Condition and Performance of Domestic Banks

First Quarter 2013

■ *Summary of condition and performance*

For local economy, weakened external demand curtailed the increment of real goods and services exports in 2013Q1. Coupling with domestic sector, Taiwan's seasonally adjusted annualized rate (saar) of real GDP fell 2.75% in 2013Q1. The year-to-year (yoy) growth rate of unadjusted GDP was 1.67%. For 2012 as a whole, Taiwan's real GDP grew by 1.32% (formerly 1.26%). Looking forward, the growth of external trade will be limited due to the softened expansion of the global economy and strong competition from abroad in specific industries. Combining with moderate domestic demand, Taiwan's real GDP is anticipated to grow by 2.40% in 2013. CPI will rise 1.23%, according to Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

The average capital adequacy ratio for domestic banks as a whole was well above the regulatory requirement of 8% as of end-Mar. 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 2013Q1 while liquidity kept ample with the liquidity ratio well above the regulatory requirement of 10%.

■ Key trend

Net income before tax for domestic banks as a whole reported NT$ 67.7 billion for 2013Q1, increasing by NT$ 1.5 billion or 2.3% compared to the same period in 2012, contributed by an increase of the net revenues other than interest and a decrease of loan loss provision. The major income statement components are tabulated as follows:

Major Income Statement Components

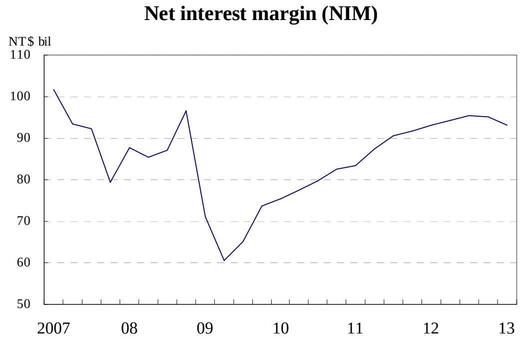
NT$ Billion

	Jan.-Mar. 2012	Jan.-Mar. 2013	% Change
Income			
Net interest revenues	93.1	93.2	0.1
Net revenues other than interest	58.0	59.7	2.9
Expense			
Loan loss provision	7.0	5.0	-28.6
Other expense	77.9	80.2	3.0
Net income	66.2	67.7	2.3

Net interest margin（NIM）decreased

NIM reported NT$93.2 billion for 2013Q1, decreasing by NT$1.9 billion or 2.0% compared to the previous quarter (Chart 1).

Chart 1

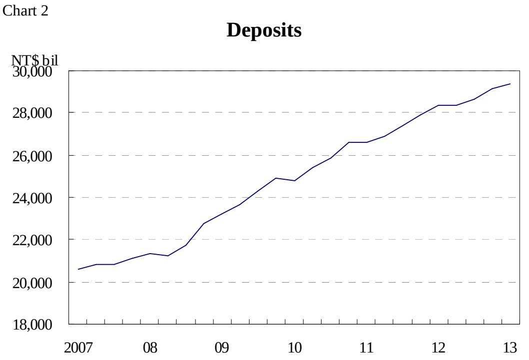


Note: Data are on a quarterly basis.

Deposits increased

As of end-Mar. 2013, total deposits amounted to NT$29,420.7 billion, increasing by NT$247.8 billion or 0.8% compared to end-Dec. 2012. The annual growth rate of deposits was 3.88% as of end-Mar. 2013, decreasing by 0.08 percentage points compared to the previous quarter (Chart 2).

Chart 2

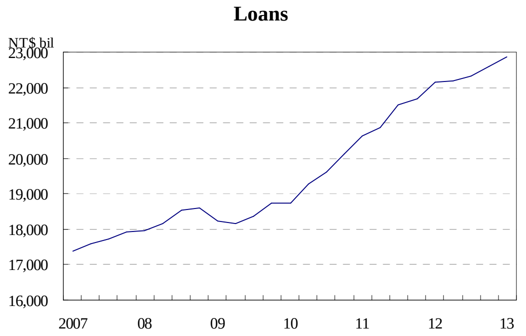


Note: Data are on a quarterly basis.

Loans increased

Total loans amounted to NT$22,866.7 billion as of end-Mar. 2013, increasing by NT$262.0 billion or 1.2% compared to end-Dec. 2012. The annual growth rate of loans registered 4.62% as of end-Mar. 2013, increasing by 0.59 percentage points compared to the previous quarter (Chart 3).

Chart 3

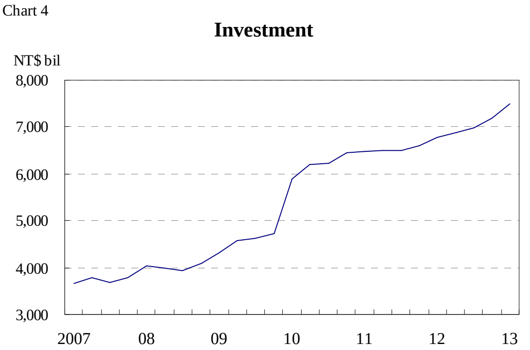


Note: Data are on a quarterly basis.

Investments increased

Total investments reached NT$7,491.2 billion as of end-Mar. 2013, increasing by NT$313.7 billion or 4.4% compared to end-Dec. 2012, mainly due to an increase of purchasing negotiable certificate of deposits issued by the Central Bank. The annual growth rate of investment reached 12.80% as of end-Mar. 2013, increasing by 4.66 percentage points compared to the previous quarter (Chart 4).

Chart 4



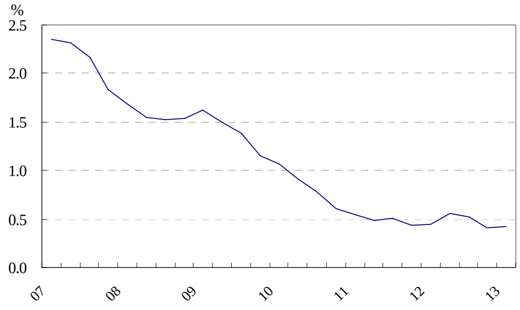
Note: Data are on a quarterly basis.

Asset quality remained satisfactory

The average NPL ratio stood at 0.42% as of end-Mar. 2013, increasing by 0.01 percentage points compared to end-Dec.2012 (Chart 5). Asset quality for the overall banking sector kept satisfactory. The average provision coverage ratio was 353.72%, decreasing by 19.9 percentage points compared to end-Dec. 2012.

Chart 5

NPL ratio



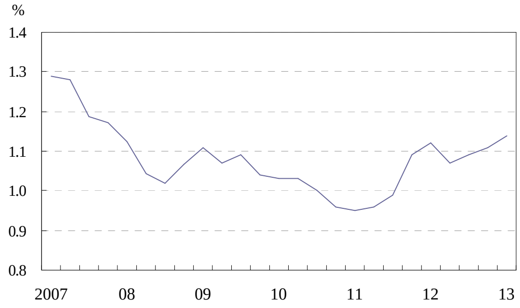
Note: Data are on a quarterly basis.

Provision-to-loan ratio increased

The average provision-to-loan ratio was 1.13% as of end-Mar. 2013, increasing by 0.02 percentage points compared to end-Dec. 2012 (Chart 6).

Chart 6

Provision-to-loan ratio



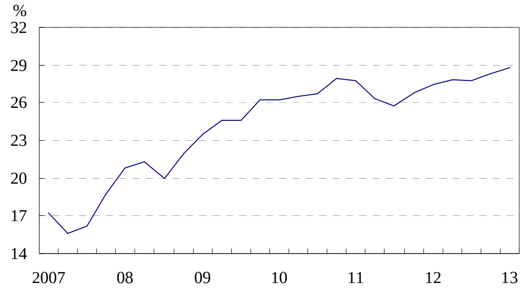
Note: Data are on a quarterly basis.

Liquidity kept ample

The average liquidity ratio was 28.77% for domestic banks as a whole in Mar. 2013, increasing by 0.48 percentage points compared to that in Dec. 2012. Every domestic bank met the regulatory liquidity ratio requirement of 10%. Liquidity for domestic banking sector kept ample (Chart 7).

Chart 7

Liquidity ratio



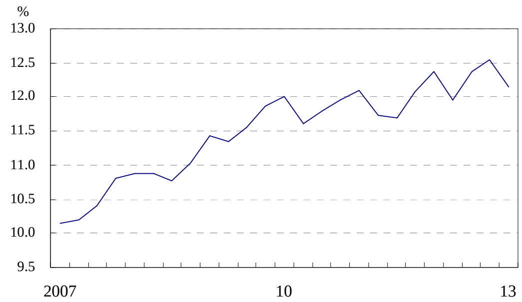
Note: Data are on a quarterly basis.

Average capital adequacy remained satisfactory

The average capital adequacy ratio was 12.15% as of end-Mar. 2013, decreasing by 0.4 percentage points compared to end-Dec. 2012 (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.