

Condition and Performance of Domestic Banks

Third Quarter 2018

■ *Summary of condition and performance*

As of end-Sep. 2018, there were 38 domestic banks with 3,405 branches and 37 off-shore banking units in Taiwan. The largest banks were Bank of Taiwan, Taiwan Cooperative Bank and CTBC Bank Co., Ltd, in terms of assets, while the largest banks in terms of the net income before tax for the first three quarters of 2018 were CTBC Bank Co., Ltd, Mega International Commercial Bank and Cathay United Bank.

As of end-Sep. 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 three quarters of 2018 while liquidity kept ample with the liquidity ratio well above the regulatory requirement of 10%.

■ *Key trend*

As of end-Sep. 2018, domestic banks total assets and liabilities amounted to NT\$49,462.8 billion and 45,786.5 billion, increasing by NT\$155.1 billion and NT\$65.7 billion or 0.31% and 0.14%, respectively, compared to end-Jun. 2018. Total equities amounted to NT\$3,676.3 billion increasing by NT\$89.4 billion or 2.49% compared to end-Jun. 2018. Domestic banks as a whole posed a net income before tax of NT\$268.5 billion for the first three quarters of 2018, increasing by NT\$21.2 billion or 8.57% compared to the same period of previous year. The major income statement components are tabulated as follows:

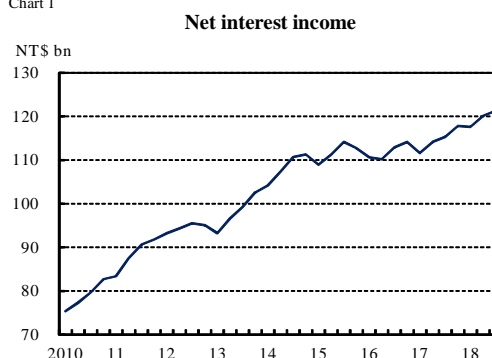
Major Income Statement Components

	Unit: NT\$ Billion		
	Jan.-Sep. 2017	Jan.-Sep. 2018	Change %
<i>Income</i>			
Net interest income	341.1	359.0	5.25
Net income other than interest	231.5	257.9	11.40
<i>Expense</i>			
Loan loss provision	25.6	35.1	37.11
Other expenses	299.5	313.2	4.57
<i>Loss from discontinued operations</i>	0.2	0.1	-50.00
<i>Net income before tax</i>	247.3	268.5	8.57

Net interest income increased moderately

Net interest income reported NT\$121.3 billion for 2018Q3, increasing by NT\$1.2 billion or 1.00% compared to the previous quarter (Chart 1).

Chart 1

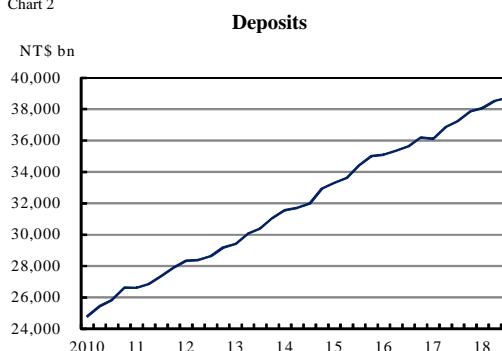


Note: Data are on a quarterly basis.

Deposits increased mildly

Total deposits amounted to NT\$38,729.6 billion as of end-Sep. 2018, increasing by NT\$201.5 billion or 0.52% compared to end-Jun. of 2018 (Chart 2). The annual growth rate of deposits was 4.40% as of end-Sep. 2018, decreasing by 0.24 percentage points compared to the previous quarter.

Chart 2

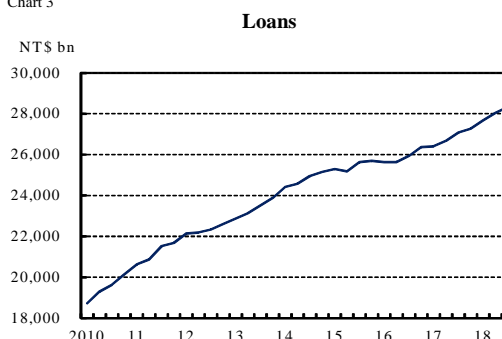


Note: Data are on a quarterly basis.

Loans kept on rising

Total loans amounted to NT\$28,332.7 billion as of end-Sep. 2018, increasing by NT\$300.7 billion or 1.07% compared to end-Jun. of 2018 (Chart 3). The annual growth rate of loans registered 6.40% as of end-Sep. 2018, increasing by 0.43 percentage points compared to the previous quarter.

Chart 3

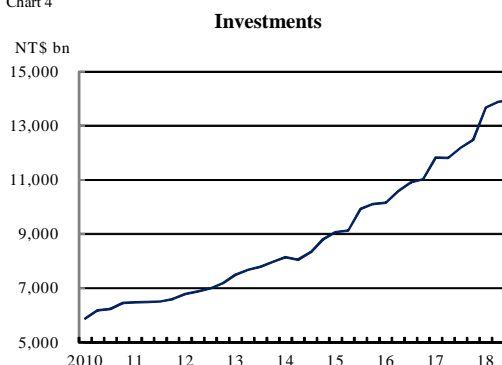


Note: Data are on a quarterly basis.

Investments increased slightly

Total investments amounted to NT\$13,944.0 billion as of end-Sep. 2018, increasing by NT\$52.4 billion or 0.38% compared to end-Jun. of 2018 (Chart 4). The annual growth rate of investment reached 7.43% as of end-Sep. 2018, decreasing by 0.51 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 0.26% as of end-Sep. 2018, decreasing by 0.02 percentage points compared to end-Jun. 2018 (Chart 5). Asset quality for the overall banking sector kept satisfactory. The average provision coverage ratio was 537.68%, increasing by 8.05 percentage points compared to end-Jun. 2018.

Provision-to-loan ratio increasing slightly

The average provision-to-loan ratio was 1.38% as of end-Sep. 2018, increasing by 0.02 percentage points compared to end-Jun. 2018 (Chart 6).

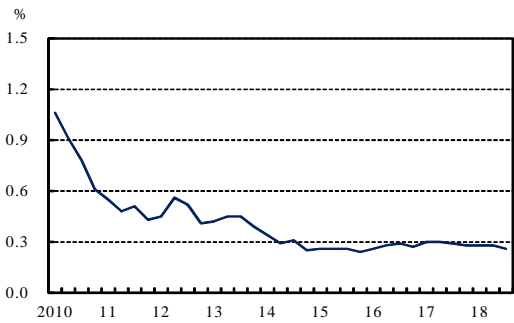
Liquidity kept ample

The average liquidity reserve ratio was 30.34% for domestic banks as a whole in Sep. 2018, increasing by 0.15 percentage points compared to that in Jun. 2018 (Chart 7). Every domestic bank met the regulatory liquidity ratio requirement of 10%. Liquidity for domestic banking sector kept ample.

Average capital adequacy remained satisfactory

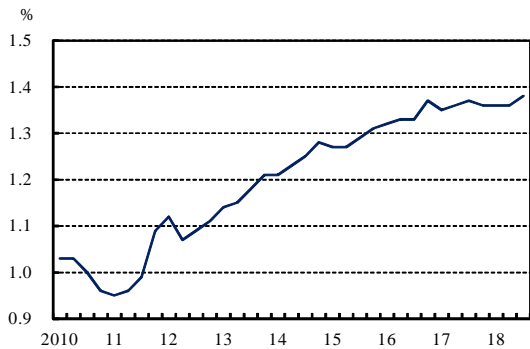
The average capital adequacy ratio was 13.80% as of end-Sep. 2018, increasing by 0.15 percentage points compared to end-Jun. 2018 (Chart 8). The capital adequacy for domestic banks as a whole remained satisfactory as the capital adequacy ratio of every domestic bank was well above the regulatory requirement of 9.875%.

Chart 5
NPL ratio



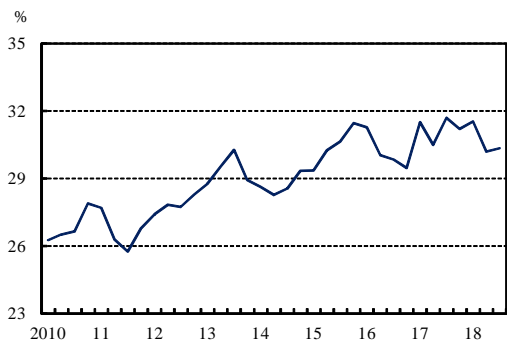
Note: Data are on a quarterly basis.

Chart 6
Provision-to-loan ratio



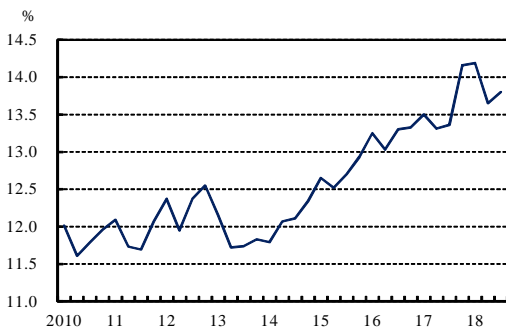
Note: Data are on a quarterly basis.

Chart 7
Liquidity reserve ratio



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

Chart 8
Capital adequacy ratio



Note: Data are on a quarterly basis.

