

## *Condition and Performance of Domestic Banks*

### *Third Quarter 2016*

#### ■ *Summary of condition and performance*

As of end-Sep. 2016, there were 40 domestic banks with 3,430 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 largest banks in terms of the net income before tax for the first three quarters of 2016 were CTBC Bank Co., Ltd, Mega international Commercial Bank and Bank of Taiwan.

As of end-Sep. 2016, the domestic banks as a whole the average capital adequacy ratio registered 13.30% was well above the regulatory requirement of 8.625%, 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 three quarters of 2016 while liquidity kept ample with the liquidity ratio well above the regulatory requirement of 10%.

#### ■ *Key trend*

As of end-Sep. 2016, domestic banks total assets amounted to NT\$45,175.4 billion increasing by NT\$384.8 billion or 0.86% compared to end-Jun. 2016. Total liabilities and equities amounted to NT\$41,849.8 billion and 3,325.6 billion increasing by NT\$ 325.7 billion and NT\$59.1 billion or 0.78% and 1.81%, respectively, compared to end-Jun. 2016. Domestic banks as a whole posed a net income before tax of NT\$239.3 billion for the first three quarters of 2016, decreasing by NT\$ 9.6 billion or 3.86% compared to the same period of previous year. The major income statement components are tabulated as follows:

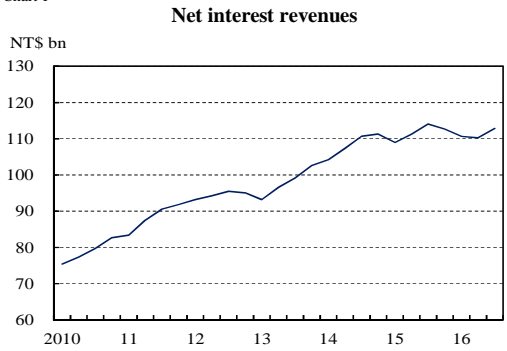
#### *Major Income Statement Components*

	Unit: NT\$ Billion		
	Jan.-Sep. 2015	Jan.-Sep. 2016	Change %
<i>Income</i>			
Net interest revenues	334.3	333.8	-0.15
Net revenues other than interest	212.0	231.6	9.25
<i>Expense</i>			
Loan loss provision	13.1	34.1	160.31
Other expense	284.3	292.0	2.71
<i>Net income before tax</i>	248.9	239.3	-3.86

**Net interest revenues increased**

Net interest revenues reported NT\$112.9 billion for 2016Q3, increasing by NT\$2.6 billion or 2.36% compared to the previous quarter (Chart 1).

Chart 1

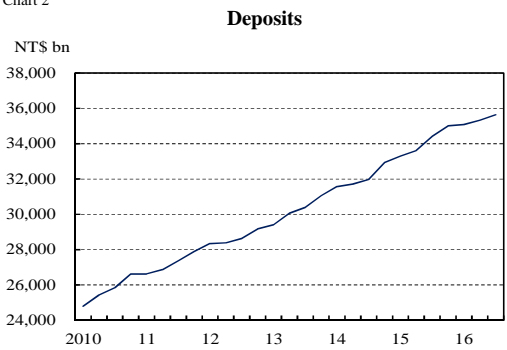


Note: Data are on a quarterly basis.

**Deposits slightly increased**

Total deposits amounted to NT\$35,636.6 billion as of end-Sep. 2016, increasing by NT\$302.1 billion or 0.85% compared to end-Jun. of 2016 (Chart 2). The annual growth rate of deposits was 2.79% as of end-Sep. 2016, decreasing by 1.67 percentage points compared to the previous quarter.

Chart 2

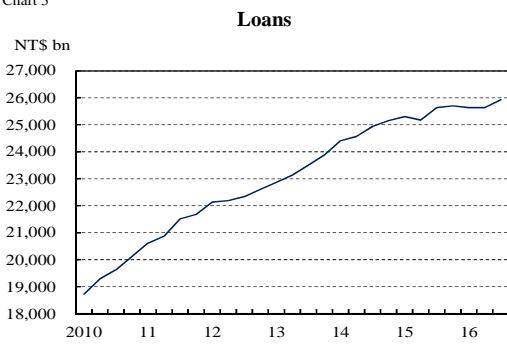


Note: Data are on a quarterly basis.

**Loans increased**

Total loans amounted to NT\$25,935.6 billion as of end-Sep. 2016, increasing by NT\$294.4 billion or 1.15% compared to end-Jun. of 2016 (Chart 3). The annual growth rate of loans registered 0.79% as of end-Sep. 2016, decreasing by 0.86 percentage points compared to the previous quarter.

Chart 3

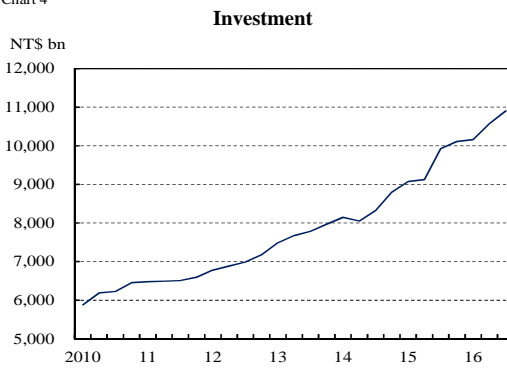


Note: Data are on a quarterly basis.

**Investments increased**

Total investments amounted to NT\$10,906.3 billion as of end-Sep. 2016, increasing by NT\$328.5 billion or 3.11% compared to end-Jun. of 2016 (Chart 4). The annual growth rate of investment reached 12.44% as of end-Sep. 2016, decreasing by 0.33 percentage points compared to the previous quarter.

Chart 4

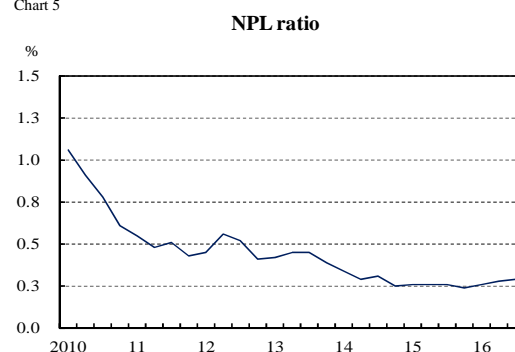


Note: Data are on a quarterly basis.

### ***Asset quality remained satisfactory***

The average NPL ratio stood at 0.29% as of end-Sep. 2016, increasing by 0.01 percentage points compared to end-Jun. 2016 (Chart 5). Asset quality for the overall banking sector kept satisfactory. The average provision coverage ratio was 474.51%, decreasing by 24.29 percentage points compared to end-Jun. 2016.

Chart 5

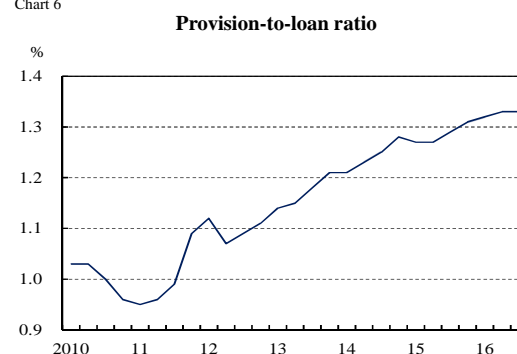


Note: Data are on a quarterly basis.

### ***Provision-to-loan ratio leveled off***

The average provision-to-loan ratio was 1.33% as of end-Sep. 2016, nearly leveled off as compared to end-Jun. 2016 (Chart 6).

Chart 6

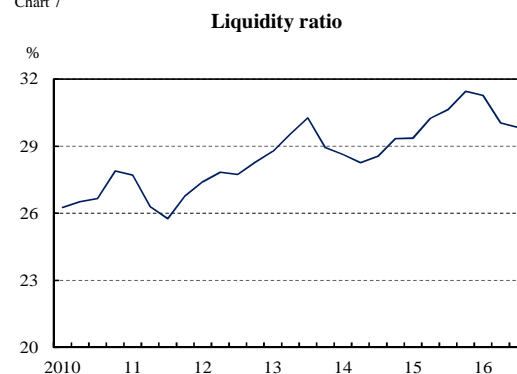


Note: Data are on a quarterly basis.

### ***Liquidity kept ample***

The average liquidity ratio was 29.84% for domestic banks as a whole in Sep. 2016, decreasing by 0.20 percentage points compared to that in Jun. 2016 (Chart 7). Every domestic bank met the regulatory liquidity ratio requirement of 10%. Liquidity for domestic banking sector kept ample.

Chart 7

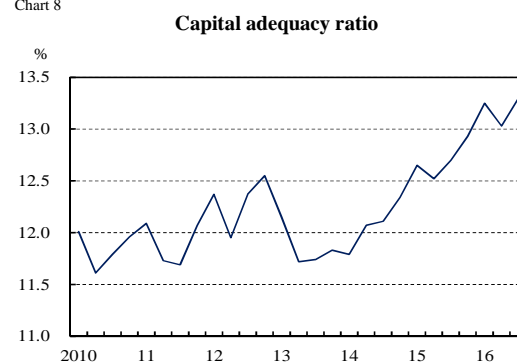


Note: Data are on a quarterly basis.

### ***Average capital adequacy remained satisfactory***

The average capital adequacy ratio was 13.30% as of end-Sep. 2016, increasing by 0.27 percentage points compared to end-Jun. 2016 (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.

