Second Quarter 2014

Summary of condition and performance

As of end-June 2014, there were 40 domestic banks with 3,438 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 net income before tax for the first half of 2014 were Chinatrust Commercial Bank, Mega international Commercial Bank and Cathay United Bank.

As of end-June 2014, for the domestic bank as a whole the average capital adequacy ratio registered 12.07% 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 kept increasing in the first half of 2014 while liquidity kept ample with the liquidity ratio well above the regulatory requirement of 10%.

Key trend

As of end-June 2014, domestic banks held a total of NT$41,032.7 billion in assets, increasing by NT$287.6 billion or 0.7% compared to end-Mar. 2014. Total liabilities and equities amounted to NT$38,258.2 billion and 2,774.5 billion, increasing by NT$231.9 billion and NT$ 55.7 billion or 0.6% and 2.0%, respectively, compared to end-Mar. 2014. Domestic banks as a whole posed a net income before tax of NT$179.7 billion for the first half of 2014, increasing by NT$ 38.4 billion or 27.2%, compared to the same period of previous year contributed by an increase of the net revenues other than interest and a decrease of the loan loss provision. The major income statement components are tabulated as follows:

Major Income Statement Components

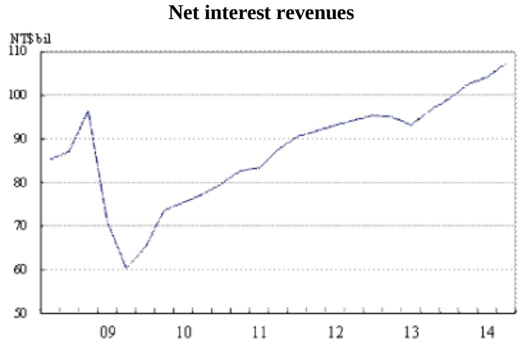
NT$ Billion

	Jan.-June 2013	Jan.-June 2014	% Change
Income			
Net interest revenues	189.8	211.6	11.5
Net revenues other than interest	126.5	156.6	23.8
Expense			
Loan loss provision	14.8	13.0	-12.2
Other expense	160.2	175.5	9.6
Net income before tax	141.3	179.7	27.2

Net interest revenues increased

Net interest revenues reported NT$107.4 billion for 2014Q2, increasing by NT$3.2 billion or 3.1% compared to the previous quarter (Chart 1).

Chart 1

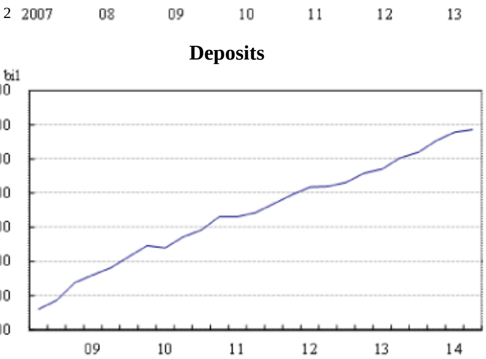


Note: Data are on a quarterly basis.

Deposits increased

As of end-June 2014, total deposits amounted to NT$31,710.4 billion, increasing by NT$147.6 billion or 0.5% compared to end-Mar. of 2014 (Chart 2). The annual growth rate of deposits was 5.97% as of end-June 2014, decreasing by 1.71 percentage points compared to the previous quarter.

Chart 2

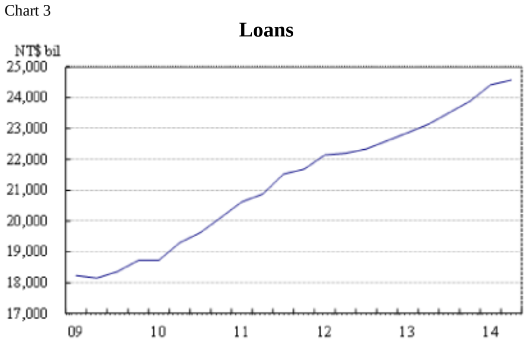


Note: Data are on a quarterly basis.

Loans increased

Total loans amounted to NT$24,573.3 billion as of end-June 2014, increasing by NT$156.4 billion or 0.6% compared to end-Mar. of 2014 (Chart 3). The annual growth rate of loans registered 7.49% as of end-June 2014, increasing by 0.09 percentage points compared to the previous quarter.

Chart 3

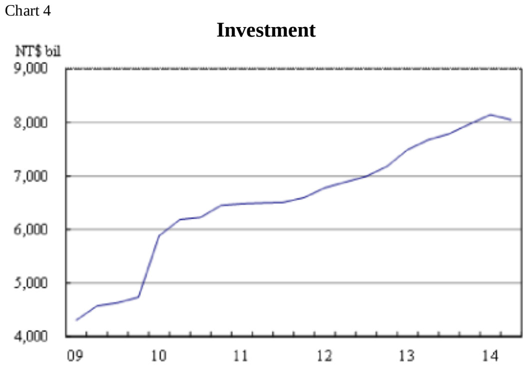


Note: Data are on a quarterly basis.

Investments decreased

Total investments amounted to NT$8,049.3 billion as end-June 2014, decreasing by NT$96.4 billion or 1.2% compared to end-Mar. of 2014 (Chart 4). The annual growth rate of investment reached 3.38% as of end-June 2014, decreasing by 2.63 percentage points compared the previous quarter.

Chart 4



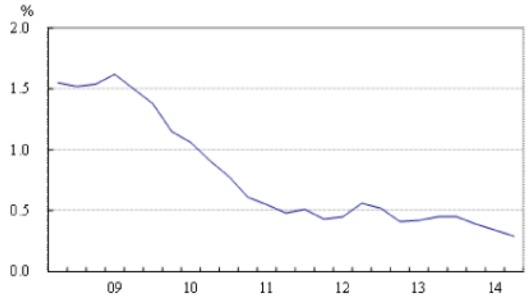
Note: Data are on a quarterly basis.

Asset quality remained satisfactory

The average NPL ratio stood at 0.29% as of end-June 2014, slightly decreasing by 0.05 percentage points compared to end-Mar. 2014 (Chart 5). Asset quality for the overall banking sector kept satisfactory. The average provision coverage ratio was 506.25%, increasing by 110.31 percentage points compared to end-Mar. 2014.

Chart 5

NPL ratio



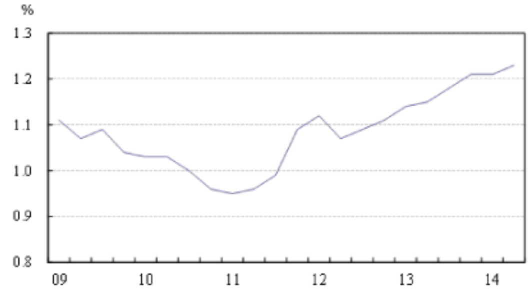
Note: Data are on a quarterly basis.

Provision-to-loan ratio increased

The average provision-to-loan ratio was 1.23% as of end-June 2014, slightly increasing by 0.02 percentage points compared to end-Mar. 2014 (Chart 6).

Chart 6

Provision-to-loan ratio



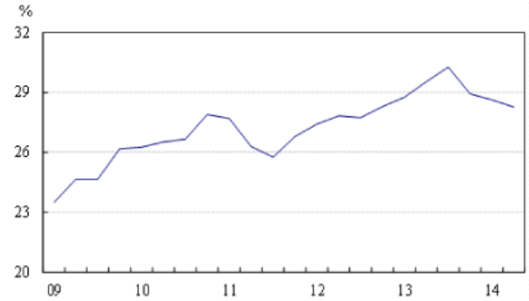
Note: Data are on a quarterly basis.

Liquidity kept ample

The average liquidity ratio was 28.27% for domestic banks as a whole in June 2014, decreasing by 0.36 percentage points compared to that in Mar. 2014 (Chart 7). Every domestic bank met the regulatory liquidity ratio requirement of 10%. Liquidity for domestic banking sector kept ample.

Chart 7

Liquidity ratio



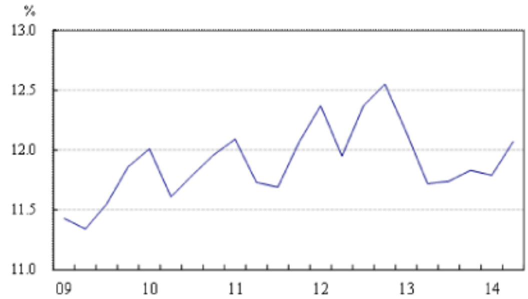
Note: Data are on a quarterly basis.

Average capital adequacy remained satisfactory

The average capital adequacy ratio was 12.07% as of end-June 2014, increasing by 0.28 percentage points compared to end-Mar. 2014 (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.