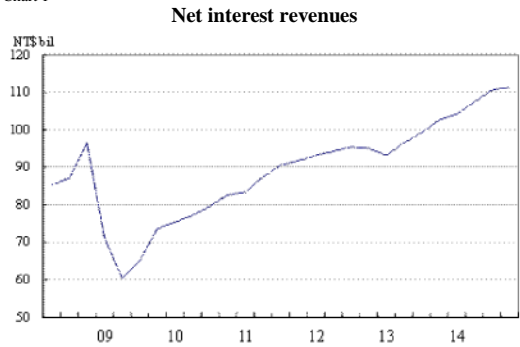
#### *Major Income Statement Components*

	Jan.-Dec. 2013	Jan.-Dec. 2014	NT\$ Billion % Change
<b><i>Income</i></b>			
Net interest revenues	391.6	433.6	10.7
Net revenues other than interest	250.7	297.2	18.5
<b><i>Expense</i></b>			
Loan loss provision	48.1	44.7	-7.1
Other expense	336.0	365.4	8.8
<b><i>Net income before tax</i></b>	258.2	320.7	24.2

**Net interest revenues increased**

Net interest revenues reported NT\$111.3 billion for 2014Q4, increasing by NT\$0.6 billion or 0.5% compared to the previous quarter (Chart 1).

Chart 1

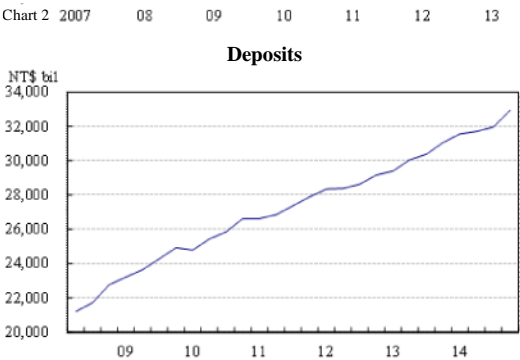


Note: Data are on a quarterly basis.

**Deposits increased**

Total deposits amounted to NT\$32,928.4 billion as of end-Dec. 2014, increasing by NT\$954.7 billion or 3.0% compared to end-Sep. of 2014 (Chart 2). The annual growth rate of deposits was 6.81% as of end-Dec. 2014, increasing by 0.74 percentage points compared to the previous quarter.

Chart 2

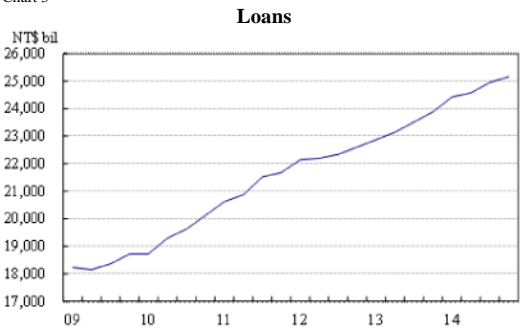


Note: Data are on a quarterly basis.

**Loans increased**

Total loans amounted to NT\$25,158.0 billion as of end-Dec. 2014, increasing by NT\$209.6 billion or 0.8% compared to end-Sep. of 2014 (Chart 3). The annual growth rate of loans registered 6.67% as of end-Dec. 2014, increasing by 0.13 percentage points compared to the previous quarter.

Chart 3

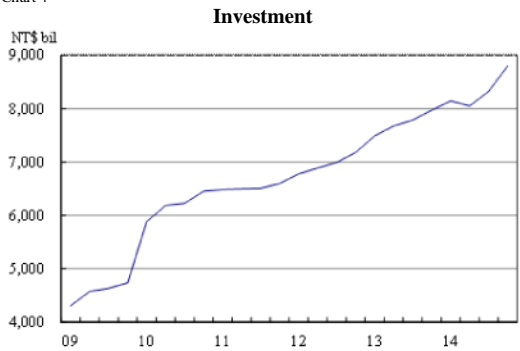


Note: Data are on a quarterly basis.

**Investments increased**

Total investments amounted to NT\$8,800.1 billion as of end-Dec. 2014, increasing by NT\$476.4 billion or 5.7% compared to end-Sep. of 2014 (Chart 4). The annual growth rate of investment reached 10.45% as of end-Dec. 2014, increasing by 5.06 percentage points compared the previous quarter.

Chart 4

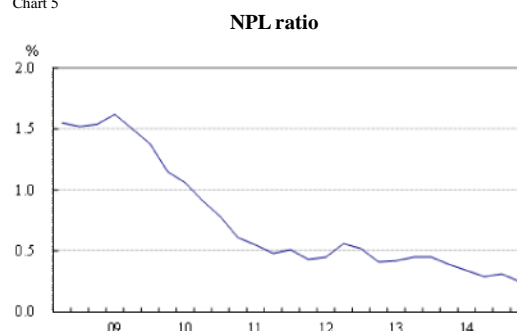


Note: Data are on a quarterly basis.

### ***Asset quality remained satisfactory***

The average NPL ratio stood at 0.25% as of end-Dec. 2014, decreasing by 0.06 percentage points compared to end-Sep. 2014 (Chart 5). Asset quality for the overall banking sector kept satisfactory. The average provision coverage ratio was 553.76%, increasing by 59.26 percentage points compared to end-Sep. 2014.

Chart 5

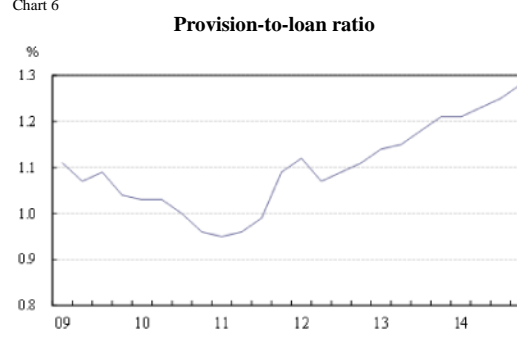


Note: Data are on a quarterly basis.

### ***Provision-to-loan ratio increased***

The average provision-to-loan ratio was 1.28% as of end-Dec. 2014, slightly increasing by 0.03 percentage points compared to end-Sep. 2014 (Chart 6).

Chart 6

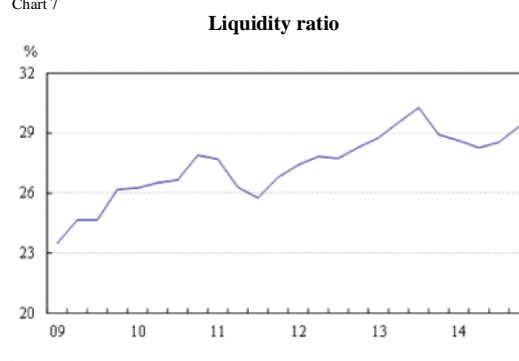


Note: Data are on a quarterly basis.

### ***Liquidity kept ample***

The average liquidity ratio was 29.34% for domestic banks as a whole in Dec. 2014, increasing by 0.79 percentage points compared to that in Sep. 2014 (Chart 7). Every domestic bank met the regulatory liquidity ratio requirement of 10%. Liquidity for domestic banking sector kept ample.

Chart 7

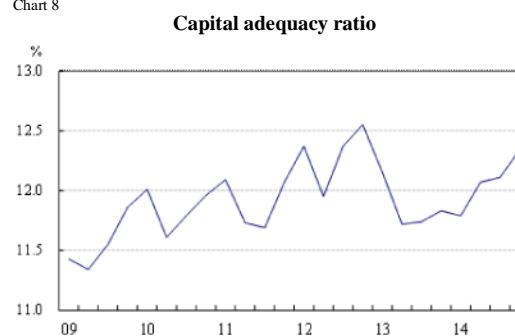


Note: Data are on a quarterly basis.

### ***Average capital adequacy remained satisfactory***

The average capital adequacy ratio was 12.35% as of end-Dec. 2014, increasing by 0.24 percentage points compared to end-Sep. 2014 (Chart 8). The capital adequacy for domestic banks as a whole remained satisfactory as the capital adequacy ratio of every domestic bank was well above the regulatory requirement of 8%.

Chart 8



Note: Data are on a quarterly basis.

