First Quarter 2017

■ *Summary of condition and performance*

As of end-Mar. 2017, there were 39 domestic banks with 3,433 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 quarter of 2017 were CTBC Bank Co., Ltd, Mega international Commercial Bank and Cathay United Bank.

As of end-Mar. 2017, the domestic banks as a whole the average capital adequacy ratio was well above the regulatory requirement of 9.25%, 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 2017 while liquidity kept ample with the liquidity ratio well above the regulatory requirement of 10%.

■ Key trend

As of end-Mar. 2017, domestic banks total assets and liabilities amounted to NT$45,927.0 billion and NT$42,564.3 billion, increasing by NT$175.6 billion and NT$ 184.5 billion or 0.38% and 0.44%, respectively, compared to end-Dec. 2016. Total equities amounted to 3,362.7 billion decreasing by NT$ 8.9 billion or 0.26% compared to end-Dec. 2016. Domestic banks as a whole posed a net income before tax of NT$79.6 billion for the first quarter of 2017, decreasing by NT$ 8.9 billion or 10.06% compared to the same period of previous year. The major income statement components are tabulated as follows:

Major Income Statement Components

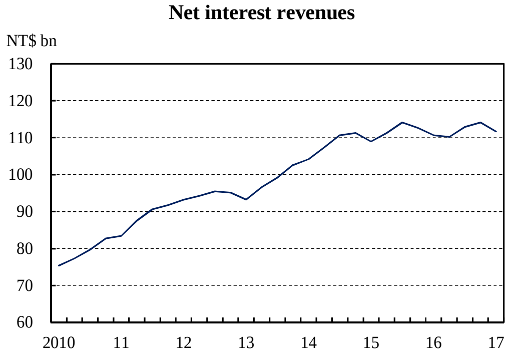
Unit: NT$ Billion

	Jan.-Mar. 2016	Jan.-Mar. 2017	Change %
Income			
Net interest revenues	110.7	111.6	0.81
Net revenues other than interest	88.8	70.1	-21.06
Expense			
Loan loss provision	12.8	4.9	-61.72
Other expense	98.2	97.2	-1.02
Net income before tax	88.5	79.6	-10.06

Net interest revenues decreased

Net interest revenues reported NT$111.6 billion for 2017Q1, decreasing by NT$2.5 billion or 2.19% compared to the previous quarter (Chart 1).

Chart 1

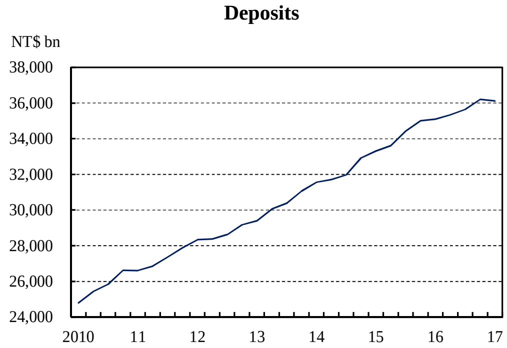


Note: Data are on a quarterly basis.

Deposits decreased

Total deposits amounted to NT$36,108.8 billion as of end-Mar. 2017, decreasing by NT$86.9 billion or 0.24% compared to end-Dec. of 2016 (Chart 2). The annual growth rate of deposits was 3.39% as of end-Mar. 2017, increasing by 0.07 percentage points compared to the previous quarter.

Chart 2

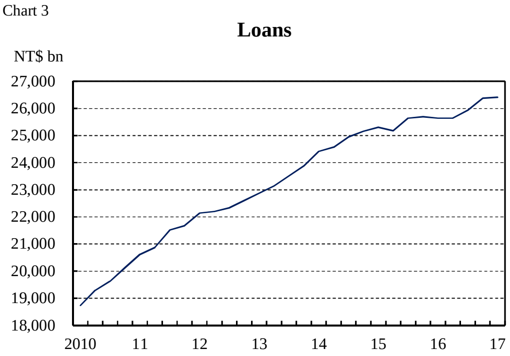


Note: Data are on a quarterly basis.

Loans increased

Total loans amounted to NT$26,407.0 billion as of end-Mar. 2017, increasing by NT$34.8 billion or 0.13% compared to end-Dec. of 2016 (Chart 3). The annual growth rate of loans registered 2.97% as of end-Mar. 2017, increasing by 0.15 percentage points compared to the previous quarter.

Chart 3

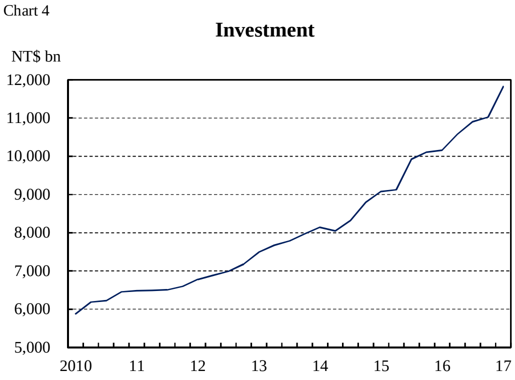


Note: Data are on a quarterly basis.

Investments increased

Total investments amounted to NT$11,827.8 billion as of end-Mar. 2017, increasing by NT$799.0 billion or 7.24% compared to end-Dec. of 2016 (Chart 4). The annual growth rate of investment reached 25.25% as of end-Mar. 2017, increasing by 13.43 percentage points compared to the previous quarter.

Chart 4



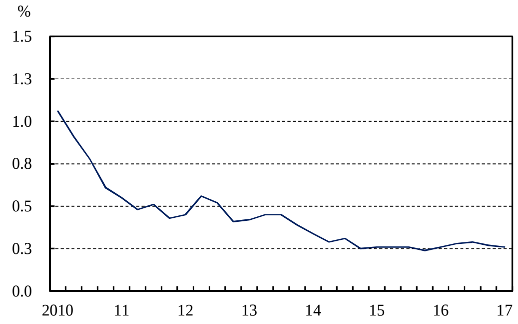
Note: Data are on a quarterly basis.

Asset quality remained satisfactory

The average NPL ratio stood at 0.30% as of end-Mar. 2017, increasing by 0.03 percentage points compared to end-Dec. 2016 (Chart 5). Asset quality for the overall banking sector kept satisfactory. The average provision coverage ratio was 466.24%, decreasing by 61.95 percentage points compared to end-Dec. 2016.

Chart 5

NPL ratio



Note: Data are on a quarterly basis.

Provision-to-loan ratio decreased

The average provision-to-loan ratio was 1.35% as of end-Mar. 2017, decreasing by 0.02 percentage points compared to end-Dec. 2016 (Chart 6).

Chart 6

Provision-to-loan ratio

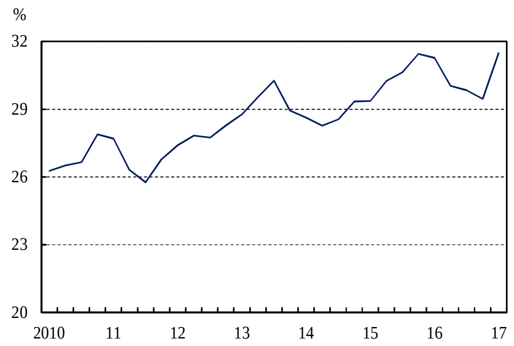
Note: Data are on a quarterly basis.

Liquidity kept ample

The average liquidity ratio was 31.50% for domestic banks as a whole in Mar. 2017, increasing by 2.04 percentage points compared to that in Dec. 2016 (Chart 7). Every domestic bank met the regulatory liquidity ratio requirement of 10%. Liquidity for domestic banking sector kept ample.

Chart 7

Liquidity ratio



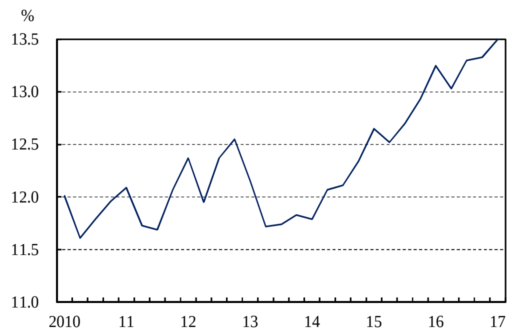
Note: Data are on a quarterly basis.

Average capital adequacy remained satisfactory

The average capital adequacy ratio was 13.50% as of end-Mar. 2017, increasing by 0.17 percentage points compared to end-Dec. 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 9.25%.

Chart 8

Capital adequacy ratio



Note: Data are on a quarterly basis.