Condition and Performance of Domestic Banks

Third Quarter 2017

■ *Summary of condition and performance*

As of end-Sep. 2017, there were 39 domestic banks with 3,425 branches and 38 off-shore banking units in Taiwan. The largest banks were Bank of Taiwan, Mega International Commercial Bank and Taiwan Cooperative Bank in terms of assets, while the largest banks in terms of the net income before tax for the first three quarters of 2017 were CTBC Bank Co., Ltd, Mega International Commercial Bank and Cathay United Bank.

As of end-Sep. 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 three quarter of 2017 while liquidity kept ample with the liquidity ratio well above the regulatory requirement of 10%.

■ Key trend

As of end-Sep. 2017, domestic banks total assets and liabilities amounted to NT$47,052.3 billion and NT$43,599.1 billion, increasing by NT$727.0 billion and NT$ 642.0 billion or 1.57% and 1.49%, respectively, compared to end-Jun. 2017. Total equities amounted to 3,453.2 billion increasing by NT$ 85.0 billion or 2.52% compared to end-Jun. 2017. Domestic banks as a whole posed a net income before tax of NT$247.3 billion for the three quarters of 2017, increasing by NT$ 8.0 billion or 3.34% compared to the same period of previous year. The major income statement components are tabulated as follows:

Major Income Statement Components

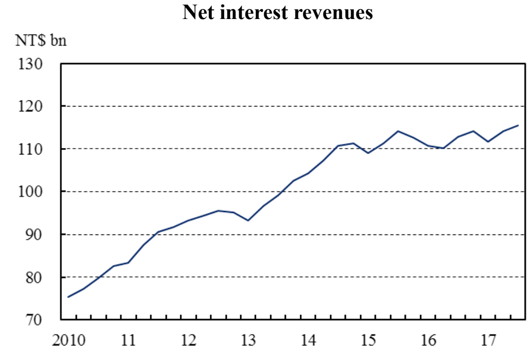
Unit: NT$ Billion

	Jan.-Sep. 2016	Jan.-Sep. 2017	Change %
Income			
Net interest revenues	333.8	341.1	2.19
Net revenues other than interest	231.6	231.5	-0.04
Expense			
Loan loss provision	34.1	25.6	-24.93
Other expense	292.0	299.5	2.57
Loss from discontinued operations	0	0.2	-
Net income before tax	239.3	247.3	3.34

Net interest revenues increased

Net interest revenues reported NT$115.3 billion for 2017Q3, increasing by NT$1.2 billion or 1.05% compared to the previous quarter (Chart 1).

Chart 1

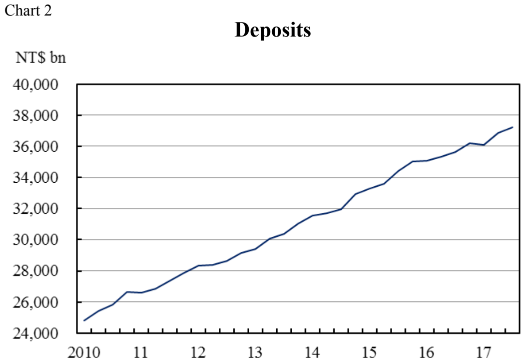


Note: Data are on a quarterly basis.

Deposits increased

Total deposits amounted to NT$37,243.5 billion as of end-Sep. 2017, increasing by NT$394.7 billion or 1.07% compared to end-Jun. of 2017 (Chart 2). The annual growth rate of deposits was 4.28% as of end-Sep. 2017, decreasing by 0.54 percentage points compared to the previous quarter.

Chart 2

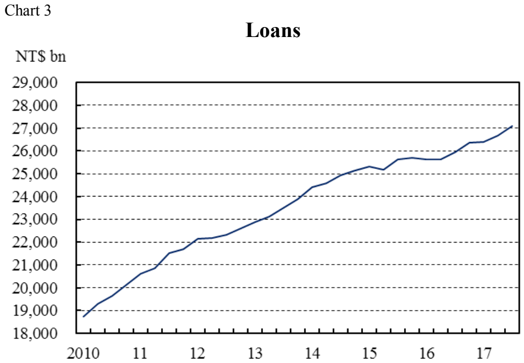


Note: Data are on a quarterly basis.

Loans increased

Total loans amounted to NT$27,084.5 billion as of end-Sep. 2017, increasing by NT$400.6 billion or 1.50% compared to end-Jun. of 2017 (Chart 3). The annual growth rate of loans registered 5.23% as of end-Sep. 2017, increasing by 0.70 percentage points compared to the previous quarter.

Chart 3

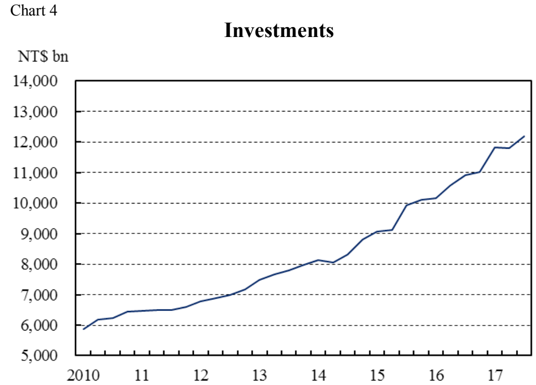


Note: Data are on a quarterly basis.

Investments increased

Total investments amounted to NT$12,191.2 billion as of end-Sep. 2017, increasing by NT$378.8 billion or 3.21% compared to end-Jun. of 2017 (Chart 4). The annual growth rate of investment reached 13.99% as of end-Sep. 2017, decreasing by 6.03 percentage points compared to the previous quarter.

Chart 4



Note: Data are on a quarterly basis.

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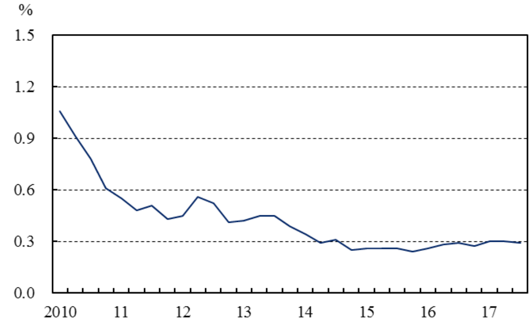
The average NPL ratio stood at 0.29% as of end-Sep. 2017, decreasing by 0.01 percentage points compared to end-Jun. 2017 (Chart 5). Asset quality for the overall banking sector kept satisfactory. The average provision coverage ratio was 482.51%, increasing by 11.45 percentage points compared to end-Jun. 2017.

Chart 5

NPL ratio



Note: Data are on a quarterly basis.

Provision-to-loan ratio increasing

The average provision-to-loan ratio was 1.37% as of end-Sep. 2017, increasing by 0.01 percentage points compared to end-Jun. 2017 (Chart 6).

Chart 6

Provision-to-loan ratio

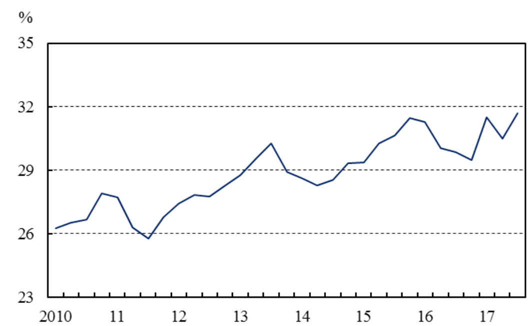
Note: Data are on a quarterly basis.

Liquidity kept ample

The average liquidity ratio was 31.69% for domestic banks as a whole in Sep. 2017, increasing by 1.20 percentage points compared to that in Jun. 2017 (Chart 7). Every domestic bank met the regulatory liquidity ratio requirement of 10%. Liquidity for domestic banking sector kept ample.

Chart 7

Liquidity ratio



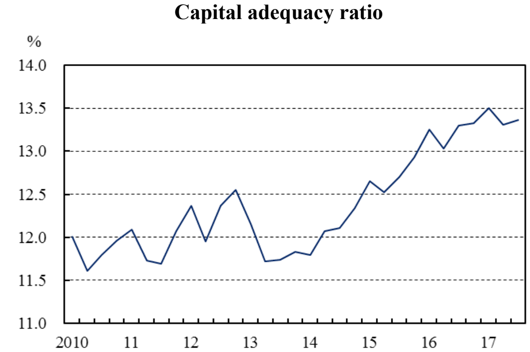
Note: Data are on a quarterly basis.

Average capital adequacy remained satisfactory

The average capital adequacy ratio was 13.36% as of end-Sep. 2017, increasing by 0.05 percentage points compared to end-Jun. 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 9.25%.

Chart 8

Capital adequacy ratio



Note: Data are on a quarterly basis.