

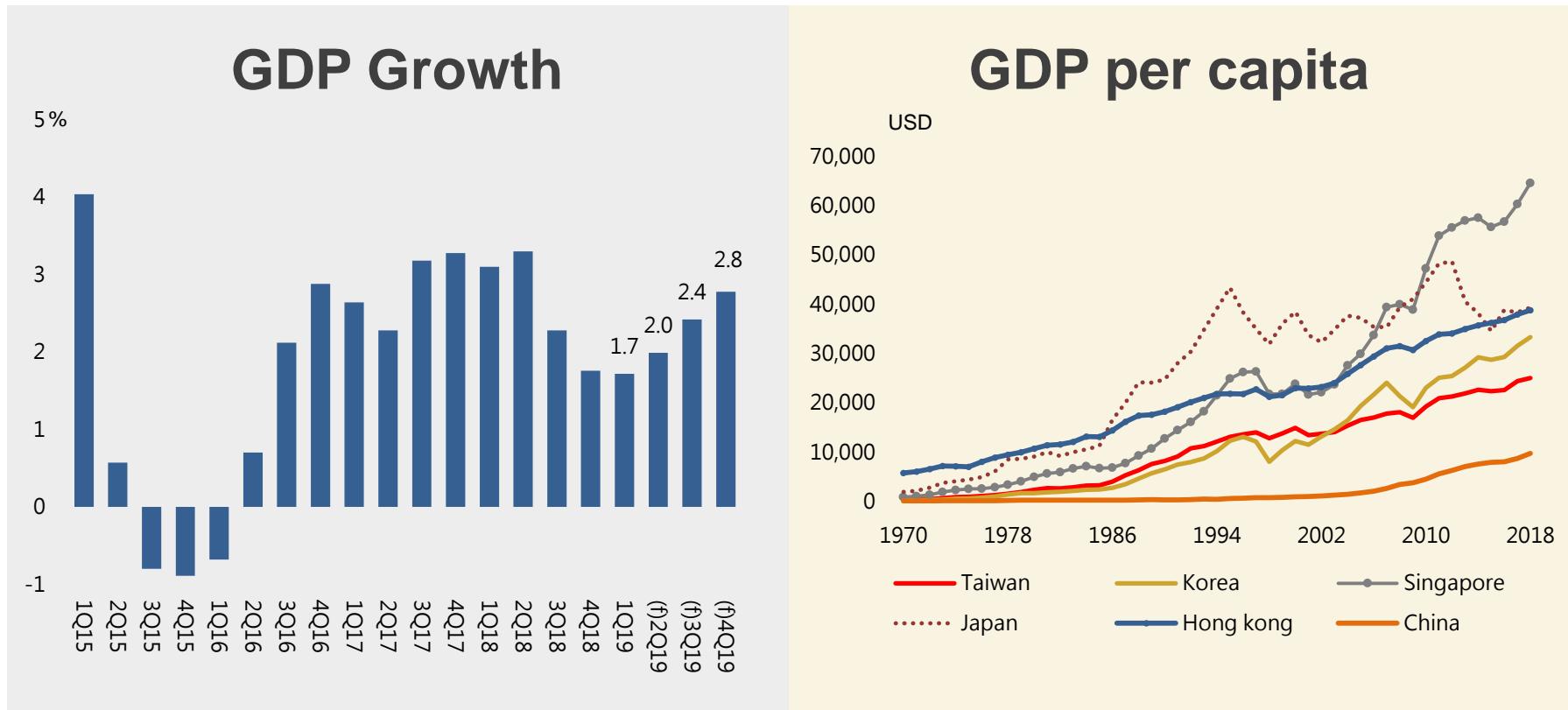
Taiwan's Economic Overview & Banking Sector Outlook

- Speaker : Mr. Eric Chien,
Chief Investment Officer, Taishin Financial Holdings
- Date : 2019/7/19

Agenda

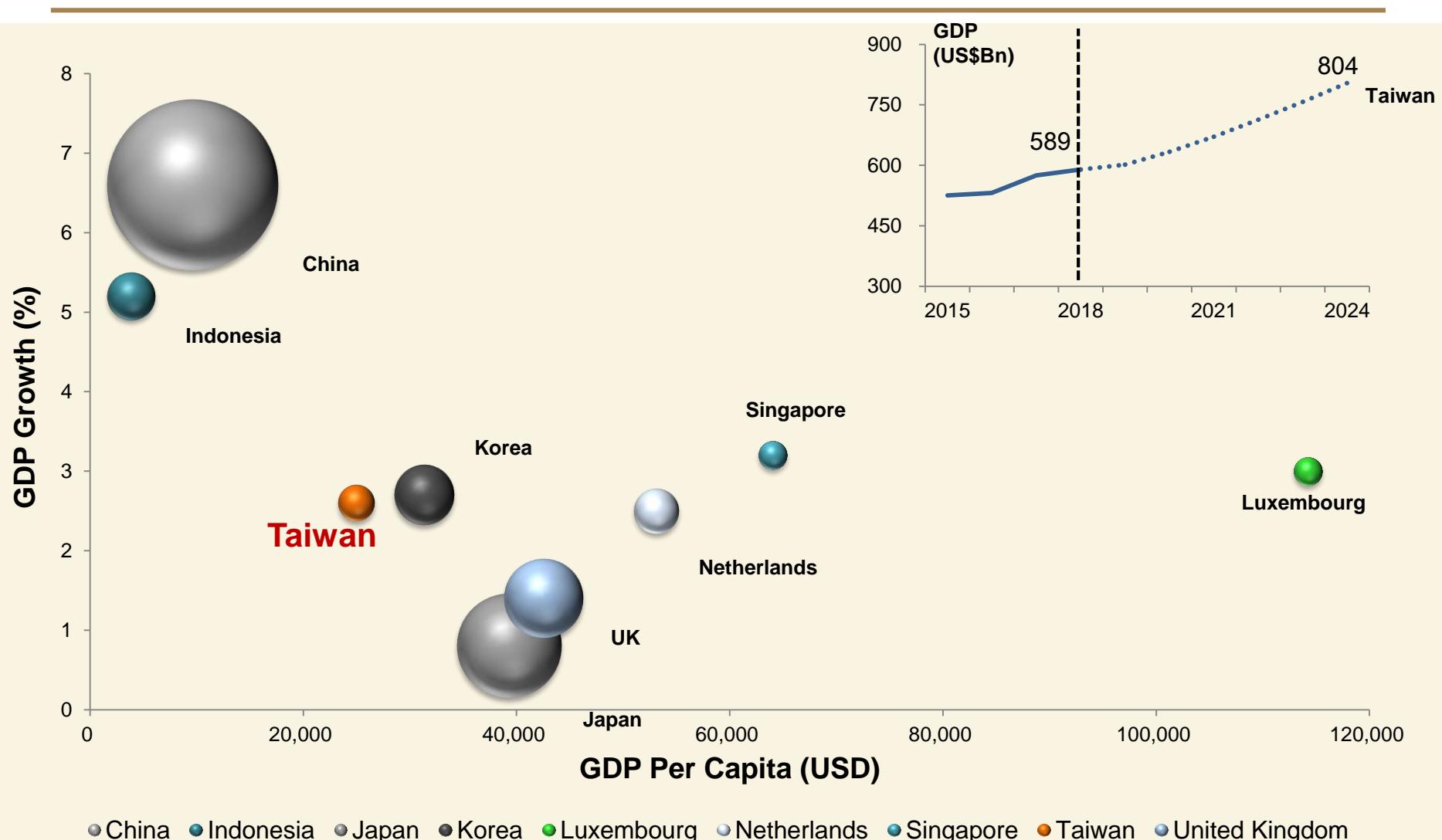
- Financial economic outlook
- Taiwan's Banking sector outlook
- The rise of fintech in Taiwan

Taiwan's GDP back to growth track

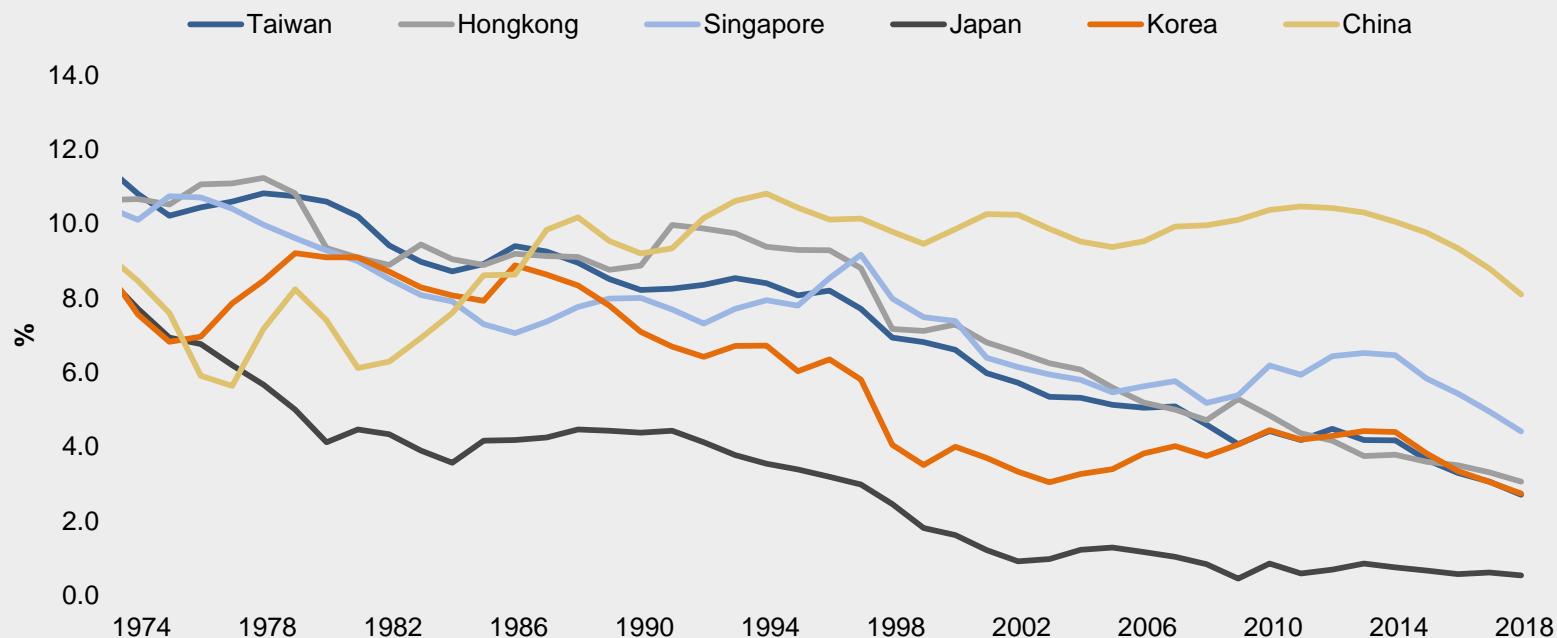


- **Taiwan's GDP growth is set to rebound in 2019**
- **GDP per capita of Taiwan is USD 25,026, a 2.5% increase from 2017 to 2018**

Taiwan's GDP Comparison and forecast

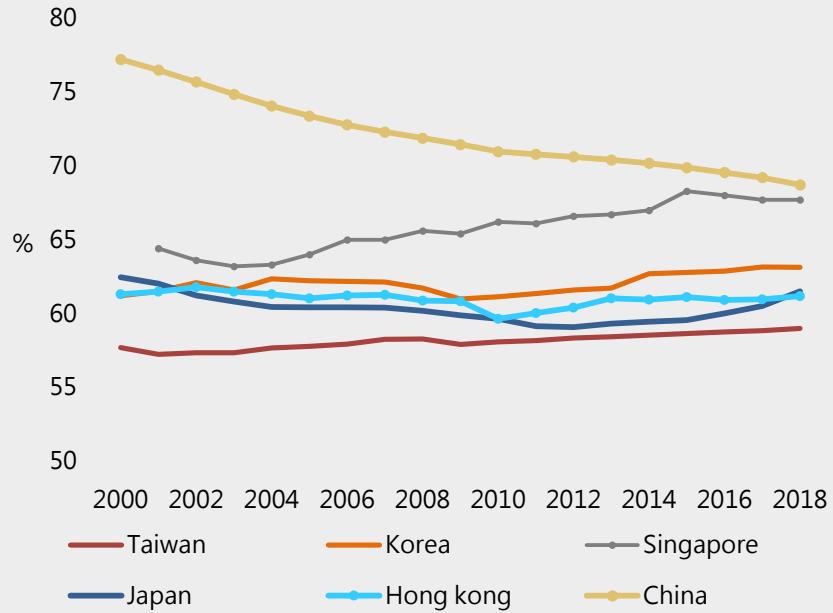


Taiwan's GDP growth 10yrs moving-average compared with Asian countries



Unemployment rate keeps reducing

Labor force participation rate

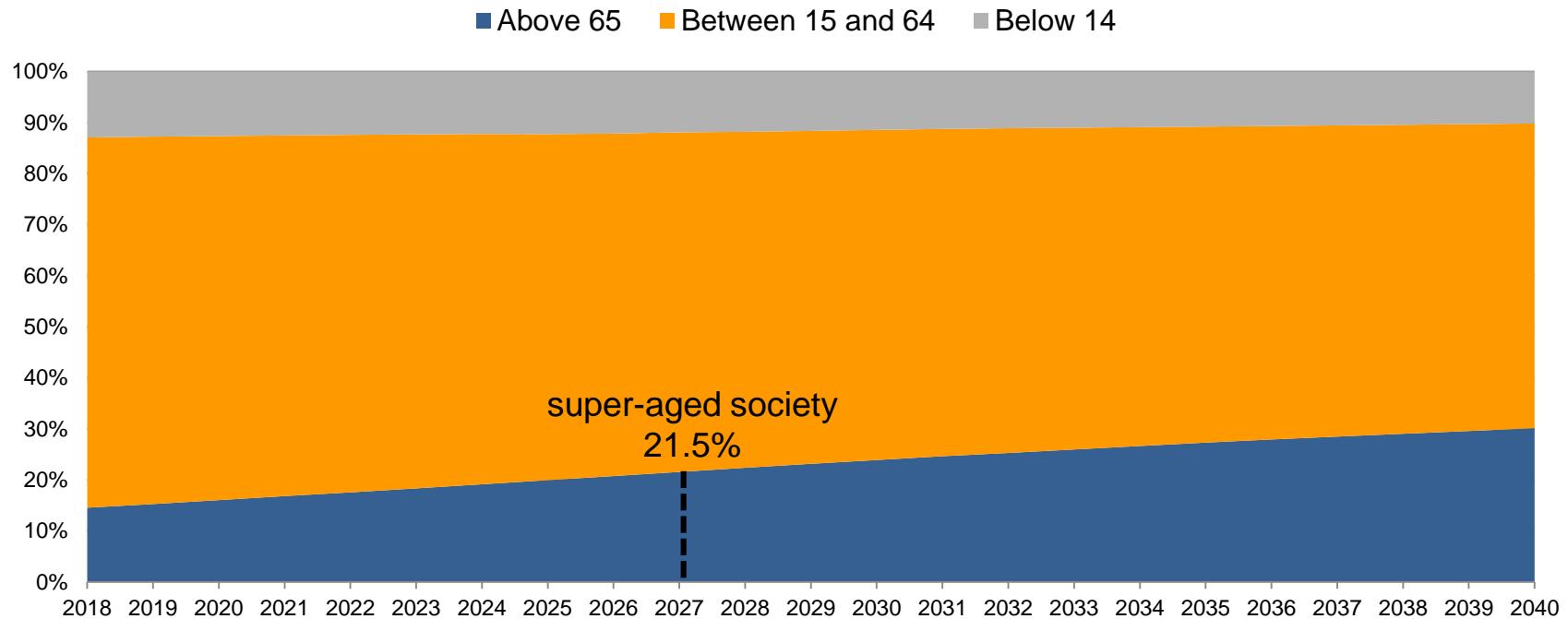


Unemployment rate



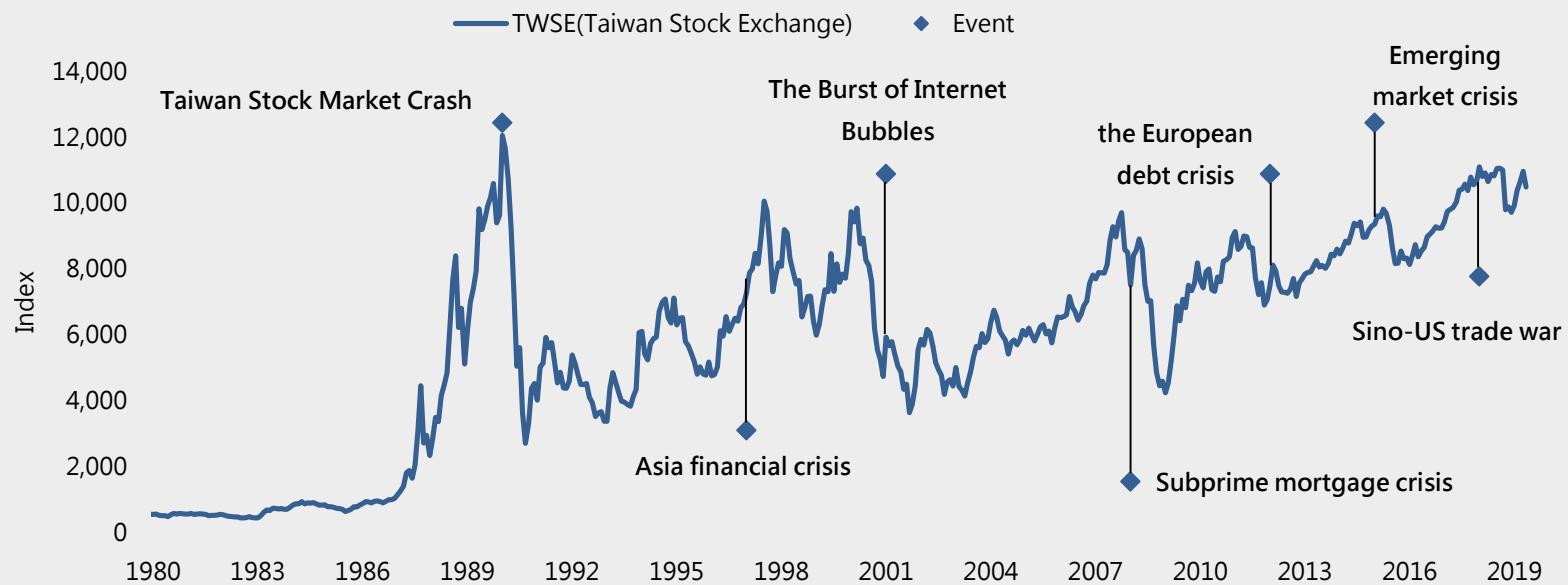
- Taiwan's labor force participation rate is 59%, lower than Korea, Singapore, Japan, Hong Kong and China
- Unemployment rate continues to decrease after 2009

Taiwan will become a super-aged society

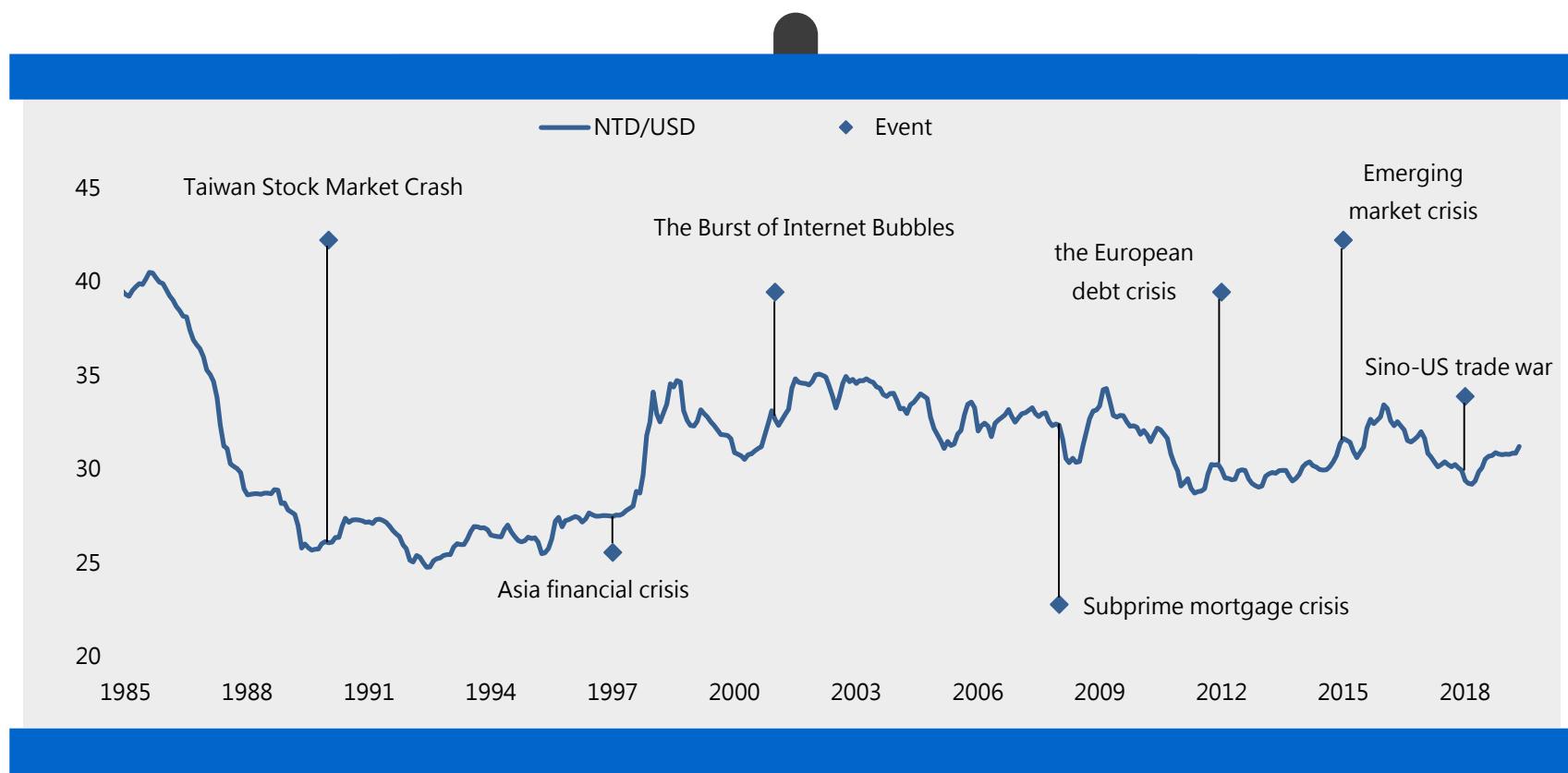


- Executive Yuan expects Taiwan to become a super-aged society by the year of 2027.
- By WHO's definition, a society is a super-aged society when its population of 65 or older exceeds 21% of total population

Taiwan stock market

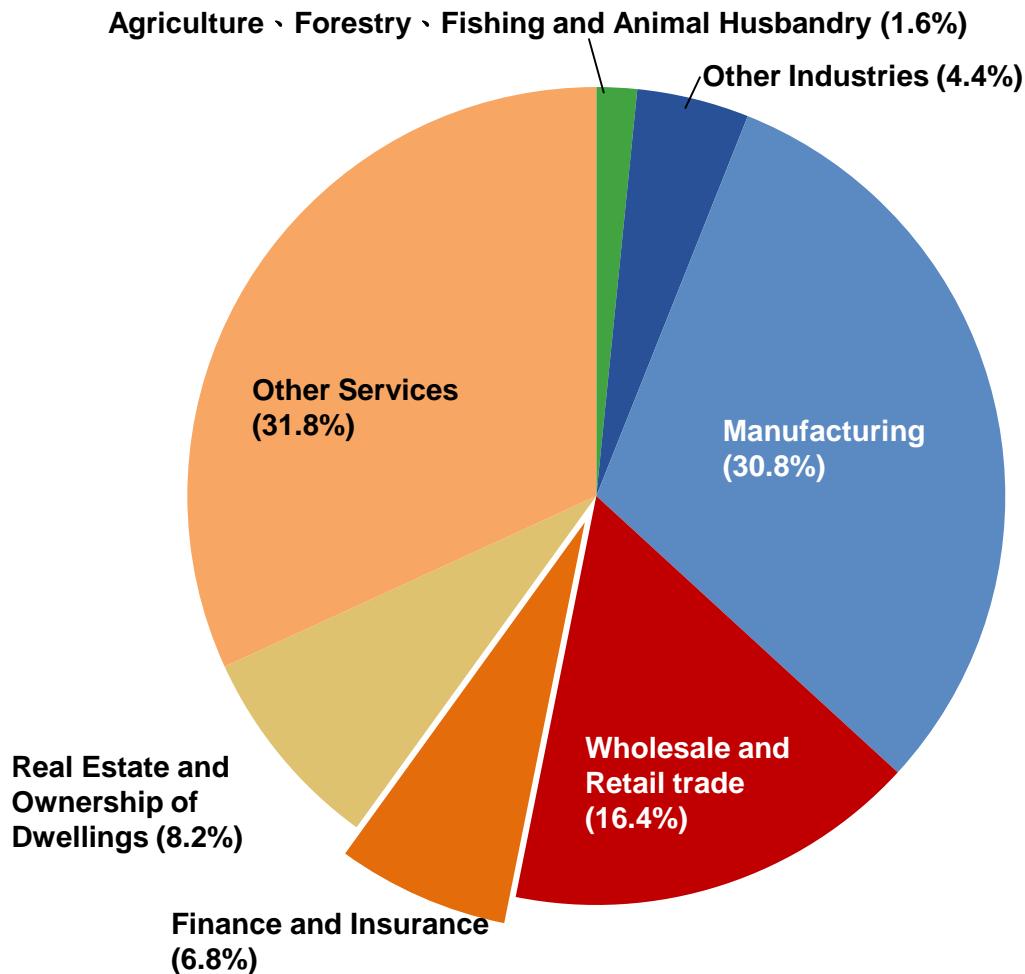


USD/TWD FX market

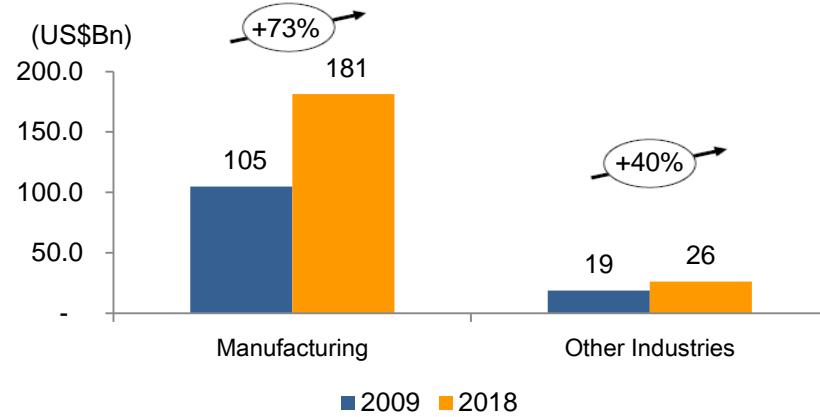


The financial sector in the Taiwan's economy

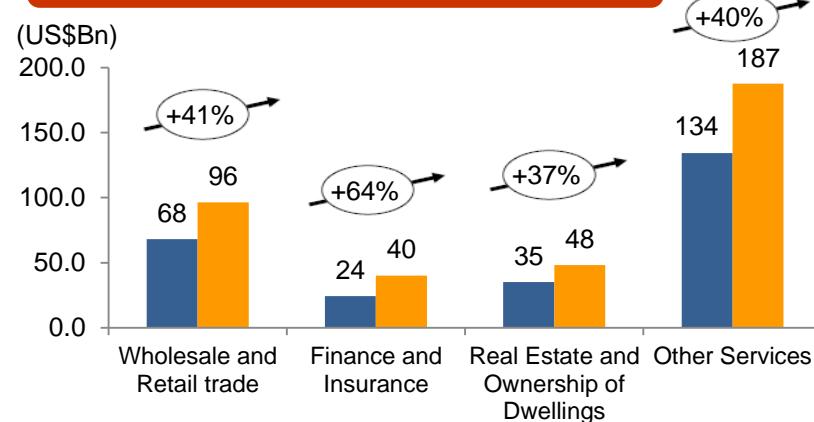
2018(GDP US\$589Bn)



Industries Sector (35.2%)



Services Sector (63.2%)



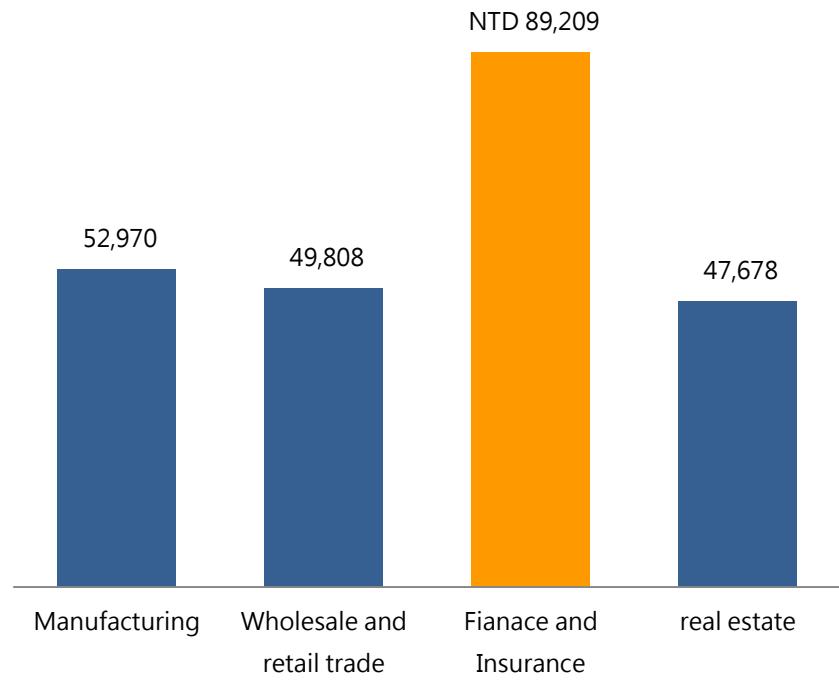
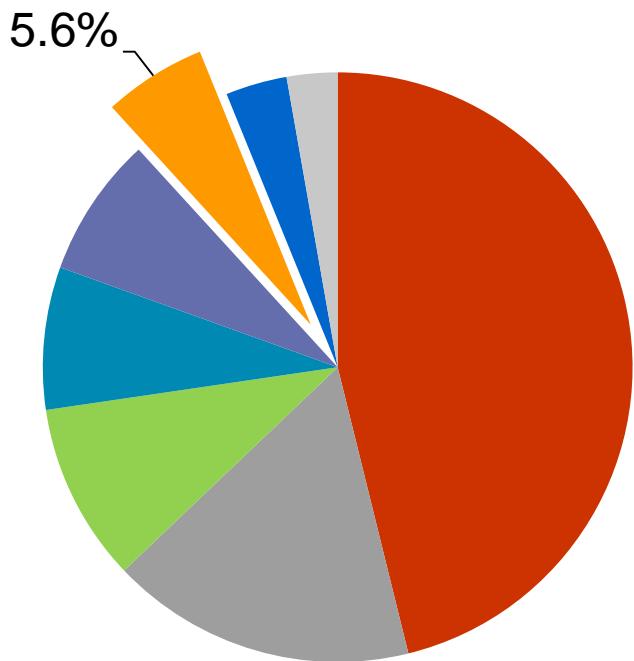
Note : Other Industries include Mining and Quarrying, Electricity and Gas Supply, Water Supply and Remediation Services and Construction ;

Other Services include Transportation and Storage, Information and Communication, Compulsory Social Security , Medication

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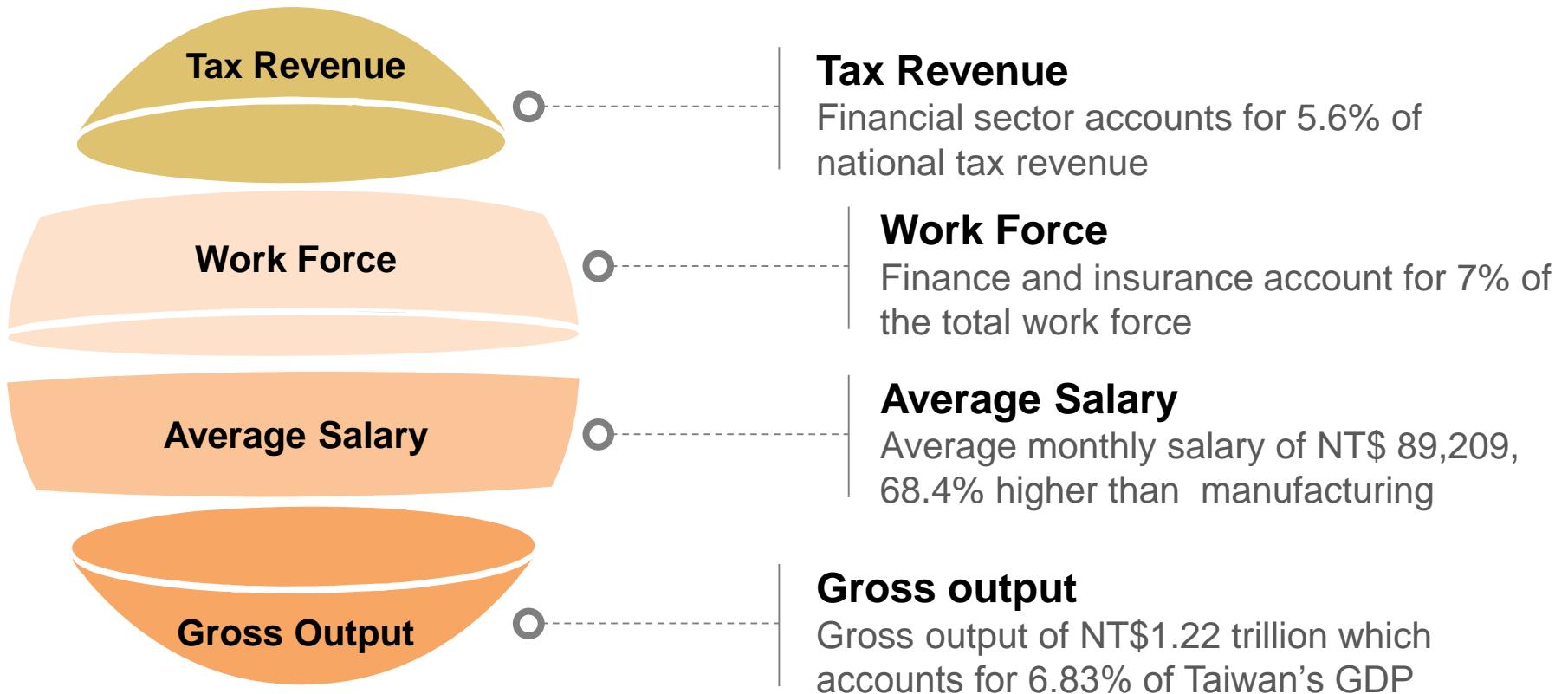
The financial sector in the Taiwan's economy

- Accounts for 5.6% of total national tax revenue
- Highest average monthly salary among all industries



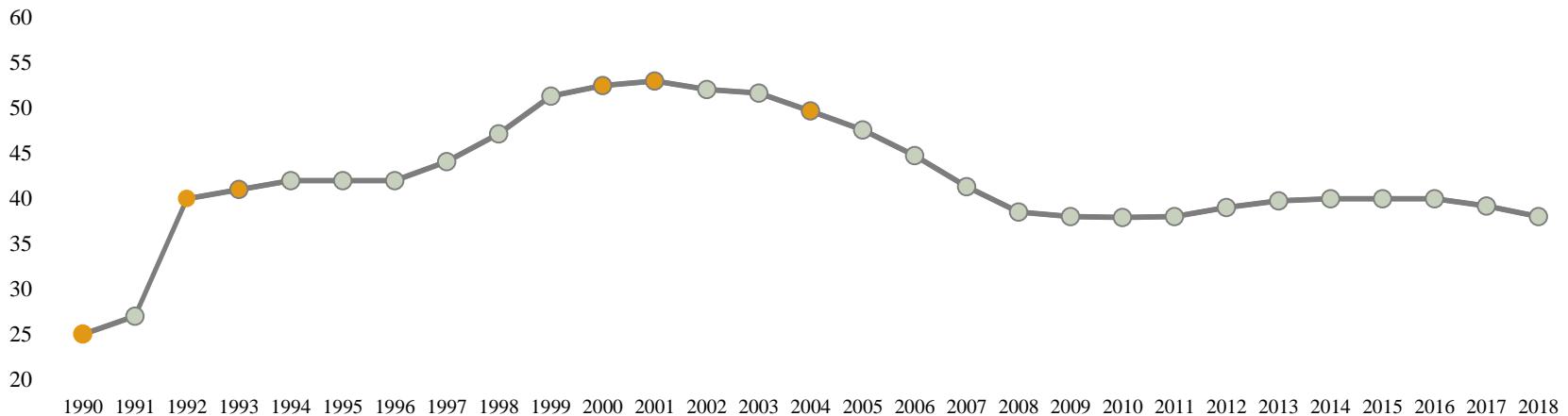
■ Income
■ Land
■ House
■ Business
■ Commodity
■ Vehicle License
■ others
■ Financial Sector

The financial sector in the Taiwan's economy



The development of banking industry in Taiwan

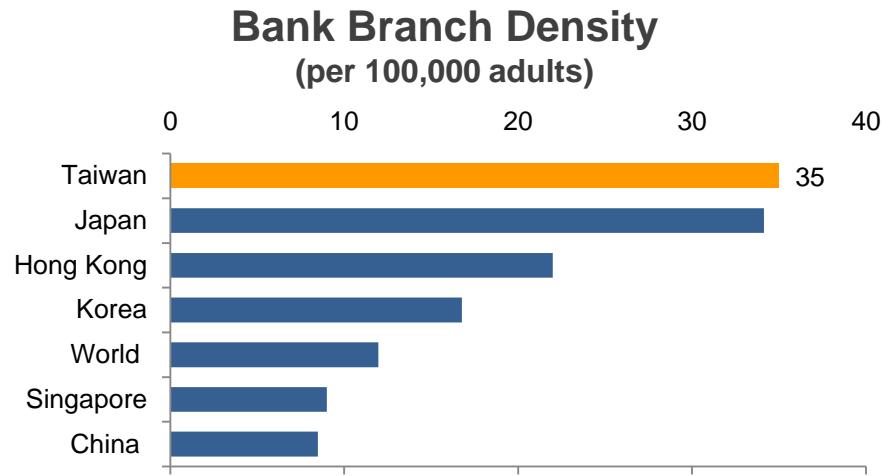
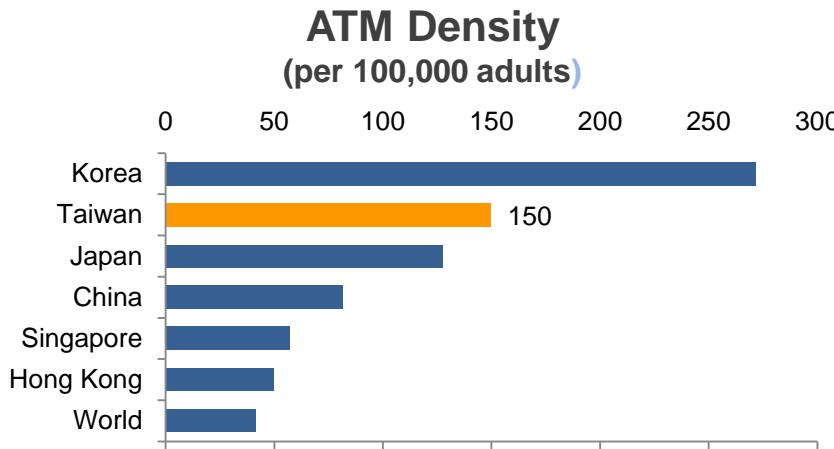
Number of banks in Taiwan



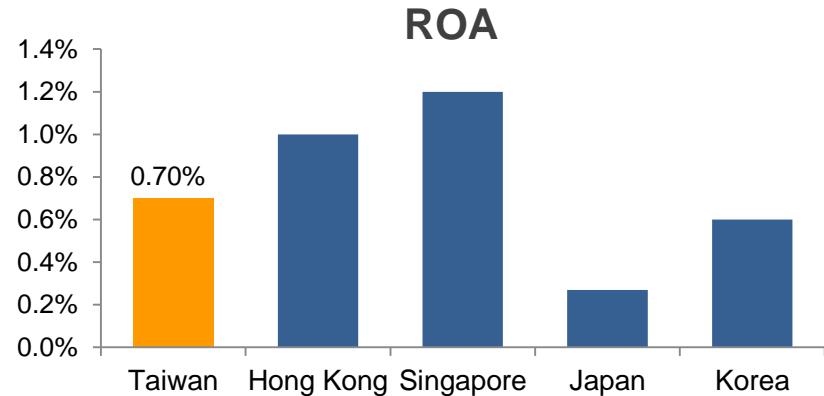
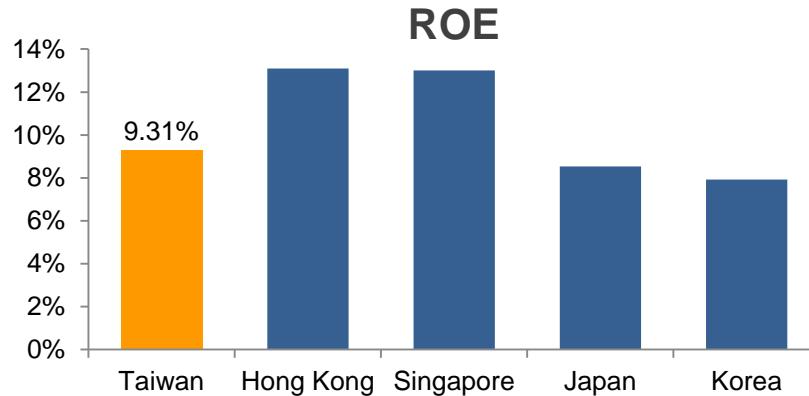
| Year | Event |
|------|--|
| 1990 | Adopted the new banking law, deregulating the establishment of private banks |
| 1992 | Approval of Investment and Trust Companies restructuration |
| 1993 | Approval of Credit Union restructuration |
| 2000 | First Wave of Financial Reform Passed Financial Institution Merger Law |
| 2001 | Passed Financial Holding Company Act Domestic banks' non-performing loans ratio went from 8.4% in March 2002 to 4.3% by the end of 2003 |
| 2004 | Second Wave of Financial Reform |

Overbanking resulted in lower ROE and ROA compared to Asian countries

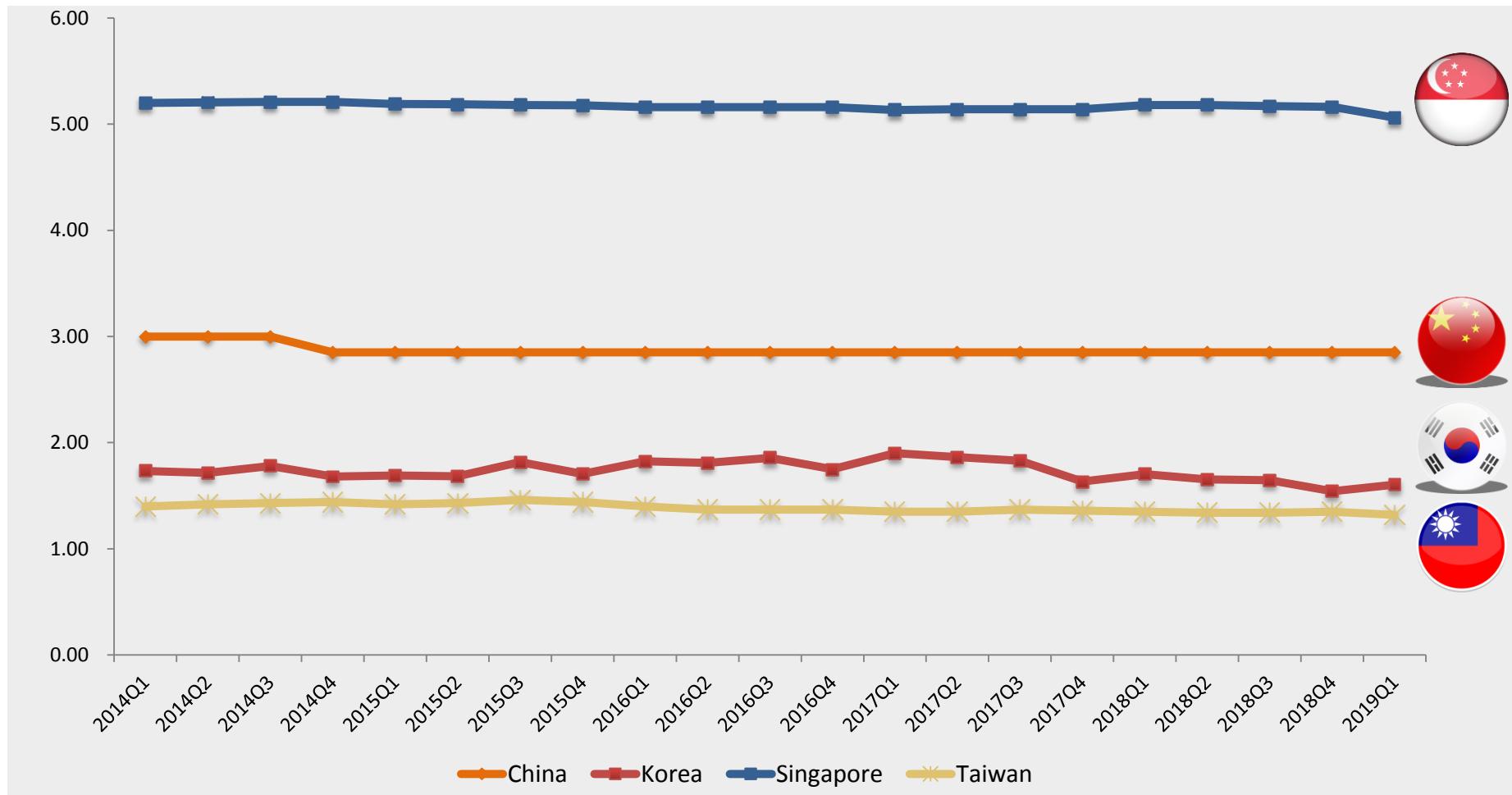
- High ATM and branch density intensified domestic bank competition



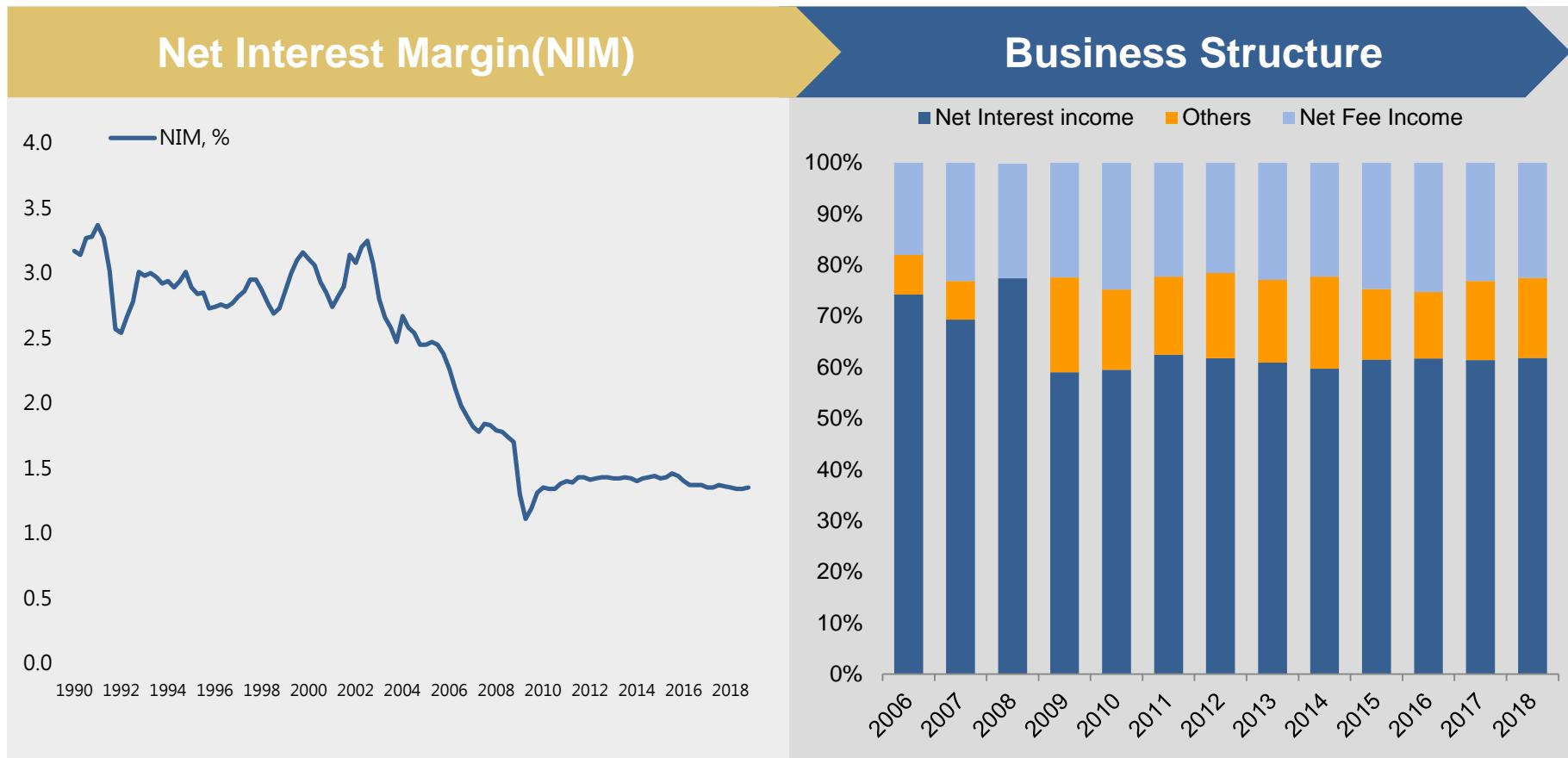
- Underperformance of ROE and ROA caused by overbanking



Banking system efficiency - Lending spread

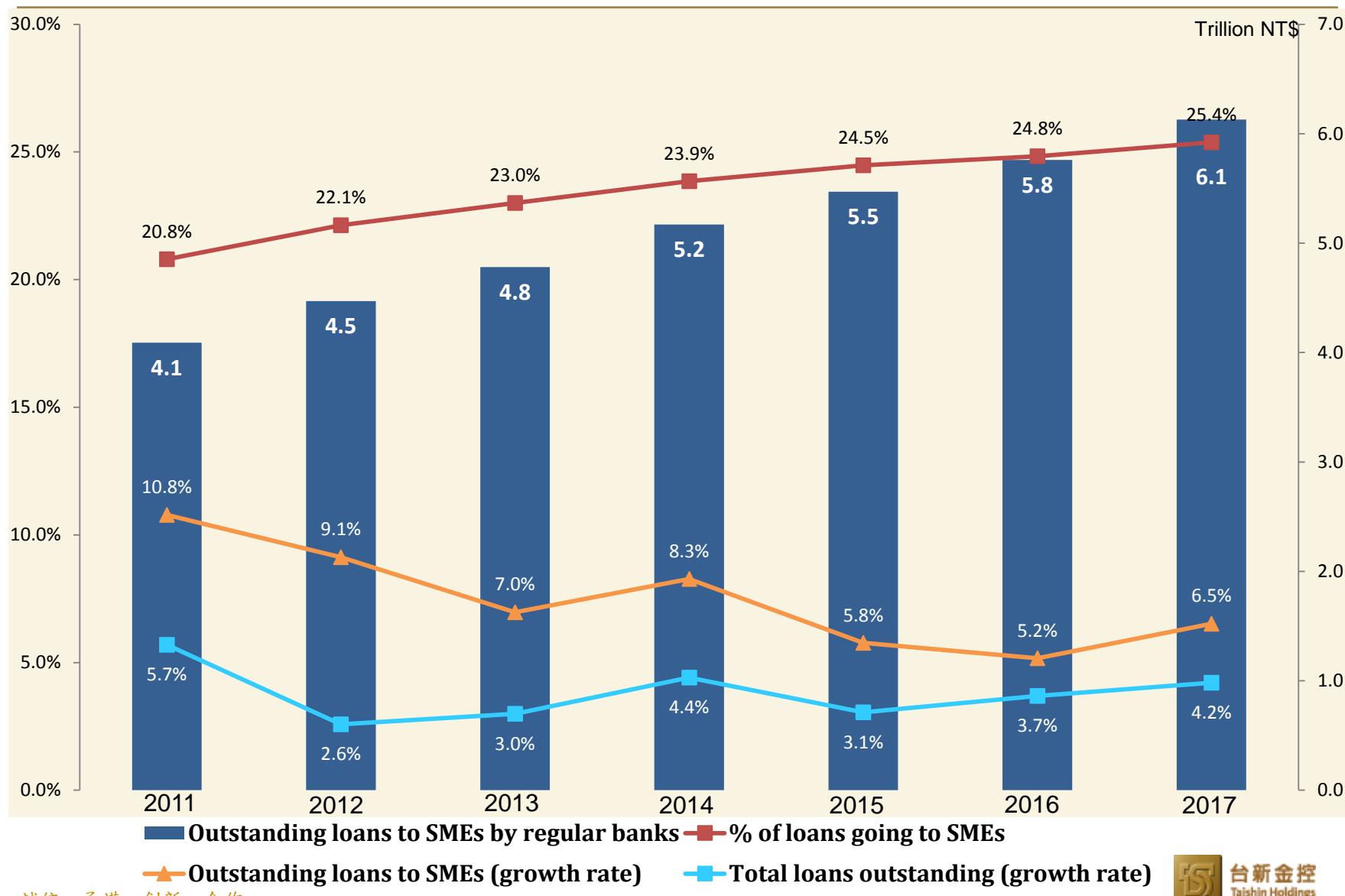


Domestic banks adjust business structure due to narrower interest rate spread



- Banks' net interest income to total net income decrease from 74.2% in 2006 to 61.8% in 2018, while net fee income grew from 18.0% to 22.5%.

Loan to SMEs and growth rate (2011-2017)

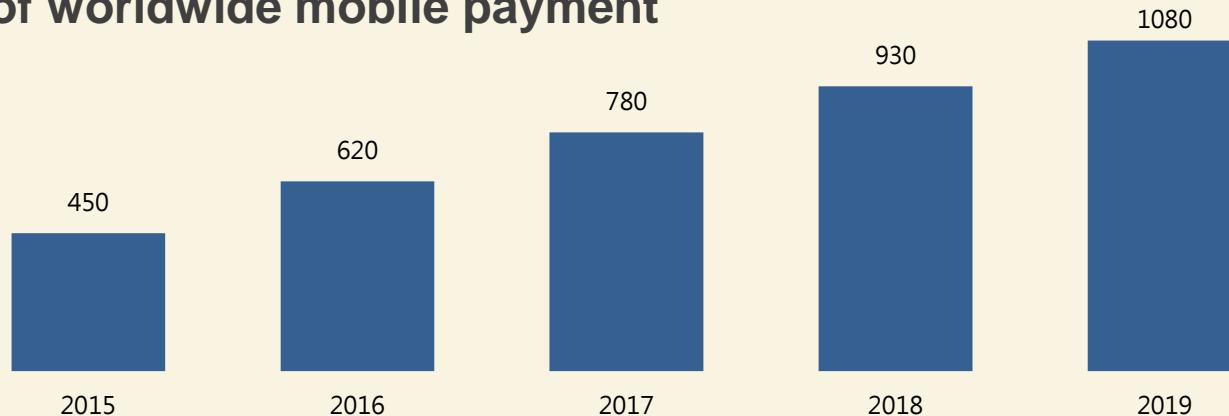


Overview of global mobile payment market

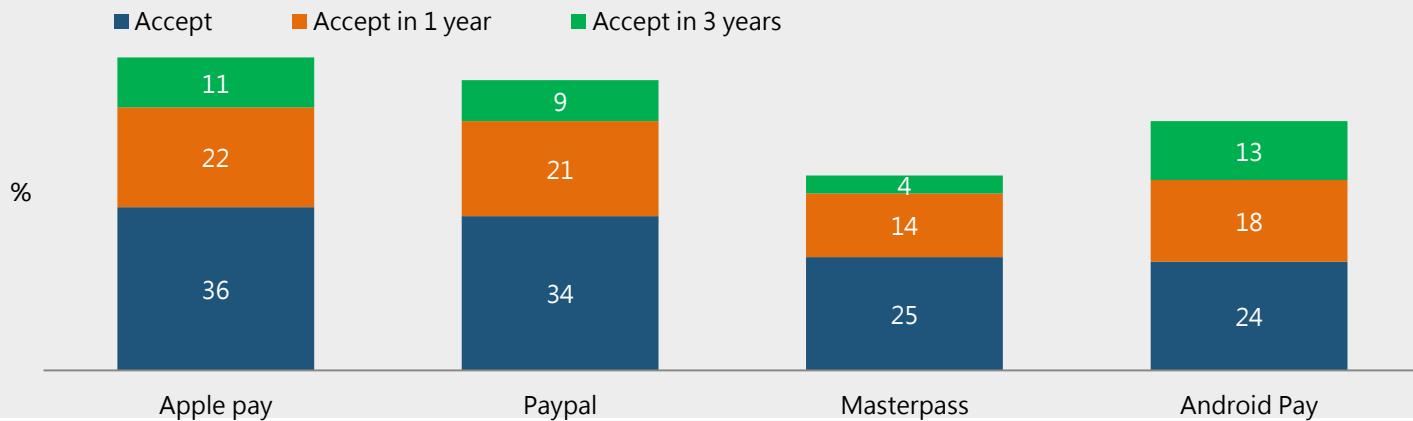
Revenue of worldwide mobile payment



billion USD



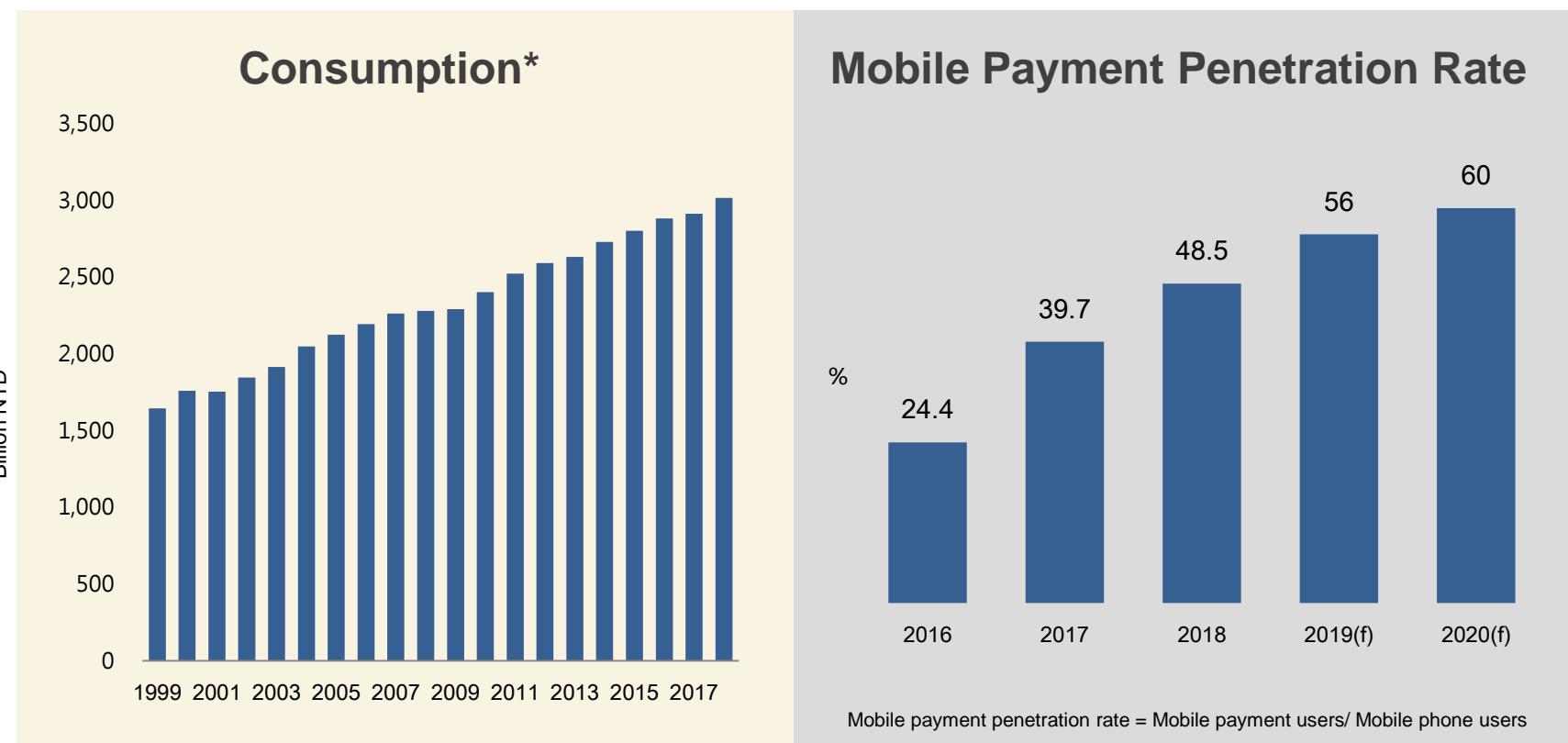
Acceptability of mobile payment in retail of North America



Major digital banks in Asia

| Country | Bank | Major Shareholder | Services |
|---|-----------------|--|---|
| South Korea  | K Bank | GS Retail(10%), KT(8%), KG Inicis(8%) | First digital bank in South Korea. K bank provides bank service t |
| | KakaoBank | Korea Investment Holdings(58%), Kakao(10%), KB Kookmin Bank(10%) | Wire Transfer, Personal Loan, Small Business Loan |
| Japan  | Rakuten Bank | Rakuten(100%) | Credit Card, Securities, Insurance, Foreign Exchange, Mortgage |
| | AEON Bank | AEON(100%) | Cash Withdraw, Wire Transfer, Loan |
| | Seven | 7-11(50%), Ito YoKado(50%) | Cash Withdraw, Foreign Transfer, Deposit, Loan |
| | Jibun Bank | KDDI(50%), MUFG(50%) | Deposit, Foreign Exchange, Mortgage, Credit Card, Stock Investment, Mutual Fund |
| | Japan Net Bank | Yahoo(41.16%), SMBC(41.16%) | Foreign Exchange, Investment Trust, Loan |
| | Daiwa Next Bank | Daiwa Securities Group(100%) | Deposit, Foreign Exchange |
| | SBI Net Bank | SMBC(50%), SBI Holdings(50%) | High interest rate financial product, Deposit, Loan |
| | Sony Bank | Sony Financial(100%) | Foreign Exchange, Investment Trust, Loan |

Steady growth in Taiwan's domestic consumption and mobile payment penetration rate



- Taiwan's consumption continues its steady growth and mobile payment penetration rate is expected to reach 60% in 2020

Digital banks in Taiwan

Commercial banks have developed their digital banking platform as a sub-brand to reach out to the young generation

Richart

By Taishin Bank

Registered User
Approx. 600,000

Services

- High interest rate saving
- Credit Card
- Robo Investment
- Insurance
- Foreign Exchange
- Loan



KOKO

By Cathay United Bank

Registered User
Approx. 100,000

Services

- Credit Card
- Debit Card
- Loan



O-Bank

By O-Bank

Registered User
Approx. 260,000

Services

- High interest rate saving
- Credit Card
- Robo Investment
- Insurance
- Foreign Exchange
- Loan, Mortage



Digital banks in Taiwan

The Financial Supervisory Commission plans to issue the first two virtual banking licenses

Next Bank

- Major shareholders with government background

Major Shareholders

- Chunghwa Telecom(41.9%)
- Mega Financial Holding
- PX Mart
- SKBank



中華電信
Chunghwa Telecom

Line Bank

- Significant amount of active user in Taiwan
- Successful experience with Line Pay

Major Shareholders

- Line(49.9%)
- Standard Chartered
- Fubon
- CTBC
- Union Bank



Rakuten Bank

- Extensive experience with operating digital bank in Japan

Major Shareholders

- Rakuten(51%)
- Waterland Financial Holding

