Condition and Performance of Domestic Banks

Second Quarter 2016

Summary of condition and performance

As of end-Jun. 2016, there were 40 domestic banks with 3,437 branches and 37 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 the first half of 2016 were Mega international Commercial Bank, Bank of Taiwan, and CTBC Bank Co., Ltd.

As of end-Jun. 2016, the domestic banks as a whole the average capital adequacy ratio registered 13.03% 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 for the first half of 2016 while liquidity kept ample with the liquidity ratio well above the regulatory requirement of 10%.

Key trend

As of end-Jun. 2016, domestic banks total assets amounted to NT$44,790.6 billion increasing by NT$166.8 billion or 0.37% compared to end-Mar. 2016. Total liabilities and equities amounted to NT$41,524.1 billion and 3,266.5 billion increasing by NT$ 161.7 billion and NT$5.1 billion or 0.39% and 0.16%, respectively, compared to end-Mar. 2016. Domestic banks as a whole posed a net income before tax of NT$166.1 billion for the first half of 2016, decreasing by NT$ 3.5 billion or 2.06% compared to the same period of previous year. The major income statement components are tabulated as follows:

Major Income Statement Components

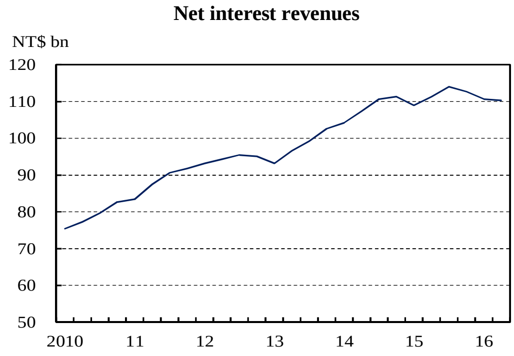
Unit: NT$ Billion

	Jan.-Jun. 2015	Jan.-Jun. 2016	Change %
Income			
Net interest revenues	220.2	220.9	0.32
Net revenues other than interest	140.7	159.9	13.65
Expense			
Loan loss provision	3.6	20.9	480.56
Other expense	187.7	193.8	3.25
Net income before tax	169.6	166.1	-2.06

Net interest revenues slightly decreased

Net interest revenues reported NT$110.3 billion for 2016Q2, decreasing by NT$0.4 billion or 0.36% compared to the previous quarter (Chart 1).

Chart 1

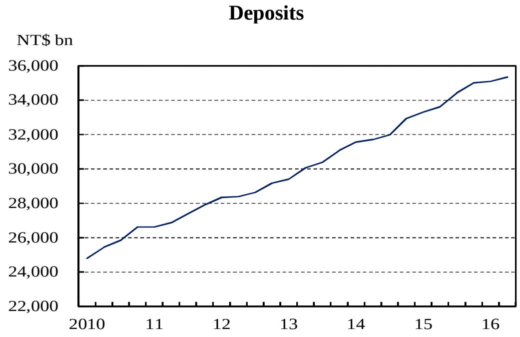


Note: Data are on a quarterly basis.

Deposits slightly increased

Total deposits amounted to NT$35,334.5 billion as of end-Jun. 2016, increasing by NT$246.9 billion or 0.70% compared to end-Mar. of 2016 (Chart 2). The annual growth rate of deposits was 4.46% as of end-Jun. 2016, increasing by 0.39 percentage points compared to the previous quarter.

Chart 2

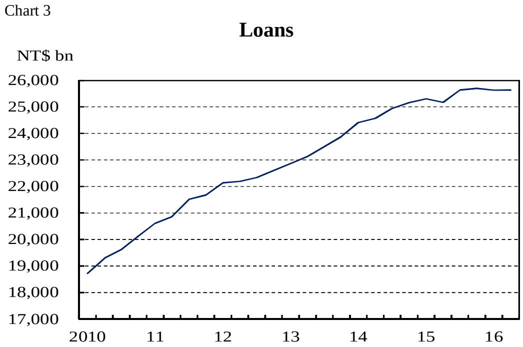


Note: Data are on a quarterly basis.

Loans slightly increased

Total loans amounted to NT$25,641.2 billion as of end-Jun. 2016, increasing by NT$4.2 billion or 0.02% compared to end-Mar. of 2016 (Chart 3). The annual growth rate of loans registered 1.65% as of end-Jun. 2016, increasing by 0.87 percentage points compared to the previous quarter.

Chart 3

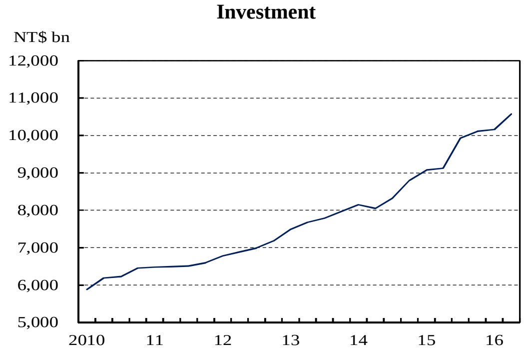


Note: Data are on a quarterly basis.

Investments increased

Total investments amounted to NT$10,577.8 billion as of end-Jun. 2016, increasing by NT$418.4 billion or 4.12% compared to end-Mar. of 2016 (Chart 4). The annual growth rate of investment reached 12.77% as of end-Jun. 2016, increasing by 0.37 percentage points compared to the previous quarter.

Chart 4

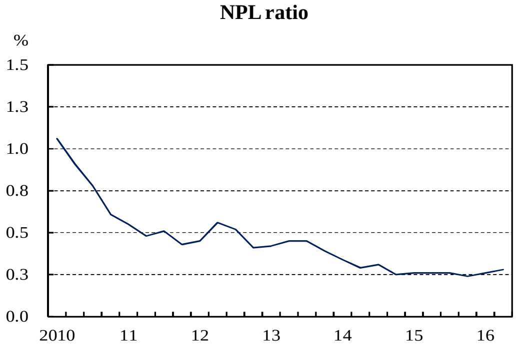


Note: Data are on a quarterly basis.

Asset quality remained satisfactory

The average NPL ratio stood at 0.28% as of end-Jun. 2016, increasing by 0.02 percentage points compared to end-Mar. 2016 (Chart 5). Asset quality for the overall banking sector kept satisfactory. The average provision coverage ratio was 498.80%, decreasing by 36.53 percentage points compared to end-Mar. 2016.

Chart 5

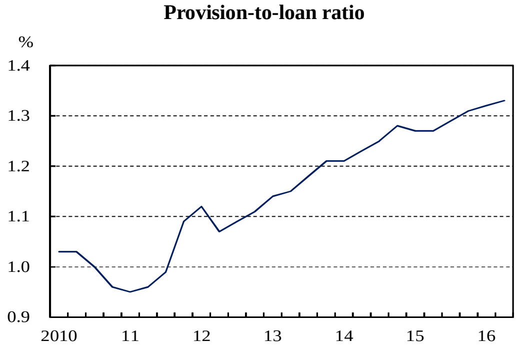


Note: Data are on a quarterly basis.

Provision-to-loan ratio increased

The average provision-to-loan ratio was 1.33% as of end-Jun. 2016, slightly increasing by 0.01 percentage points compared to end-Mar. 2016 (Chart 6).

Chart 6

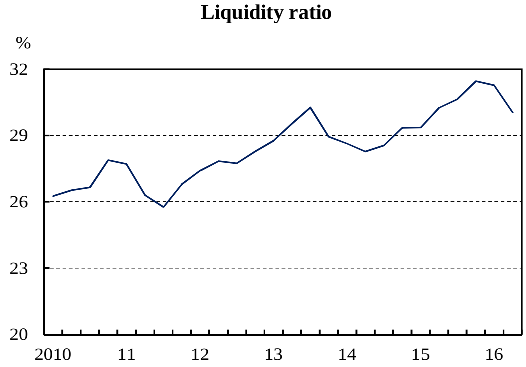


Note: Data are on a quarterly basis.

Liquidity kept ample

The average liquidity ratio was 30.04% for domestic banks as a whole in Jun. 2016, decreasing by 1.23 percentage points compared to that in Mar. 2016 (Chart 7). Every domestic bank met the regulatory liquidity ratio requirement of 10%. Liquidity for domestic banking sector kept ample.

Chart 7

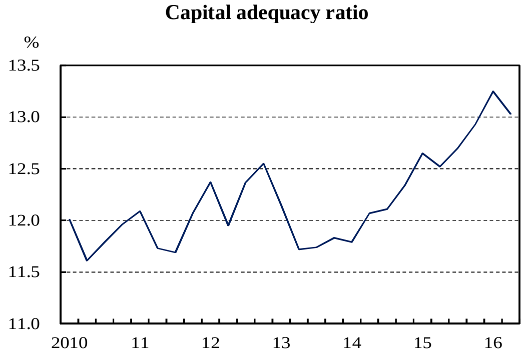


Note: Data are on a quarterly basis.

Average capital adequacy remained satisfactory

The average capital adequacy ratio was 13.03% as of end-Jun. 2016, decreasing by 0.22 percentage points compared to end-Mar. 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



Note: Data are on a quarterly basis.