Fourth Quarter 2016

■ *Summary of condition and performance*

As of end-Dec. 2016, there were 40 domestic banks with 3,432 branches and 38 off-shore banking units in Taiwan. The largest banks were Bank of Taiwan, Taiwan Cooperative Bank and Mega International Commercial Bank in terms of assets, while the largest banks in terms of the net income before tax for 2016 were CTBC Bank Co., Ltd, Mega international Commercial Bank and First commercial Bank.

As of end-Dec. 2016, the domestic banks as a whole the average capital adequacy ratio was well above the regulatory requirement of 8.625%, 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 remains stable in 2016 while liquidity kept ample with the liquidity ratio well above the regulatory requirement of 10%.

■ Key trend

As of end-Dec. 2016, domestic banks total assets amounted to NT$45,751.4 billion increasing by NT$576.0 billion or 1.28% compared to end-Sep. 2016. Total liabilities and equities amounted to NT$42,379.8 billion and 3,371.6 billion increasing by NT$ 530.0 billion and NT$46.0 billion or 1.27% and 1.38%, respectively, compared to end-Sep. 2016. Domestic banks as a whole posed a net income before tax of NT$301.9 billion in 2016, decreasing by NT$ 18.7 billion or 5.83% compared to the same period of previous year. The major income statement components are tabulated as follows:

Major Income Statement Components

Unit: NT$ Billion

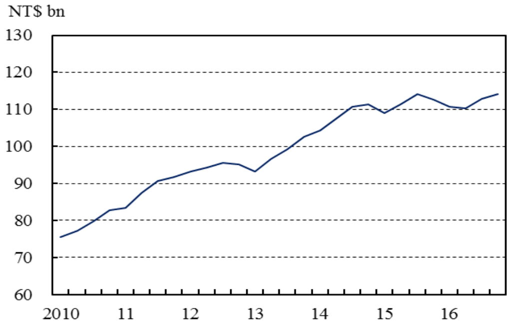
	Jan.-Dec. 2015	Jan.-Dec. 2016	Change %
Income			
Net interest revenues	447.0	447.9	0.20
Net revenues other than interest	287.6	298.1	3.65
Expense			
Loan loss provision	22.6	48.4	114.16
Other expense	391.4	395.7	1.10
Net income before tax	320.6	301.9	-5.83

Net interest revenues increased

Net interest revenues reported NT$114.1 billion for 2016Q4, increasing by NT$1.2 billion or 1.06% compared to the previous quarter (Chart 1).

Chart 1

Net interest revenues



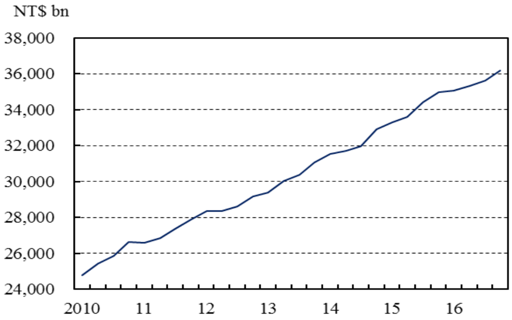
Note: Data are on a quarterly basis.

Deposits increased

Total deposits amounted to NT$36,195.7 billion as of end-Dec. 2016, increasing by NT$559.1 billion or 1.57% compared to end-Sep. of 2016 (Chart 2). The annual growth rate of deposits was 3.32% as of end-Dec. 2016, increasing by 0.53 percentage points compared to the previous quarter.

Chart 2

Deposits



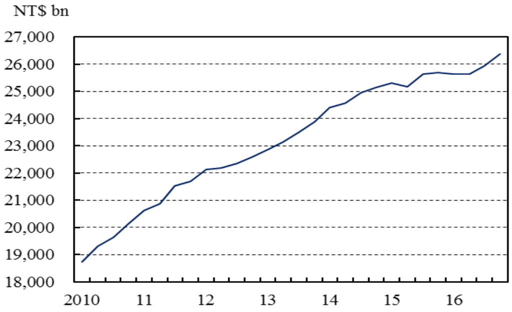
Note: Data are on a quarterly basis.

Loans increased

Total loans amounted to NT$26,372.2 billion as of end-Dec. 2016, increasing by NT$436.6 billion or 1.68% compared to end-Sep. of 2016 (Chart 3). The annual growth rate of loans registered 2.82% as of end-Dec. 2016, increasing by 2.03 percentage points compared to the previous quarter.

Chart 3

Loans



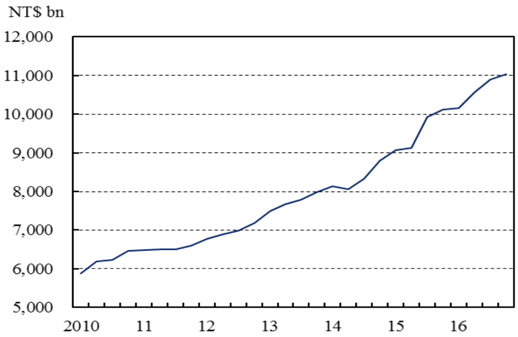
Note: Data are on a quarterly basis.

Investments increased

Total investments amounted to NT$11,028.8 billion as of end-Dec. 2016, increasing by NT$122.5 billion or 1.12% compared to end-Sep. of 2016 (Chart 4). The annual growth rate of investment reached 11.82% as of end-Dec. 2016, decreasing by 0.62 percentage points compared to the previous quarter.

Chart 4

Investment



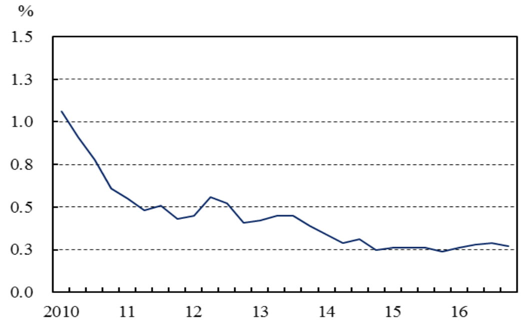
Note: Data are on a quarterly basis.

Asset quality remained satisfactory

The average NPL ratio stood at 0.27% as of end-Dec. 2016, decreasing by 0.02 percentage points compared to end-Sep. 2016 (Chart 5). Asset quality for the overall banking sector kept satisfactory. The average provision coverage ratio was 528.19%, increasing by 53.68 percentage points compared to end-Sep. 2016.

Chart 5

NPL ratio



Note: Data are on a quarterly basis.

Provision-to-loan ratio increased

The average provision-to-loan ratio was 1.37% as of end-Dec. 2016, increasing by 0.04 percentage points compared to end-Sep. 2016 (Chart 6).

Chart 6

Provision-to-loan ratio

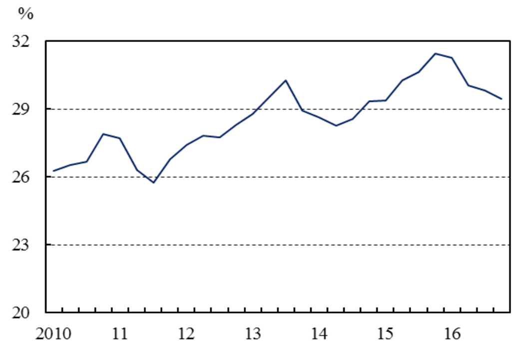
Note: Data are on a quarterly basis.

Liquidity kept ample

The average liquidity ratio was 29.46% for domestic banks as a whole in Dec. 2016, decreasing by 0.38 percentage points compared to that in Sep. 2016 (Chart 7). Every domestic bank met the regulatory liquidity ratio requirement of 10%. Liquidity for domestic banking sector kept ample.

Chart 7

Liquidity ratio



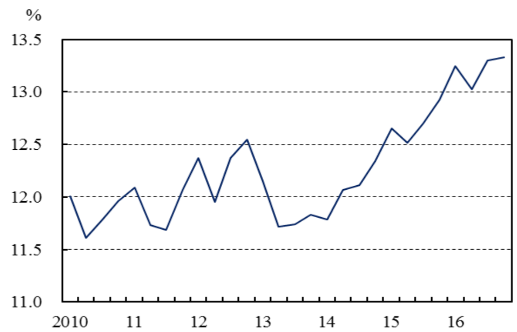
Note: Data are on a quarterly basis.

Average capital adequacy remained satisfactory

The average capital adequacy ratio was 13.33% as of end-Dec. 2016, increasing by 0.03 percentage points compared to end-Sep. 2016 (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 8.625%.

Chart 8

Capital adequacy ratio



Note: Data are on a quarterly basis.