Second Quarter 2020

■ *Summary of condition and performance*

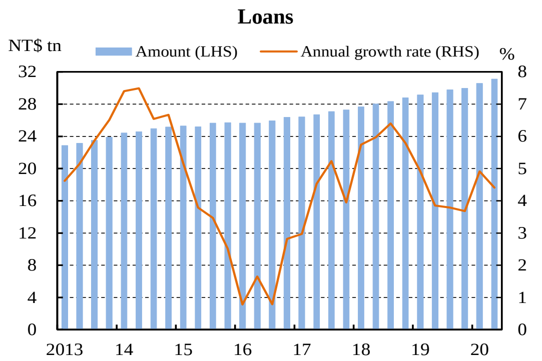
As of end-June 2020, there were 37 domestic banks with 3,554 branches (3,408 domestic branches and 146 overseas branches) and 36 off-shore banking units. Owing to the growth in loans, the total assets continually expanded in the second quarter. Although asset quality showed slight decline, loan loss provisions were sufficient to cover potential losses. Liquidity kept ample with the liquidity related ratios well above the regulatory requirements. The profitability of domestic banks weakened in the first half of 2020, compared to that of the previous year. Nevertheless, the average capital adequacy ratio of domestic banks was well above the regulatory requirement of 10.5%, indicating that capital adequacy kept satisfactory.

■ Key trend

Total assets continued to expand

Domestic banks reported total assets of NT$53.88 trillion as of end-June 2020, an increase of NT$616.3 billion or 1.16% from the previous quarter, mainly due to continuous growth in loans. The top three banks in terms of assets were Bank of Taiwan, Taiwan Cooperative Bank and CTBC Bank. Total equity of domestic banks amounted to NT$4.00 trillion as of end-June, with a decline of NT$21.10 billion or 0.52% compared to the previous quarter.

Chart 1

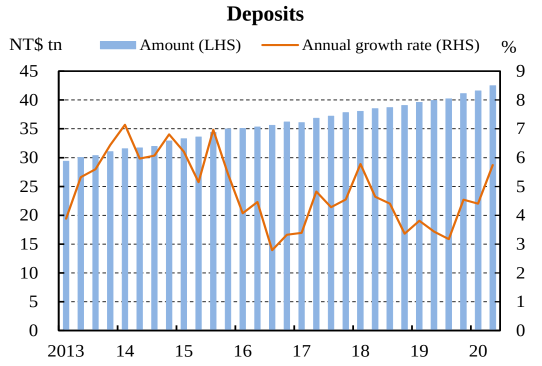


Note: Data are on a quarterly basis.

Loans kept on rising

Total loans kept on rising and stood at NT$31.11 trillion as of end-June 2020, rising by NT$528.3 billion or 1.73% compared to end-March. However, the annual growth rate of loans registered 4.41%, slightly decreasing by 0.50 percentage points compared to the previous quarter (Chart 1).

Chart 2



Note: Data are on a quarterly basis.

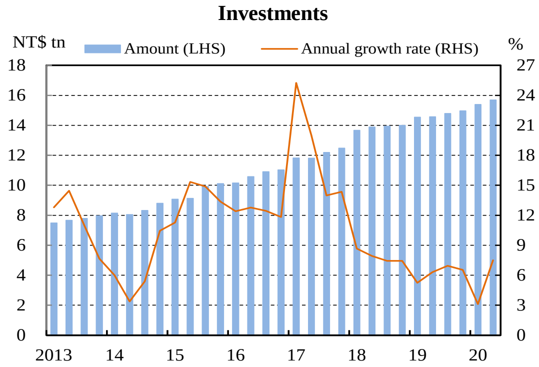
Deposits saw stable growth

Total deposits amounted to NT$42.51 trillion as of end-June 2020, increasing by NT$907.1 billion or 2.18% from the previous quarter. The annual growth rate of deposits rose by 1.34 percentage points from previous quarter to 5.74% (Chart 2).

Investments increased moderately

Domestic banks increased their investments by NT$300.9 billion or 1.95% quarter on quarter to NT$15.69 trillion as of end-June 2020. Furthermore, the annual growth rate of investment reached 7.50%, increasing by 4.39 percentage points in the second quarter (Chart 3).

Chart 3

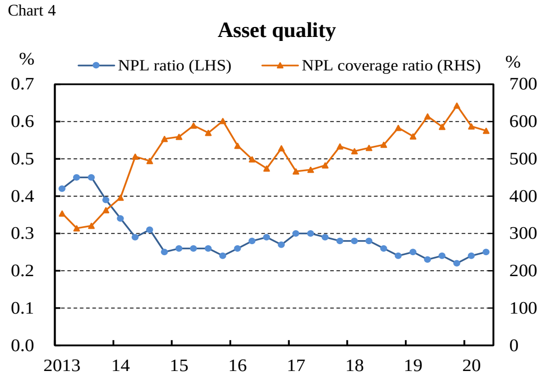


Note: Data are on a quarterly basis.

Asset quality declined slightly

The average non-performing loan (NPL) ratio was 0.25% as of end-June 2020, slightly higher than the 0.24% of the previous quarter. Meanwhile, the average NPL coverage ratio descended to 575.12% as of end-June 2020, with a decline of 12.17 percentage points compared to the end of March (Chart 4). Nevertheless, the capability of domestic banks to cope with potential loan losses remained solid.

Chart 4

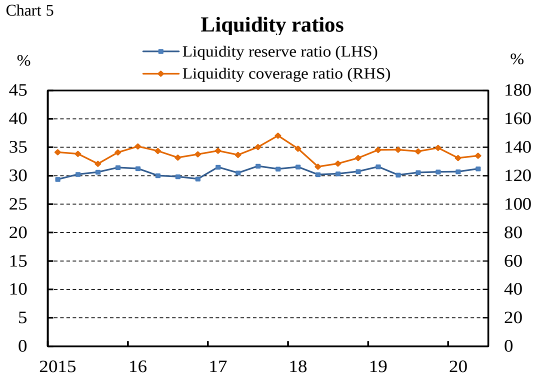


Notes:1.Data are on a quarterly basis.
2.NPL ratio is arithmetic mean and NPL coverage ratio is winsorized mean.

Liquidity remained ample

The average NT dollar liquidity reserve ratio was 31.24% of domestic banks in June 2020, with a rise of 0.51 percentage points compared to that in March. Every domestic bank was well above the statutory minimum of 10%. Moreover, the average liquidity coverage ratio (LCR) was 134.15% as of end-June 2020, rising by 1.69 percentage points from the first quarter (Chart 5), while the net stable funding ratio (NSFR) stood at 131.82%. All banks met the minimum LCR and NSFR requirement.

Chart 5

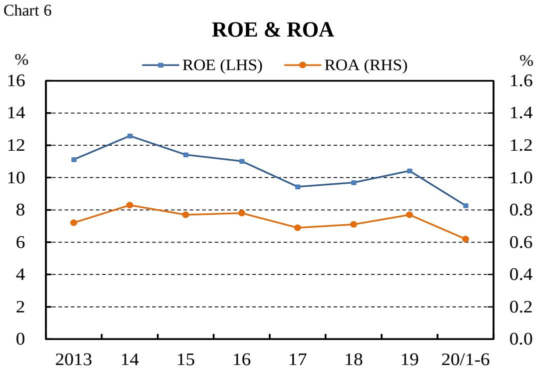


Notes:1. Data are on a quarterly basis.
2. Data are winsorized mean.

Profitability decreased significantly

Domestic banks as a whole posed a net income before tax of NT$165.1 billion for the first half of 2020, significantly decreasing by NT$28.6 billion or -14.77% compared to the same period of previous year. The decline in net income before tax reflected an uncertain economic activity and fluctuation of financial markets, which drove a decrease in investment revenue and increase in provision expenses. The top three banks in terms of the net income before tax for the first half of 2020 were CTBC Bank, Cathay United Bank and Taipei Fubon Bank.

Chart 6



Notes:1.ROE = net income before tax/average equity.
2.ROA = net income before tax/average total assets.
3.Data are annualized and arithmetic mean.

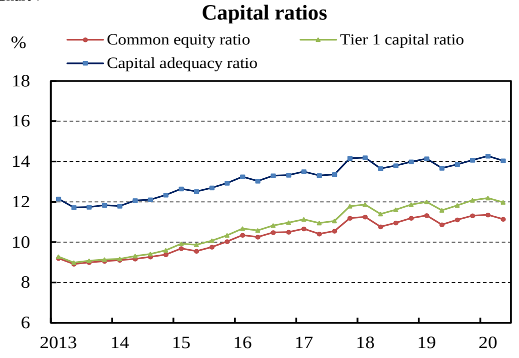
The annualized average return on equity (ROE) and return on assets

(ROA) of domestic bank was 8.27% and 0.62% for the first half of 2020 (Chart 6), declining by 1.22 and 0.08 percentage points, respectively, compared to the levels of 2019.

Capital ratios turned to decline

The average common equity ratio, Tier 1 capital ratio, and capital adequacy ratio registered 11.14%, 11.98% and 14.04% as of end-June 2020, decreasing by 0.24, 0.23 and 0.23 percentage points, respectively, compared to end-March (Chart 7). However, the capital ratios for all domestic banks remained above the statutory minimum regulatory requirements (7.0%, 8.5%, 10.50%).

Chart 7



Notes:1.Data are on a quarterly basis.
2.Data are arithmetic mean.