

Condition and Performance of Domestic Banks

Fourth Quarter 2020

■ Summary of condition and performance

As of end-December 2020, there were 38 domestic banks with 3,555 branches (3,409 domestic branches and 146 overseas branches) and 36 off-shore banking units. One new internet-only bank was added, which commenced operations on December 30, 2020. Owing to the growth in investments, the total assets continually expanded in the fourth quarter. Asset quality showed mildly 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 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 trend¹

Total assets continued to expand

Domestic banks reported total assets of NT\$56.40 trillion as of end-December 2020, an increase of NT\$1.74 trillion or 3.17% 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\$4.16 trillion as of end-December, with a rise of NT\$85.52 billion or 2.10% compared to the previous quarter.

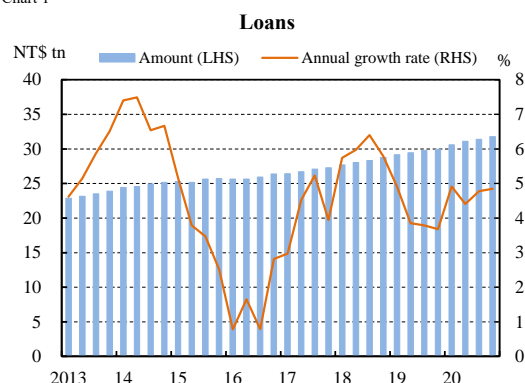
Loans kept on rising

Total loans kept on rising and stood at NT\$31.78 trillion as of end-December 2020, with an increase of NT\$397.34 billion or 1.27% compared to end-September. Meanwhile, the annual growth rate of loans registered 4.85%, slightly increasing by 0.07 percentage points compared to the previous quarter (Chart 1).

Deposits saw significant growth

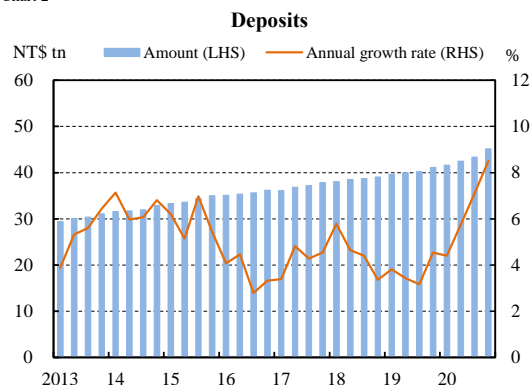
Total deposits amounted to NT\$45.14 trillion as of end-December 2020, increasing by NT\$1.78 trillion or 4.12% from the previous

Chart 1



Note: Data are on a quarterly basis.

Chart 2



Note: Data are on a quarterly basis.

¹ Excludes Rakuten International Commercial Bank opened for business on December 30, 2020.

quarter, showing an upward trend in this year. The annual growth rate of deposits rose by 1.41 percentage points from the previous quarter to 8.51% (Chart 2).

Investments increased moderately

Domestic banks increased their investments by NT\$1.09 trillion or 6.77% quarter on quarter to NT\$17.15 trillion as of end-December 2020. The annual growth rate of investment reached 11.25%, increasing by 5.24 percentage points compared to the previous quarter (Chart 3).

Asset quality improved mildly

The average non-performing loan (NPL) ratio was 0.22% as of end-December 2020, slightly lower than the 0.24% of the end of previous quarter. Meanwhile, the average NPL coverage ratio increased to 696.63% as of end-December 2020, with a rise of 69.65 percentage points compared to the end of September (Chart 4). This indicated that the overall capability of domestic banks to cope with potential loan losses improved.

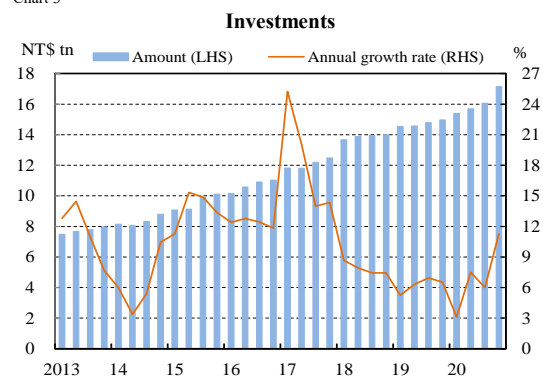
Liquidity remained ample

The average NT dollar liquidity reserve ratio of domestic banks was 30.85% in December 2020, with a decline of 0.33 percentage points compared to that in September. Every domestic bank was well above the statutory minimum of 10%. Moreover, the average liquidity coverage ratio (LCR) was 142.49% as of end-December 2020, rising by 9.85 percentage points from the third quarter (Chart 5), while the net stable funding ratio (NSFR) stood at 134.52%. All banks met the minimum LCR and NSFR requirement.

Profitability decreased significantly

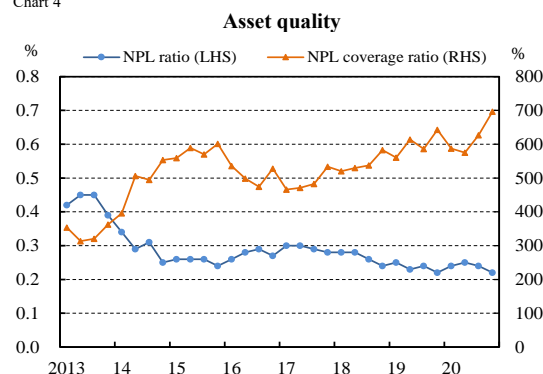
Domestic banks as a whole posed a net income before tax of NT\$314.32 billion in 2020, significantly decreasing by NT\$47.77 billion or 13.19% year on year. The decline in net income before tax reflected an uncertain economic activity and fluctuation of financial markets, which drove a decrease in investment revenue and an increase in provision expenses. The top three banks in terms of the net income before tax in 2020 were

Chart 3



Note: Data are on a quarterly basis.

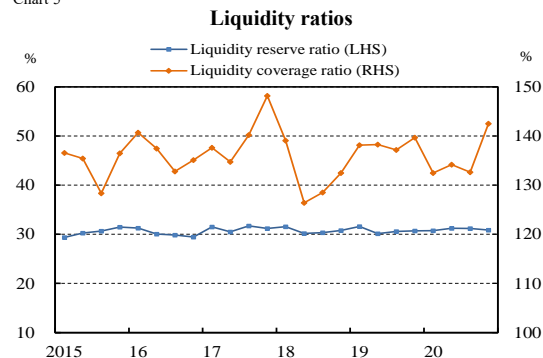
Chart 4



Notes: 1. Data are on a quarterly basis.

2. NPL ratio is arithmetic mean and NPL coverage ratio is winsorized mean.

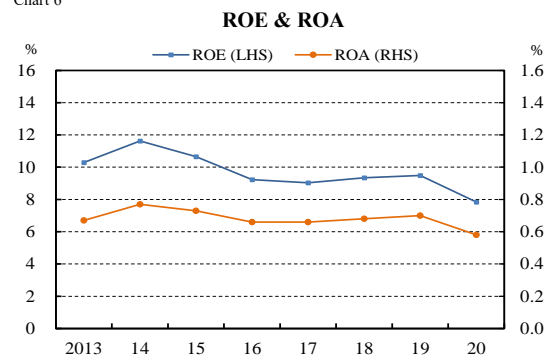
Chart 5



Notes: 1. Data are on a quarterly basis.

2. Data are winsorized mean.

Chart 6



Notes: 1. ROE = net income before tax/average equity.

2. ROA = net income before tax/average total assets.

3. Data are arithmetic mean.

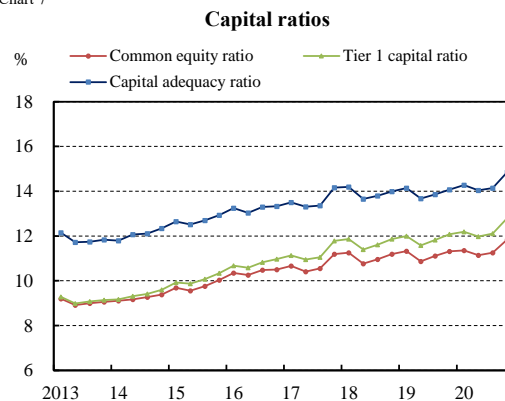
CTBC Bank, Cathay United Bank and Mega International Commercial Bank.

The average return on equity (ROE) and return on assets (ROA) of domestic bank was 7.84% and 0.58% in 2020 (Chart 6), declining by 0.50 and 0.04 percentage points, respectively, compared to the levels of 2019.

Capital ratios rose continually

The average common equity ratio, Tier 1 capital ratio, and capital adequacy ratio registered 11.84%, 12.80% and 14.85% as of end-December 2020, increasing by 0.59, 0.69 and 0.71 percentage points, respectively, compared to those of end-September (Chart 7). The capital ratios for all domestic banks were strong 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.