Condition and Performance of Domestic Banks

Second Quarter 2013

■ *Summary of condition and performance*

For local economy, combined the slightly better-than-expected goods export and the modest private consumption, Taiwan's seasonally adjusted annualized rate (saar) of real GDP was 2.34% in 2013Q2. The year-on-year (yoy) growth rate of unadjusted GDP was 2.49%. The growth of external demand is subject to the deceleration of emerging markets in the second half of 2013. Combining with domestic demand, Taiwan's real GDP is forecasted to grow 2.31% in 2013. CPI is expected to rise by 1.07%, according to Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

The average capital adequacy ratio for domestic banks as a whole was well above the regulatory requirement of 8% as of end-June 2013, indicating that capital adequacy for domestic banks kept satisfactory. Asset quality remained sound as the provisions for loans were sufficient to cover potential losses. The profitability for domestic banks increased in 2013Q2 while liquidity kept ample with the liquidity ratio well above the regulatory requirement of 10%.

■ Key trend

As of the end of June 2013, domestic banks held a total of NT$38,500.1 billion in assets, increasing by NT$785.6 billion or 2.1% from end-Mar. 2013. Total liabilities and equities amounted to NT$36,016.7 billion and 2,483.9 billion, increasing by NT$781.8 billion and NT$ 3.7 billion or 2.2% and 0.1%, respectively, compared to end-Mar. 2013. Domestic banks as a whole posed a net income before tax of NT$141.3 billion for the first half of 2013, increasing by NT$ 8.3 billion or 6.2%, compared to the same period of previous year contributed by an increase of the net revenues other than interest. The major income statement components are tabulated as follows:

Major Income Statement Components

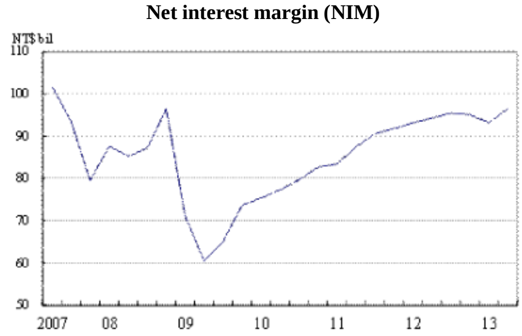
NT$ Billion

	Jan.-June 2012	Jan.-June 2013	% Change
Income			
Net interest revenues	187.4	189.8	1.3
Net revenues other than interest	115.2	126.5	9.8
Expense			
Loan loss provision	11.0	14.8	34.5
Other expense	158.6	160.2	1.0
Net income	133.0	141.3	6.2

Net interest margin（NIM）increased

NIM reported NT$96.6 billion for 2013Q2, increasing by NT$3.5 billion or 3.7% compared to the previous quarter (Chart 1).

Chart 1

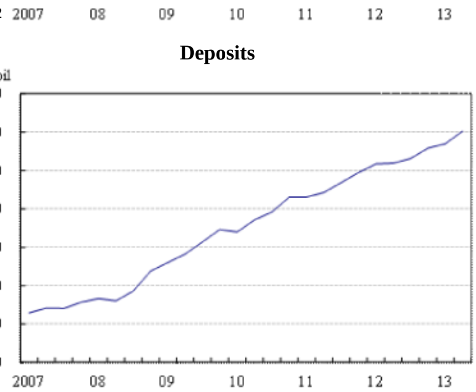


Note: Data are on a quarterly basis.

Deposits increased

As of end-June 2013, total deposits amounted to NT$30,058.2 billion, increasing by NT$637.5 billion or 2.2% compared to end-Mar. 2013. The annual growth rate of deposits was 5.32% as of end-June 2013, increasing by 1.44 percentage points compared to the previous quarter (Chart 2).

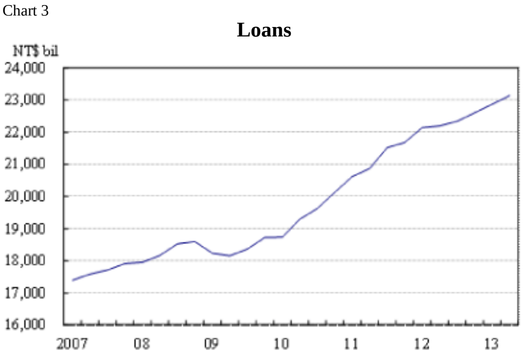
Chart 2



Loans increased

Total loans amounted to NT$23,140.1 billion as of end-June 2013, increasing by NT$273.4 billion or 1.2% compared to end-Mar. 2013. The annual growth rate of loans registered 5.14% as of end-June 2013, increasing by 0.52 percentage points compared to the previous quarter (Chart 3).

Chart 3

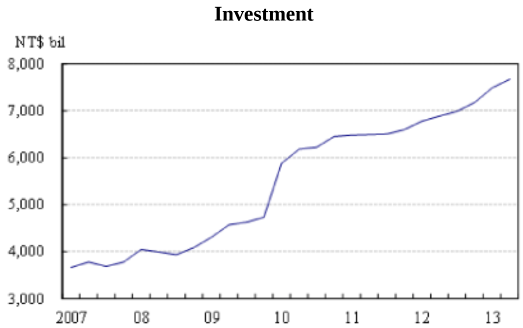


Note: Data are on a quarterly basis.

Investments increased

Total investments reached NT$7,673.5 billion as of end-June 2013, increasing by NT$182.3 billion or 2.4% compared to end-Mar. 2013, mainly due to an increase of purchasing negotiable certificate of deposits issued by the Central Bank. The annual growth rate of investment reached 14.45% as of end-June 2013, increasing by 1.65 percentage points compared to the previous quarter (Chart 4).

Chart 4

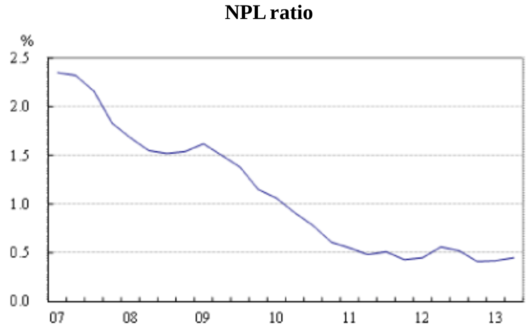


Note: Data are on a quarterly basis.

Asset quality remained satisfactory

The average NPL ratio stood at 0.45% as of end-June 2013, increasing by 0.03 percentage points compared to end-Mar.2013 (Chart 5). Asset quality for the overall banking sector kept satisfactory. The average provision coverage ratio was 313.71%, decreasing by 40.01 percentage points compared to end-Mar. 2013.

Chart 5

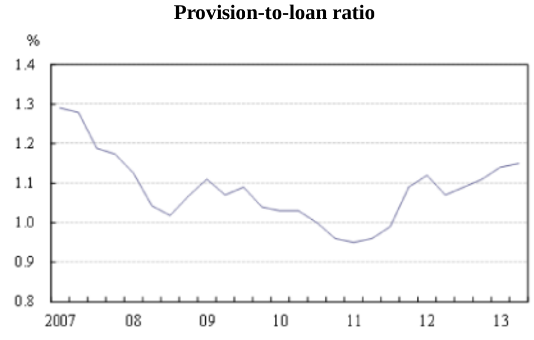


Note: Data are on a quarterly basis.

Provision-to-loan ratio increased

The average provision-to-loan ratio was 1.15% as of end-June 2013, increasing by 0.02 percentage points compared to end-Mar. 2013 (Chart 6).

Chart 6

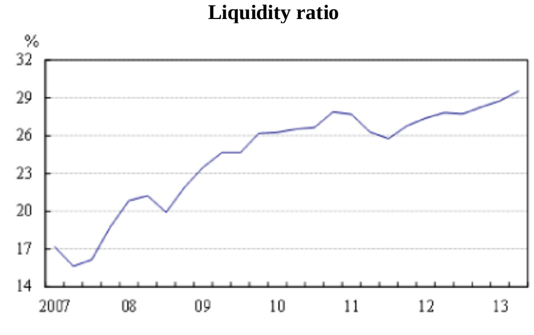


Note: Data are on a quarterly basis.

Liquidity kept ample

The average liquidity ratio was 29.54% for domestic banks as a whole in June 2013, increasing by 0.77 percentage points compared to that in Mar. 2013. Every domestic bank met the regulatory liquidity ratio requirement of 10%. Liquidity for domestic banking sector kept ample (Chart 7).

Chart 7

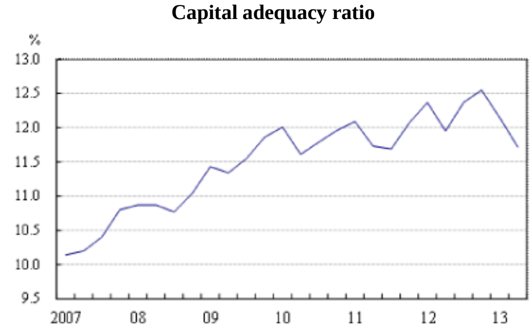


Note: Data are on a quarterly basis.

Average capital adequacy remained satisfactory

The average capital adequacy ratio was 11.72% as of end-June 2013, decreasing by 0.43 percentage points compared to end-Mar. 2013 (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.

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