# Condition and Performance of Domestic Banks

## Fourth Quarter 2013

## Summary of condition and performance

For local economy, the increase of commodity export brought the real exports of goods and services gains in 2013Q4. Coupling with significantly improved domestic demand, the seasonally adjusted annualized rate (saar) of real GDP was 7.27% in 2013Q4, and the year-on-year (yoy) GDP growth rate was 2.95%. Meanwhile, the saar and the yoy economic growth rate of 2013Q3 were revised to 0.28% and 1.31%. For 2013 as a whole, Taiwan's real GDP grew by 2.11% and CPI raised 0.79%, according to the latest preliminary estimation by Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

Looking forward, the momentum of world economy is anticipated to be stabilized in 2014, due to the better prospect of the advanced economies. Nevertheless, Taiwan's export is expected to grow mildly, as the enhancing competitiveness pressure on the manufacturing sector from abroad. Combining with moderate domestic demand, real GDP will grow by 2.82% in 2014. CPI will increase by 1.07%.

For domestic banks as a whole, the average capital adequacy ratio was well above the regulatory requirement of 8% as end of 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 2013 while liquidity kept ample with the liquidity ratio well above the regulatory requirement of 10%.

## Key trend

As end of 2013, domestic banks held a total of NT$39,828.2 billion in assets, increasing by NT$702.6 billion or 1.8% from end-Sept. 2013. Total liabilities and equities amounted to NT$37,198.2 billion and 2,630.0 billion, increasing by NT$620.9 billion and NT$ 81.9 billion or 1.7% and 3.2%, respectively, compared to end-Sept. 2013. Domestic banks as a whole posed a net income before tax of NT$258.2 billion for 2013, increasing by NT$ 17.5 billion or 7.3%, 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

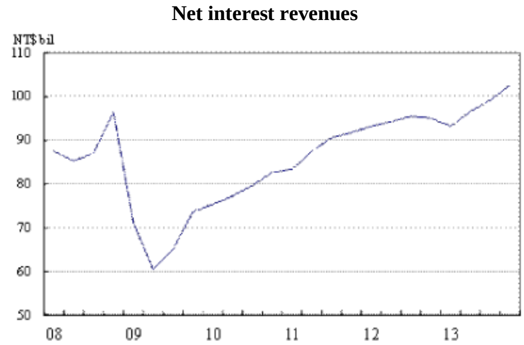
NT$ Billion

| | Jan.-Dec. 2012 | Jan.-Dec. 2013 | % Change |
|---|---|---|---|
| ***Income*** | | | |
| Net interest revenues | 377.9 | 391.6 | 3.6 |
| Net revenues other than interest | 228.8 | 250.7 | 9.6 |
| ***Expense*** | | | |
| Loan loss provision | 44.2 | 48.1 | 8.8 |
| Other expense | 321.8 | 336.0 | 4.4 |
| ***Net income before tax*** | 240.7 | 258.2 | 7.3 |

*Net interest revenues increased*

Net interest revenues reported NT$102.6 billion for 2013Q4, increasing by NT$3.4 billion or 3.4% compared to the previous quarter (Chart 1).

Chart 1

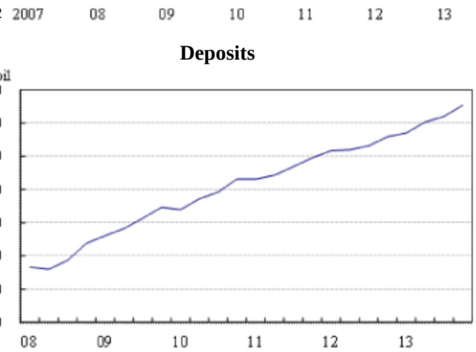



Note: Data are on a quarterly basis.

*Deposits increased*

As end of 2013, total deposits amounted to NT$31,065.1 billion, increasing by NT$680.3 billion or 2.2% compared to end-Sept. 2013. The annual growth rate of deposits was 6.44% as end of 2013, increasing by 0.84 percentage points compared to the previous quarter (Chart 2).

Chart 2

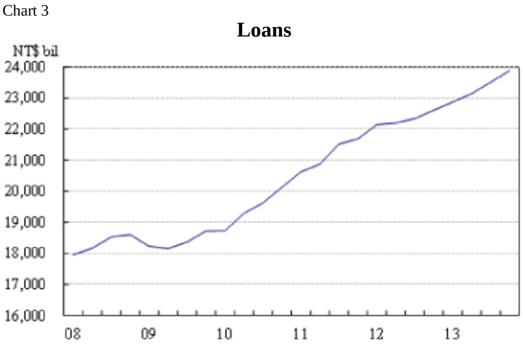



Note: Data are on a quarterly basis.

*Loans increased*

Total loans amounted to NT$23,884.5 billion as end of 2013, increasing by NT$373.5 billion or 1.59% compared to end-Sept. 2013. The annual growth rate of loans registered 6.51% as end of 2013, increasing by 0.64 percentage points compared to the previous quarter (Chart 3).

Chart 3

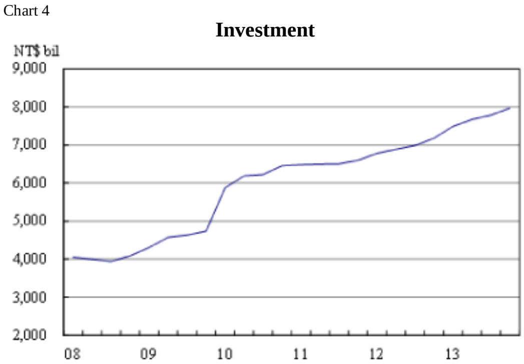



Note: Data are on a quarterly basis.

*Investments increased*

Total investments reached NT$7,971.5 billion as end of 2013, increasing by NT$186.6 billion or 2.40% compared to end-Sept. 2013, mainly due to an increase of purchasing negotiable certificate of deposits issued by the Central Bank. The annual growth rate of investment reached 7.66% as end of 2013, decreasing by 3.35 percentage points compared the previous quarter (Chart 4).

Chart 4



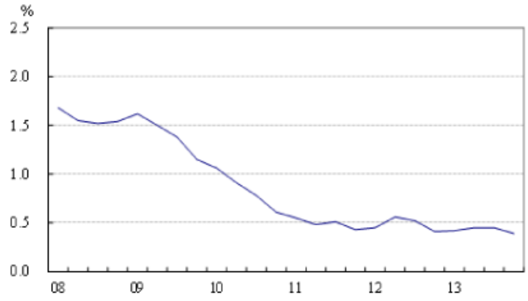

Note: Data are on a quarterly basis.

***Asset quality remained satisfactory***

The average NPL ratio stood at 0.39% as end of 2013, slightly decreasing by 0.06 percentage points compared to end-Sept. 2013 (Chart 5). Asset quality for the overall banking sector kept satisfactory. The average provision coverage ratio was 362.42%, increasing by 41.91 percentage points compared to end-Sept. 2013.

Chart 5

**NPL ratio**



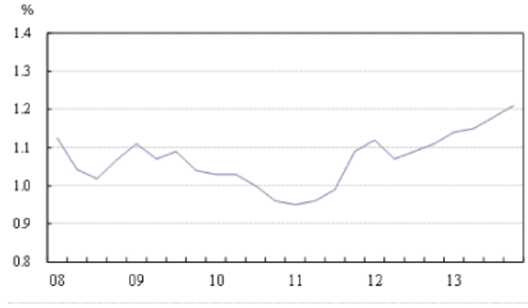

Note: Data are on a quarterly basis.

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

The average provision-to-loan ratio was 1.21% as end of 2013, increasing by 0.03 percentage points compared to end-Sept. 2013 (Chart 6).

Chart 6

**Provision-to-loan ratio**



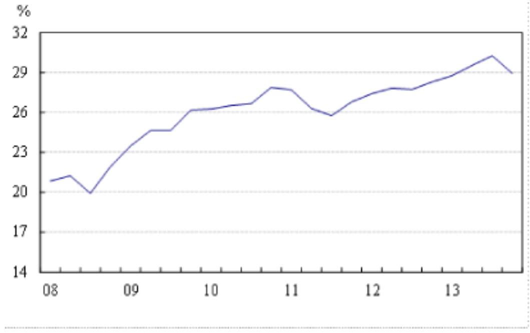

Note: Data are on a quarterly basis.

***Liquidity kept ample***

The average liquidity ratio was 28.93% for domestic banks as a whole in Dec. 2013, decreasing by 1.34 percentage points compared to that in Sept. 2013. Every domestic bank met the regulatory liquidity ratio requirement of 10%. Liquidity for domestic banking sector kept ample (Chart 7).

Chart 7

**Liquidity ratio**



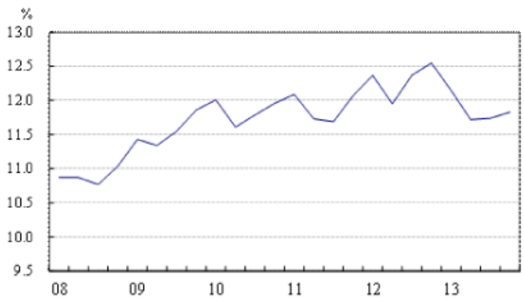

Note: Data are on a quarterly basis.

***Average capital adequacy remained satisfactory***

The average capital adequacy ratio was 11.83% as end of 2013, increasing by 0.09 percentage points compared to end-Sept. 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

**Capital adequacy ratio**




Note: Data are on a quarterly basis.

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