First Quarter 2018

Summary of condition and performance

As of end-Mar. 2018, there were 38 domestic banks with 3,411 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 2018 were CTBC Bank Co., Ltd, Mega international Commercial Bank and Cathay United Bank.

As of end-Mar. 2018, the domestic banks as a whole the average capital adequacy ratio was well above the regulatory requirement of 9.875%, 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 2018 while liquidity kept ample with the liquidity ratio well above the regulatory requirement of 10%.

Key trend

As of end-Mar. 2018, domestic banks total assets and liabilities amounted to NT$48,402.1 billion and NT$44,784.7 billion, increasing by NT$755.5 billion and NT$ 641.9 billion or 1.59% and 1.45%, respectively, compared to end-Dec. 2017. Total equity amounted to 3,617.4 billion increasing by NT$ 113.6 billion or 3.24% compared to end-Dec. 2017. Domestic banks as a whole posed a net income before tax of NT$86.1 billion for the first quarter of 2018, increasing by NT$ 6.5 billion or 8.17% compared to the same period of previous year. The major income statement components are tabulated as follows:

Major Income Statement Components

Unit: NT$ Billion

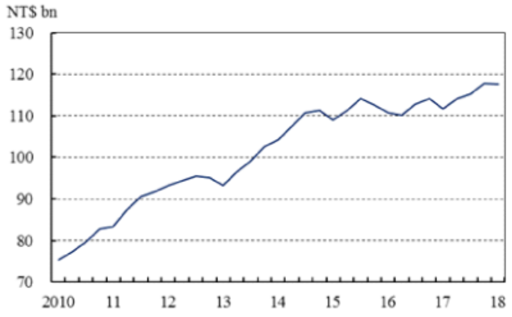
	Jan.-Mar. 2017	Jan.-Mar. 2018	Change %
Income			
Net interest income	111.6	117.6	5.38
Net income other than interest	70.1	79.0	12.70
Expense			
Loan loss provision	4.9	9.5	93.88
Other expense	97.0	100.9	4.02
Losses from discontinued operations	0.2	0.1	-50.00
Net income before tax	79.6	86.1	8.17

Net interest revenues decreased slightly

Net interest income reported NT$117.6 billion for 2018Q1, decreasing by NT$ 0.2 billion or 0.17% compared to the previous quarter (Chart 1).

Chart 1

Net interest income



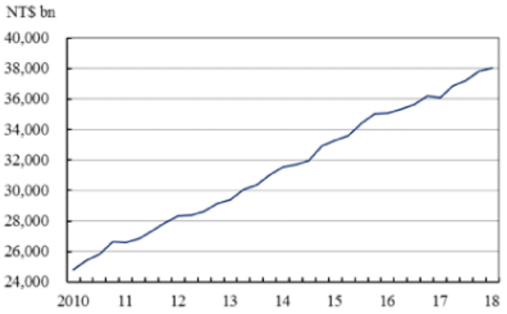
Note: Data are on a quarterly basis.

Deposits increased mildly

Total deposits amounted to NT$38,066.9 billion as of end-Mar. 2018, increasing by NT$220.4 billion or 0.58% compared to end-Dec. of 2017 (Chart 2). The annual growth rate of deposits was 5.78% as of end-Mar. 2018, increasing by 1.23 percentage points compared to the previous quarter.

Chart 2

Deposits



Note: Data are on a quarterly basis.

Loans saw steady growth

Total loans amounted to NT$27,675.9 billion as of end-Mar. 2018, increasing by NT$401.0 billion or 1.47% compared to end-Dec. of 2017 (Chart 3). The annual growth rate of loans registered 5.74% as of end-Mar. 2018, increasing by 1.79 percentage points compared to the previous quarter.

Chart 3

Loans

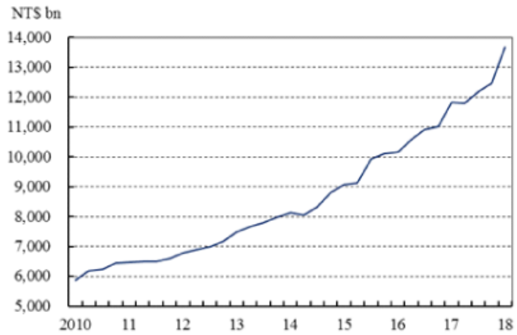
Note: Data are on a quarterly basis.

Investments raised

Total investments amounted to NT$13,671.6 billion as of end-Mar. 2018, increasing by NT$1,191.7 billion or 9.55% compared to end-Dec. of 2017 (Chart 4). The annual growth rate of investment reached 8.68% as of end-Mar. 2018, decreasing by 5.67 percentage points compared to the previous quarter.

Chart 4

Investments



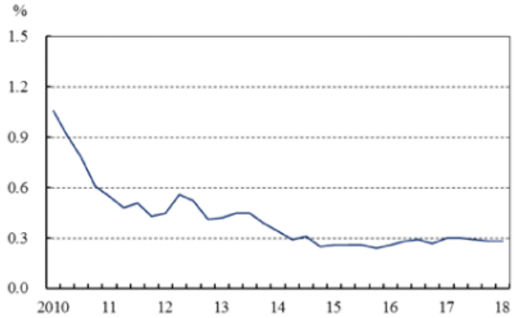
Note: Data are on a quarterly basis.

Asset quality remained satisfactory

The average NPL ratio stood at 0.28% as of end-Mar. 2018, leveled off as compared to end-Dec. 2017 (Chart 5). Asset quality for the overall banking sector kept satisfactory. The average provision coverage ratio was 520.46%, decreasing by 13.08 percentage points compared to end-Dec. 2017.

Chart 5

NPL ratio



Note: Data are on a quarterly basis.

Provision-to-loan ratio leveled off

The average provision-to-loan ratio was 1.36% as of end-Mar. 2018, leveled off as compared to end-Dec. 2017 (Chart 6).

Chart 6

Provision-to-loan ratio

Note: Data are on a quarterly basis.

Liquidity kept ample

The average liquidity reserve ratio was 31.54% for domestic banks as a whole in Mar. 2018, increasing by 0.34 percentage points compared to that in Dec. 2017 (Chart 7). Every domestic bank met the regulatory liquidity reserve ratio requirement of 10%. Liquidity for domestic banking sector kept ample.

Chart 7

Liquidity reserve ratio

Note: Data are the average daily data in the last month of each quarter.

Average capital adequacy remained satisfactory

The average capital adequacy ratio was 14.19% as of end-Mar. 2018, increasing by 0.02 percentage points compared to end-Dec. 2017 (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 9.875%.

Chart 8

Capital adequacy ratio

Note: Data are on a quarterly basis.