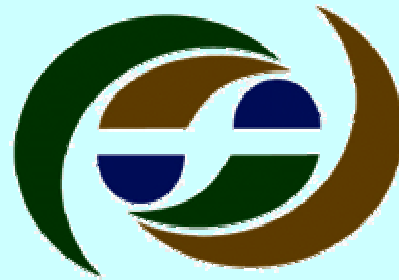
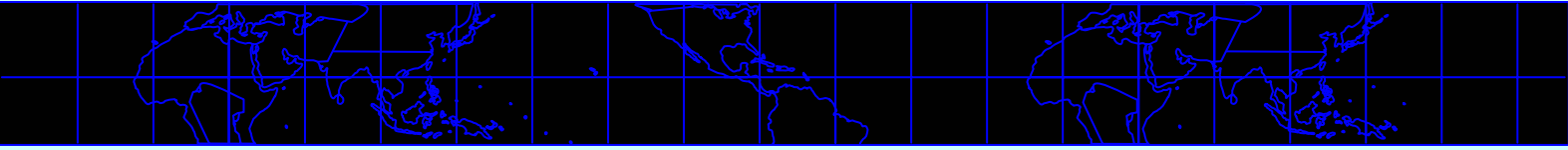




Financial Reforms and Restructuring



Gary Tseng
Director General of Banking Bureau, FSC
October, 2006



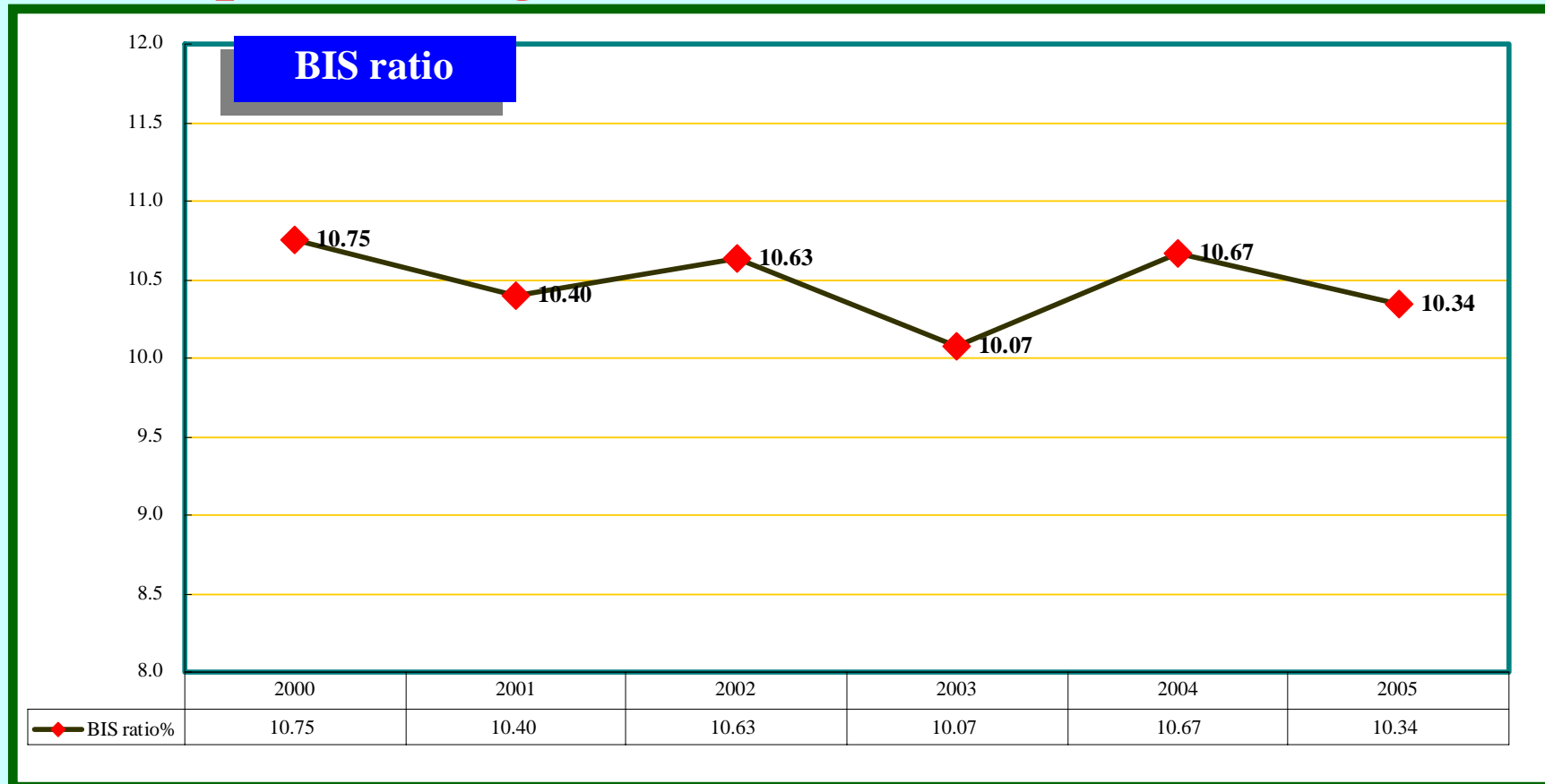
Outline

- ❖ **Overview of Taiwan's banking industry**
- ❖ **Financial Market Development Program**
- ❖ **Conclusion**



Overview of Taiwan's banking industry(1)

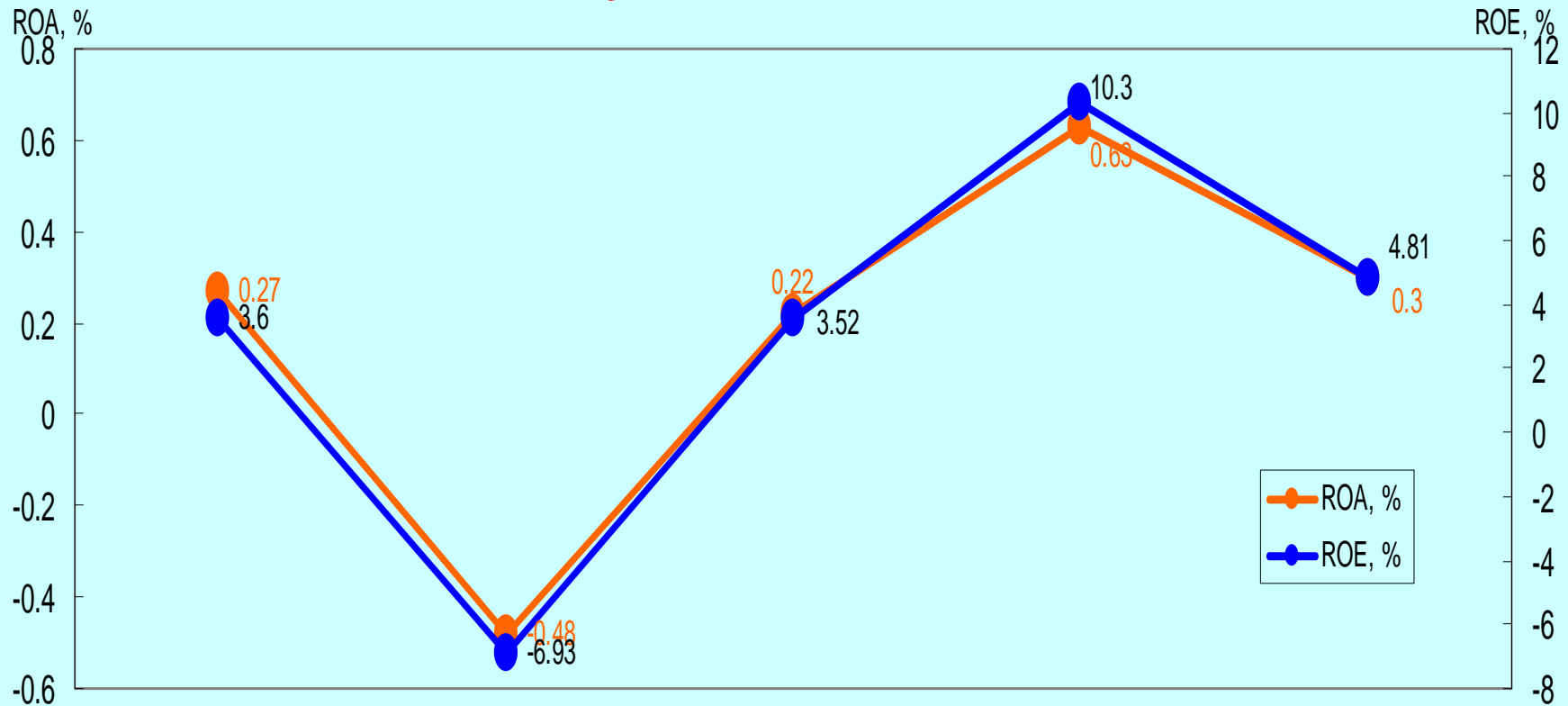
■ Capital strength





Overview of Taiwan's banking industry(2)

■ Low Profitability

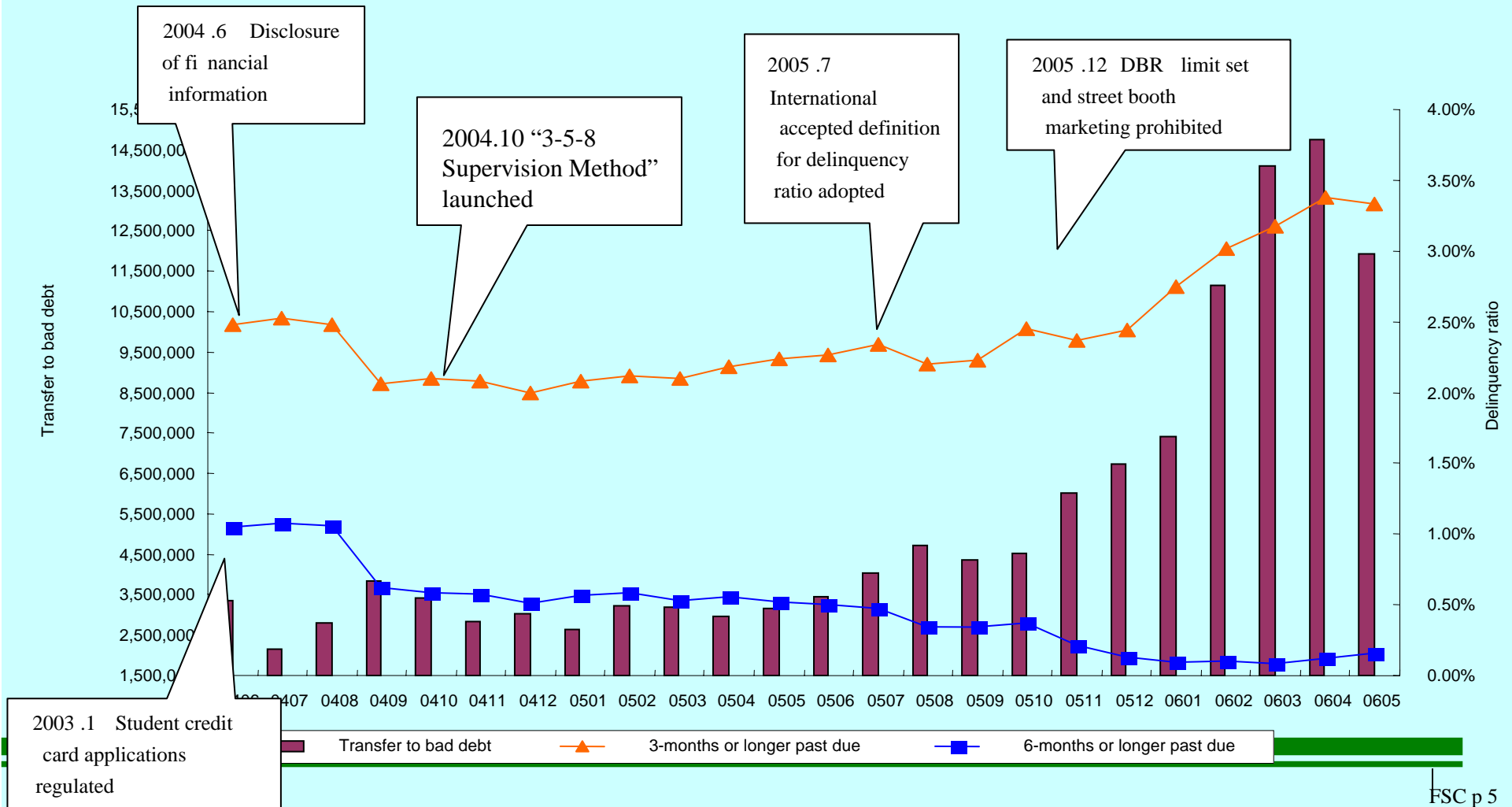


- ROA : from -0.48% in 2002 to 0.63% in 2004 but decreased to 0.30% in 2005
- ROE : from -6.93% in 2002 to 10.30% in 2004 but decreased to 4.81% in 2005



Overview of Taiwan's banking industry(3)

Credit Card Delinquency Ratio and Monthly Write - off Amount





Overview of Taiwan's banking industry(4)

■ **Cards Debt Issue**

- ❖ **Credit card and Cash card debt issues have been under control.**
 - **Payment past due over 3 months decreased by 1.83% in June 2006.**
 - **Monthly write-off amount of credit and cash cards decreased from NT\$ 18 billion in May 2006 to NT\$ 12 billion in June 2006.**



Financial Market Development Program

➤ **Vision:**

Prospering Financial Services Industry

- Strengthening competitive mechanism.
- Establishing a diversified, internationalized, stable, and reliable financial market.

➤ **Three Main Goals:**

Financial sector –

- Growth
- Profitability
- Competitiveness

Consumers & investors

- Confidence
- Security
- Satisfaction

Real sector –

- Financial intermediation
- Economic growth



Financial Market Development Program

➤ **Eight Key Tasks**

■ **Financial Market Area:**

- ◆ **Developing the fixed income product market**
- ◆ **Developing an international bond market**
- ◆ **Raising the ratio of institutional investment in the equity market**
- ◆ **Increasing the number of high-quality listed companies**
- ◆ **Promoting protection- and annuity-type insurance products**

■ **Financial Sector Area:**

- ◆ **Restructuring the banking market**
- ◆ **Speeding up financial industry internationalization**
- ◆ **Establishing an internationally competitive tax environment for financial market**



Financial Market VIP Flagship Plan

Value-added
Innovation
Prosperity

Restructuring
the Banking
Market

Developing
International
Bond Market

Expanding
Insurance
Products

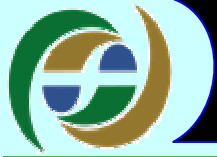
Financial Market VIP Flagship Plan



Financial Market VIP Flagship Plan

❖ **Bank market restructuring**

- ❑ Decrease the market share of banks with government ownership by disposing shareholdings.
- ❑ Enhance bank supervision to build up a fair and competitive environment.
- ❑ Strengthen corporate governance and increase the number of independent directors.
- ❑ Increase the profit contribution from overseas branches, subsidiaries, and OBUs by 21% annually.



Financial Market VIP Flagship Plan

❖ International Bond Market

□ Objective:

- Cumulative issuance is projected to reach NT\$100 billion by 2009.

□ Related benefits:

- Transaction volume of fixed income products increases by 12% annually to NT\$450 trillion in 2009.
- Outstanding issuance of securitization products increases by 22% annually to NT\$450 billion in 2009.
- Internationalize trading, clearing, and settlement system.
- Provide new financial instruments, such as cross-currency futures for hedging currency risk.



Financial Market VIP Flagship Plan

❖ **Expanding Insurance Products –**

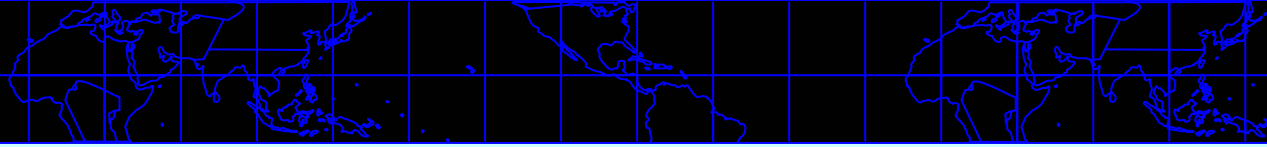
Promoting protection- and annuity-type insurance products

- ❑ Annuity insurance premium increases by 4% annually to NT\$70billions in 2009.
- ❑ Average life insurance coverage increases by 5% annually to 1million in 2009.
- ❑ The number of Protection- and annuity-type insurance products increases by 8% annually to 200 in 2009.



Conclusion

- **Continue to liberalize and globalize the financial market**
- **Promote financial consolidation**
- **Make banks become regional players**



THANK YOU!

