# *Fourth Quarter 2018*

## ■ *Summary of condition and performance*

As of end-Dec. 2018, there were 38 domestic banks with 3,407 branches and 37 off-shore banking units in Taiwan. The largest banks were Bank of Taiwan, Taiwan Cooperative Bank and Mega International Commercial Bank in terms of assets, while the largest banks in terms of the net income before tax for 2018 were CTBC Bank Co., Ltd, Mega International Commercial Bank and Cathay United Bank.

As of end-Dec. 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 in 2018 while liquidity kept ample with the liquidity ratio well above the regulatory requirement of 10%.

## ■ Key trend

As of end-Dec. 2018, domestic banks' total assets and liabilities amounted to NT$49,792.4 billion and 46,055.6 billion, increasing by NT$329.6 billion and NT$269.1 billion or 0.67% and 0.59%, respectively, compared to end-Sep. 2018. Total equities amounted to NT$3,736.8 billion increasing by NT$60.5 billion or 1.65% compared to end-Sep. 2018. Domestic banks as a whole posed a net income before tax of NT$335.4 billion in 2018, increasing by NT$28.4 billion or 9.25% 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.-Dec. 2017 | Jan.-Dec. 2018 | Change % |
|---|---|---|---|
| ***Income*** | | | |
| Net interest income | 458.9 | 479.3 | 4.45 |
| Net income other than interest | 305.6 | 328.6 | 7.53 |
| ***Expense*** | | | |
| Loan loss provision | 44.5 | 52.4 | 17.75 |
| Other expenses | 412.8 | 419.9 | 1.72 |
| ***Loss from discontinued operations*** | 0.2 | 0.2 | - |
| ***Net income before tax*** | 307.0 | 335.4 | 9.25 |

### *Net interest income slightly decreased*

Net interest income reported NT$120.3 billion for 2018Q4, decreasing by NT$1.0 billion or 0.82% compared to the previous quarter (Chart 1).

Chart 1

**Net interest income**


Note: Data are on a quarterly basis.

### *Deposits increased mildly*

Total deposits amounted to NT$39,066.0 billion as of end-Dec. 2018, increasing by NT$336.4 billion or 0.87% compared to end-Sep. of 2018 (Chart 2). The annual growth rate of deposits was 3.36% as of end-Dec. 2018, decreasing by 1.04 percentage points compared to the previous quarter.

Chart 2

**Deposits**


Note: Data are on a quarterly basis.

### *Loans kept on rising*

Total loans amounted to NT$28,778.1 billion as of end-Dec. 2018, increasing by NT$445.4 billion or 1.57% compared to end-Sep. of 2018 (Chart 3). The annual growth rate of loans registered 5.79% as of end-Dec. 2018, decreasing by 0.61 percentage points compared to the previous quarter.

Chart 3

**Loans**

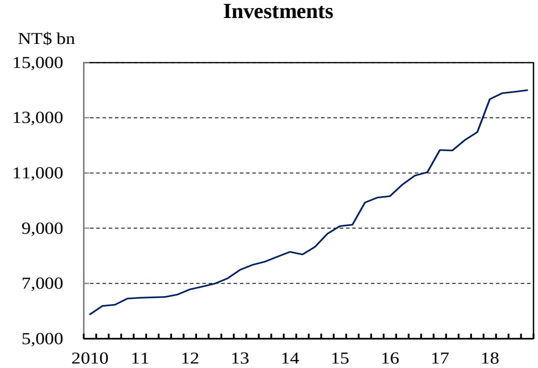

Note: Data are on a quarterly basis.

### *Investments increased slightly*

Total investments amounted to NT$13,998.5 billion as of end-Dec. 2018, increasing by NT$54.5 billion or 0.39% compared to end-Sep. of 2018 (Chart 4). The annual growth rate of investment reached 7.45% as of end-Dec. 2018, increasing by 0.02 percentage points compared to the previous quarter.

Chart 4

**Investments**



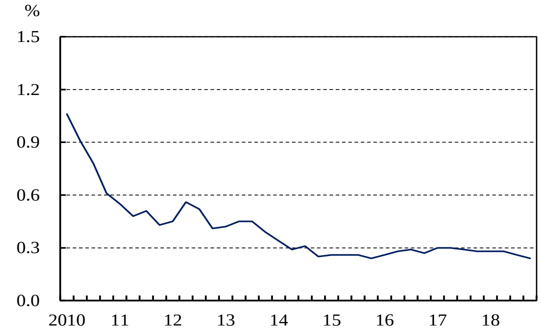

Note: Data are on a quarterly basis.

### *Asset quality remained satisfactory*

The average NPL ratio stood at 0.24% as of end-Dec. 2018, decreasing by 0.02 percentage points compared to end-Sep. 2018 (Chart 5). Asset quality for the overall banking sector kept satisfactory. The average provision coverage ratio was 583.03%, increasing by 45.35 percentage points compared to end-Sep. 2018.

Chart 5

**NPL ratio**




Note: Data are on a quarterly basis.

### *Provision-to-loan ratio leveled off*

The average provision-to-loan ratio was 1.38% as of end-Dec. 2018, leveled off as compared to end-Sep. 2018 (Chart 6).

Chart 6

**Provision-to-loan ratio**

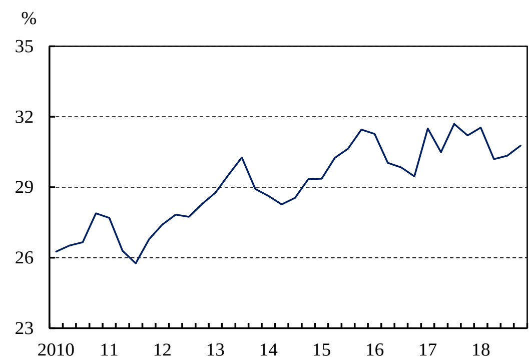

Note: Data are on a quarterly basis.

### *Liquidity kept ample*

The average liquidity reserve ratio was 30.77% for domestic banks as a whole in Dec. 2018, increasing by 0.43 percentage points compared to that in Sep. 2018 (Chart 7). Every domestic bank met the regulatory liquidity ratio requirement of 10%. Liquidity for domestic banking sector kept ample.

Chart 7

**Liquidity reserve ratio**



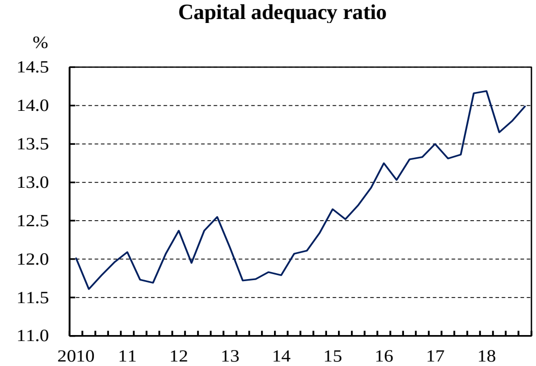

Note: Data are the average daily data in the last month of each quarter.

### *Average capital adequacy remained satisfactory*

The average capital adequacy ratio was 13.99% as of end-Dec. 2018, increasing by 0.19 percentage points compared to end-Sep. 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 8

**Capital adequacy ratio**




Note: Data are on a quarterly basis.