# *Condition and Performance of Domestic Banks*

## *Third Quarter 2020*

## ■ *Summary of condition and performance*

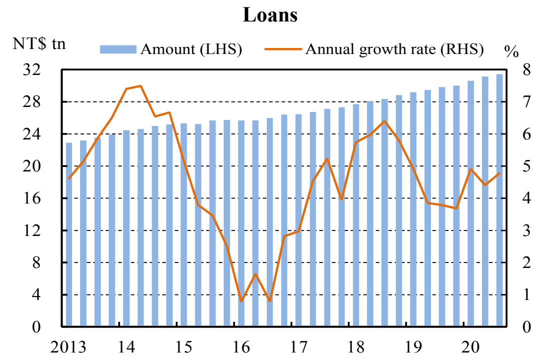
As of end-September 2020, there were 37 domestic banks with 3,551 branches (3,405 domestic branches and 146 overseas branches) and 36 off-shore banking units. Owing to the growth in investments, the total assets continually expanded in the third quarter. Asset quality showed slightly improved and loan 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 declined in the first three quarters 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$54.67 trillion as of end-September 2020, an increase of NT$791.05 billion or 1.47% from the previous quarter, mainly due to continuous growth in investments. 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$4.07 trillion as of end-September, with a rise of NT$75.09 billion or 1.88% compared to the previous quarter.

Chart 1

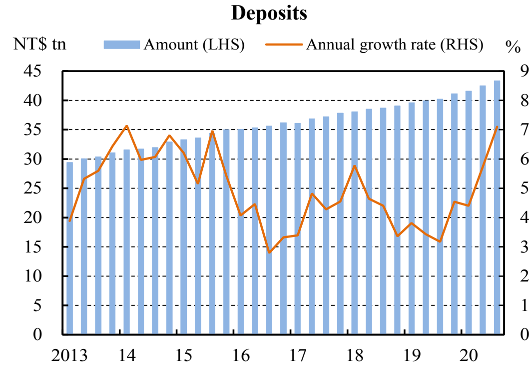



Note: Data are on a quarterly basis.

### *Loans kept on rising*

Total loans kept on rising and stood at NT$31.38 trillion as of end-September 2020, with an increase of NT$274.00 billion or 0.88% compared to end-June. Meanwhile, the annual growth rate of loans registered 4.78%, slightly increasing by 0.37 percentage points compared to the previous quarter (Chart 1).

Chart 2




Note: Data are on a quarterly basis.

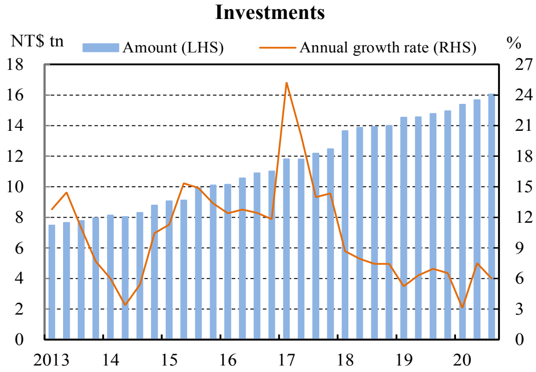
### *Deposits saw significant growth*

Total deposits amounted to NT$43.36 trillion as of end-September 2020, increasing by NT$847.85 billion or 1.99% from the previous quarter, showing an upward trend in this year. The annual growth rate of deposits rose by 1.36 percentage points from the previous quarter to 7.10% (Chart 2).

***Investments increased moderately***

Domestic banks increased their investments by NT$367.43 billion or 2.34% quarter on quarter to NT$16.06 trillion as of end-September 2020. The annual growth rate of investment reached 6.01%, declining by 1.49 percentage points compared to the previous quarter (Chart 3).

Chart 3

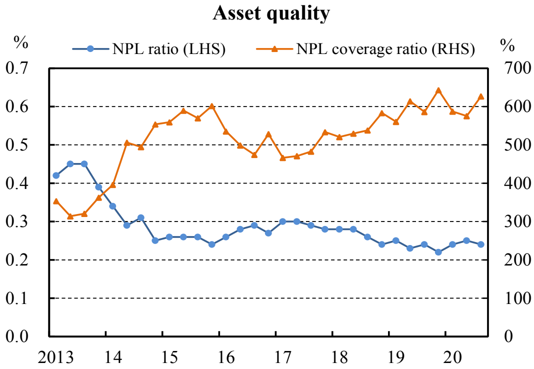



Note: Data are on a quarterly basis.

***Asset quality improved slightly***

The average non-performing loan (NPL) ratio was 0.24% as of end-September 2020, slightly lower than the 0.25% of the end of previous quarter. Meanwhile, the average NPL coverage ratio increased to 626.98% as of end-September 2020, with a rise of 51.86 percentage points compared to the end of June (Chart 4). This indicated that the overall capability of domestic banks to cope with potential loan losses improved.

Chart 4

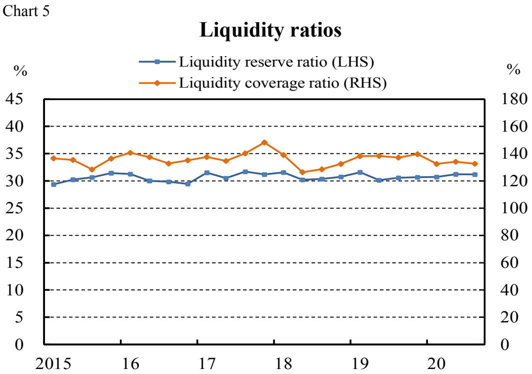



Notes:1.Data are on a quarterly basis.
2.NPL ratio is arithmetic mean and NPL coverage ratio is winsorized mean.

***Liquidity remained ample***

The average NT dollar liquidity reserve ratio of domestic banks was 31.18% in September 2020, with a decline of 0.06 percentage points compared to that in June. Every domestic bank was well above the statutory minimum of 10%. Moreover, the average liquidity coverage ratio (LCR) was 132.64% as of end-September 2020, falling by 1.51 percentage points from the second quarter (Chart 5), while the net stable funding ratio (NSFR) stood at 132.14%. All banks met the minimum LCR and NSFR requirement.

Chart 5

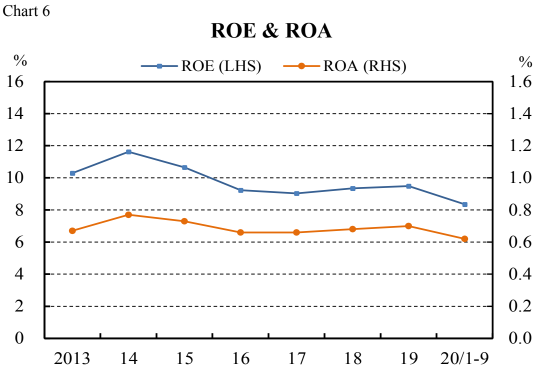



Notes:1. Data are on a quarterly basis.
2. Data are winsorized mean.

***Profitability decreased significantly***

Domestic banks as a whole posed a net income before tax of NT$249.60 billion for the first three quarters of 2020, significantly decreasing by NT$38.07 billion or 13.23% 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 an increase in provision expenses. The top three banks in terms of the net income before tax for the first three quarters of 2020 were CTBC Bank, Cathay United Bank and Mega International Commercial

Chart 6



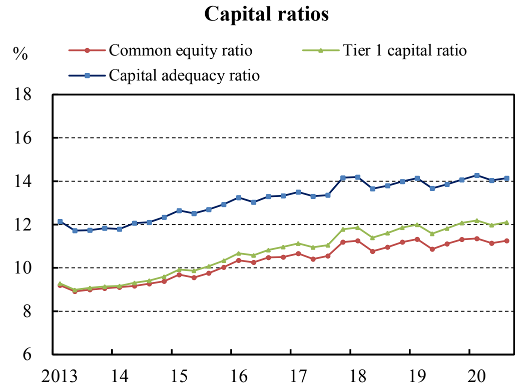

Notes:1.ROE = net income before tax/average equity.
2.ROA = net income before tax/average total assets.
3.Data are annualized and arithmetic mean.

Bank.

The annualized average return on equity (ROE) and return on assets (ROA) of domestic bank was 8.34% and 0.62% for the first three quarters of 2020 (Chart 6), declining by 1.15 and 0.08 percentage points, respectively, compared to the levels of 2019.

### *Capital ratios turned to rise*

Chart 7




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

The average common equity ratio, Tier 1 capital ratio, and capital adequacy ratio registered 11.25%, 12.11% and 14.14% as of end-September 2020, increasing by 0.11, 0.13 and 0.10 percentage points, respectively, compared to those of end-June (Chart 7). The capital ratios for all domestic banks were strong above the statutory minimum regulatory requirements (7.0%, 8.5%, 10.50%).