First Quarter 2016

■ *Summary of condition and performance*

As of end-Mar. 2016, there were 40 domestic banks with 3,441 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 quarter of 2016 were Bank of Taiwan, Mega international Commercial Bank, and Cathay United Bank.

As of end-Mar. 2016, the domestic banks as a whole the average capital adequacy ratio registered 13.25% 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 remains stable for the first quarter of 2016 while liquidity kept ample with the liquidity ratio well above the regulatory requirement of 10%.

■ Key trend

As of end-Mar. 2016, domestic banks total assets and liabilities amounted to NT$44,623.8 billion and NT$41,362.5 billion, decreasing by NT$38.8 billion and NT$118.9 billion or 0.09% and 0.29%, respectively, compared to end-Dec. 2015. Total equities amounted to NT$3,261.3 billion increasing by NT$ 80.1 billion or 2.52% compared to end-Dec. 2015. Domestic banks as a whole posed a net income before tax of NT$88.5 billion for the first quarter of 2016, increasing by NT$ 4.9 billion or 5.86% 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.-Mar. 2015	Jan.-Mar. 2016	Change %
Income			
Net interest revenues	109.0	110.7	1.56
Net revenues other than interest	70.0	88.8	26.86
Expense			
Loan loss provision	4.2	12.8	204.76
Other expense	91.2	98.2	7.68
Net income before tax	83.6	88.5	5.86

Net interest revenues slightly decreased

Net interest revenues reported NT$110.7 billion for 2016Q1, decreasing by NT$2.0 billion or 1.77% compared to the previous quarter (Chart 1).

Chart 1

Net interest revenues

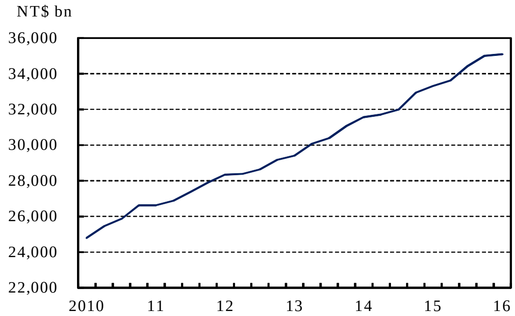
Note: Data are on a quarterly basis.

Deposits slightly increased

Total deposits amounted to NT$35,087.6 billion as of end-Mar. 2016, increasing by NT$81.3 billion or 0.23% compared to end-Dec. of 2015 (Chart 2). The annual growth rate of deposits was 4.07% as of end-Mar. 2016, decreasing by 1.36 percentage points compared to the previous quarter.

Chart 2

Deposits



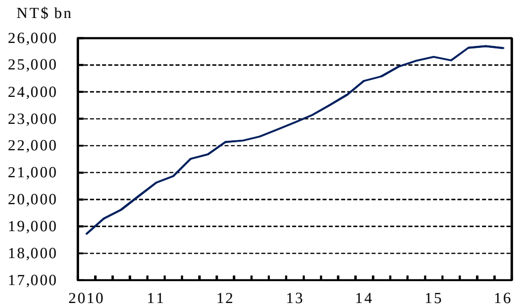
Note: Data are on a quarterly basis.

Loans slightly decreased

Total loans amounted to NT$25,637.0 billion as of end-Mar. 2016, decreasing by NT$62.6 billion or 0.24% compared to end-Dec. of 2015 (Chart 3). The annual growth rate of loans registered 0.78% as of end-Mar. 2016, decreasing by 1.74 percentage points compared to the previous quarter.

Chart 3

Loans



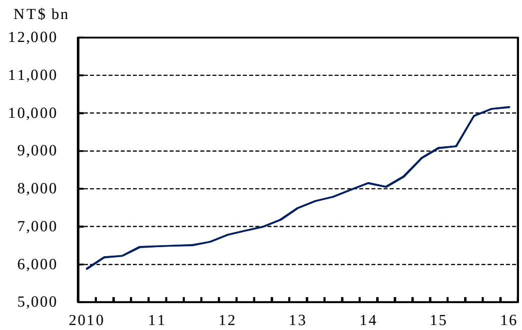
Note: Data are on a quarterly basis.

Investments increased

Total investments amounted to NT$10,159.4 billion as of end-Mar. 2016, increasing by NT$47.9 billion or 0.47% compared to end-Dec. of 2015 (Chart 4). The annual growth rate of investment reached 12.40% as of end-Mar. 2016, decreasing by 0.96 percentage points compared to the previous quarter.

Chart 4

Investment

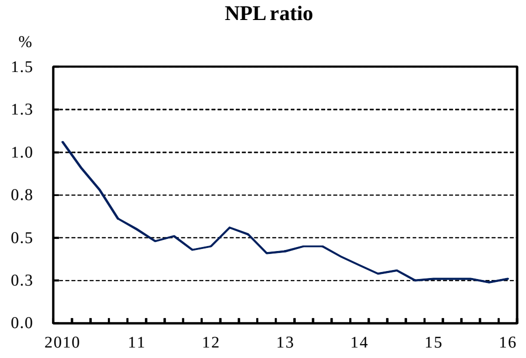


Note: Data are on a quarterly basis.

Asset quality remained satisfactory

The average NPL ratio stood at 0.26% as of end-Mar. 2016, increasing by 0.02 percentage points compared to end-Dec. 2015 (Chart 5). Asset quality for the overall banking sector kept satisfactory. The average provision coverage ratio was 535.33%, decreasing by 66.10 percentage points compared to end-Dec. 2015.

Chart 5

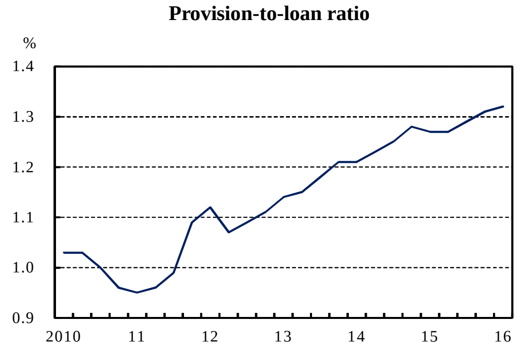


Note: Data are on a quarterly basis.

Provision-to-loan ratio increased

The average provision-to-loan ratio was 1.32% as of end-Mar. 2016, slightly increasing by 0.01 percentage points compared to end-Dec. 2015 (Chart 6).

Chart 6

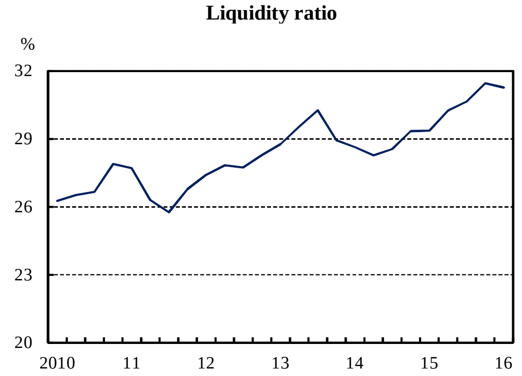


Note: Data are on a quarterly basis.

Liquidity kept ample

The average liquidity ratio was 31.27% for domestic banks as a whole in Mar. 2016, decreasing by 0.18 percentage points compared to that in Dec. 2015 (Chart 7). Every domestic bank met the regulatory liquidity ratio requirement of 10%. Liquidity for domestic banking sector kept ample.

Chart 7

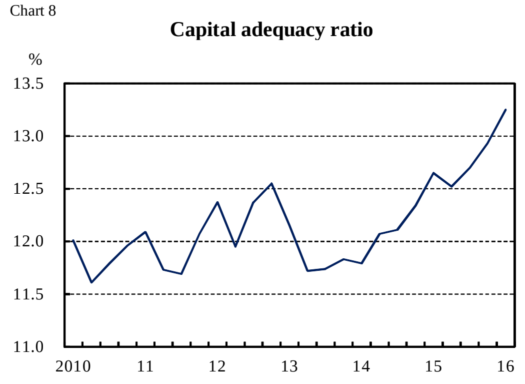


Note: Data are on a quarterly basis.

Average capital adequacy remained satisfactory

The average capital adequacy ratio was 13.25% as of end-Mar. 2016, increasing by 0.32 percentage points compared to end-Dec. 2015 (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.