



Banking Executive Index (BEI) Newsletter

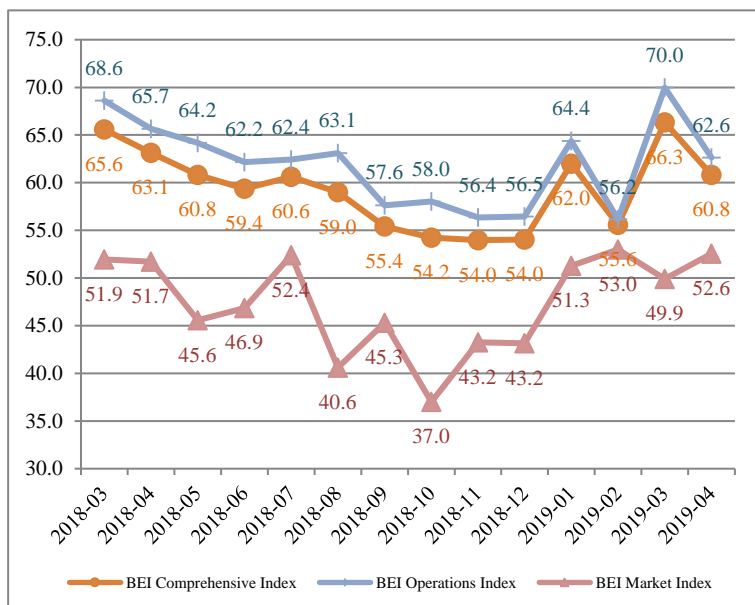
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April Highlights

- **Trade negotiations continue to move in a positive direction, housing speculation prohibited**
The US announced that the 1Q Personal Consumption Expenditure Price Index increased only 1.3%, far below the 1.8% in the previous quarter. This index is watched closely by the Fed, so it has a strong impact on interest rate decisions, and it also caused bankers to forecast a decline in the market. US-China trade talks are proceeding smoothly, and the trade war is entering the final stage. US stocks hit new highs, and Chinese economic data in April showed signs of stabilization; bankers are optimistic about Taiwanese stocks. With increased foreign investment into emerging Asian markets, bankers expect NTD appreciation. For housing, capital returning to Taiwan now may not be invested in real estate for a period of 5 years, turning bankers' views of the market more negative.
- **Financial crisis in Tatung subsidiary; expectations down from previous high; bad debt coverage trended upwards**
The BEI Operating Index reached a record high last month. This month, income and profit both fell, but the overall index remained positive. Impacted by financial restructuring of Tatung's subsidiary, bankers' bad debt coverage rate has risen consistently since January, indicating higher awareness of credit risk. With the implementation of IFRS 9, bad debt provisioning principle is changed to the depreciated expected credit loss model. Bankers are paying close attention to pressures on growth this year and the expected impact on business.
- **Highlighted domestic and foreign economic trends and operating conditions in April:**
1. Progress in US-China trade negotiations; 2. Brexit developments; 3. Chinese economic and debt problems; 4. US-Europe trade frictions; 5. Global central bank policy loosening; 6. Higher domestic interest rates; 7. The impact of the delisting of Tatung's subsidiary on business confidence; and 8. Competitive pressure from virtual banks.

BEI Trends

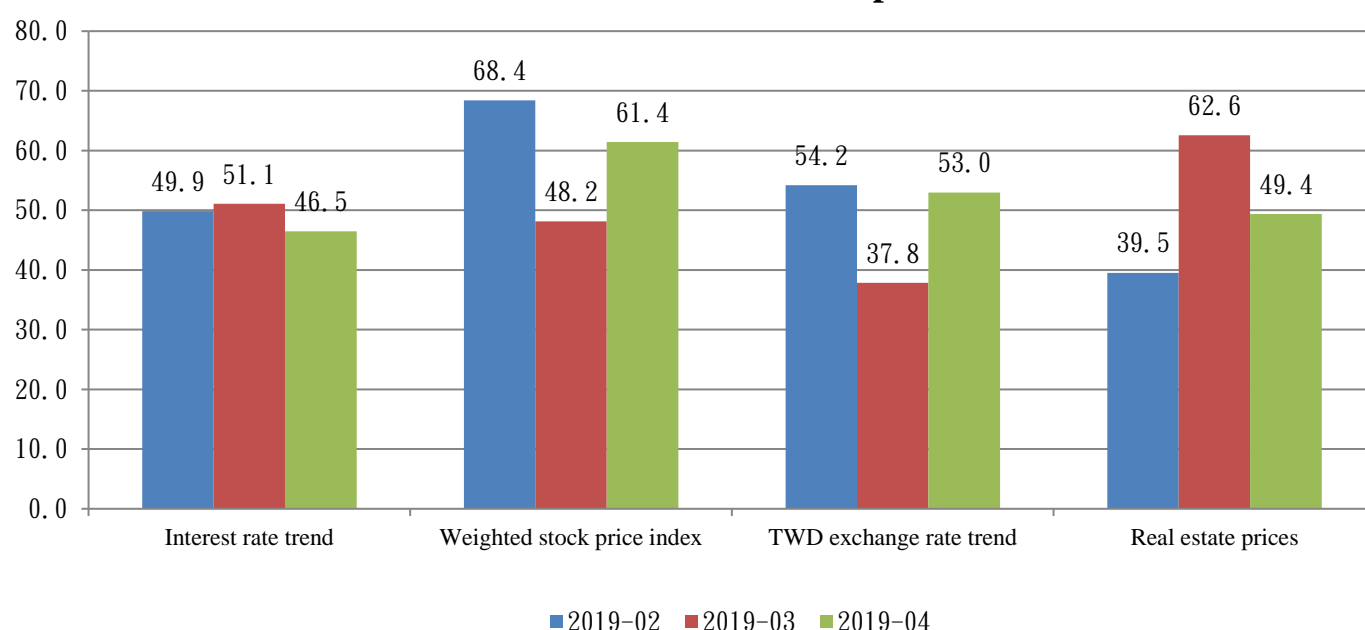


Data source: TABF

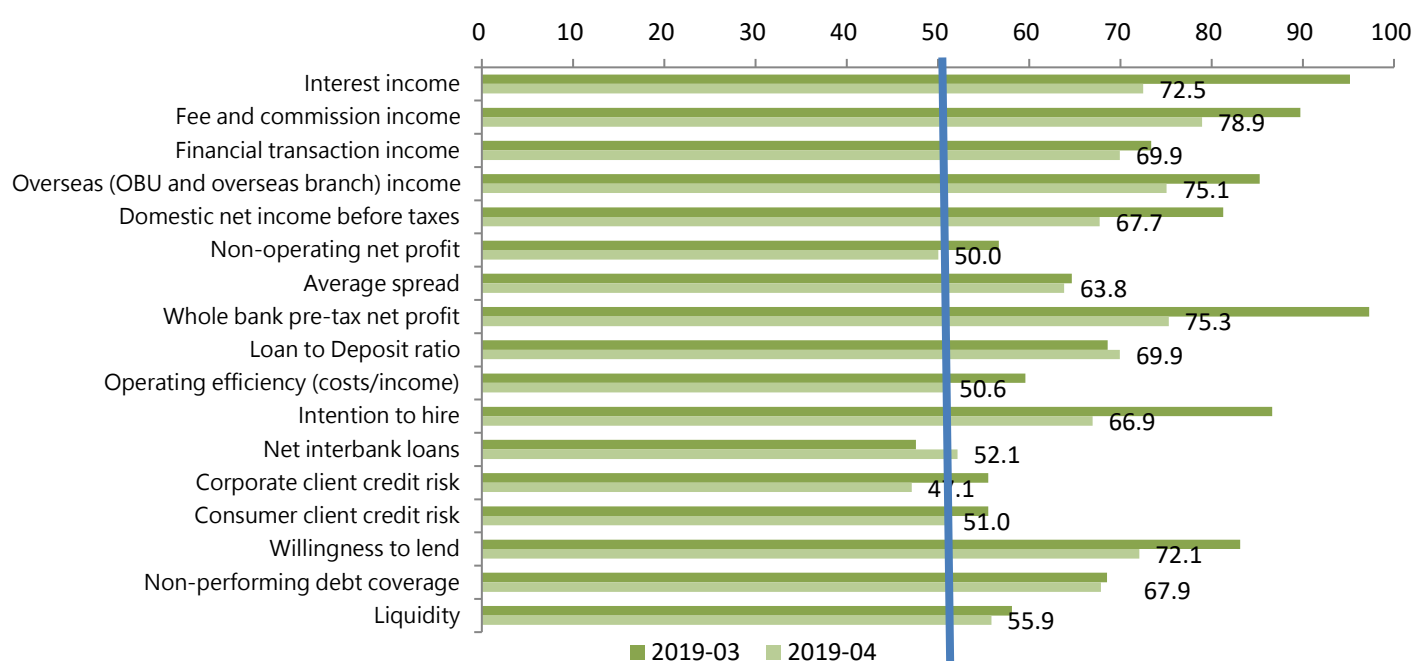
The BEI Comprehensive Index scored 60.8 in April 2019, down 8.3% from the 66.3 points in March. The BEI Operations Index scored 62.6, down 10.57% from 70. Income and profit indicators were down from last month, but still within the growth range. Affected by the delisting of Tatung's subsidiary, the bad debt coverage index increased continuously from 47.1 in January to 67.9 this month. Risk aversion in lending has continued to rise, reflecting increased provisioning for bad debts. Credit risk for corporate borrowers has fallen to a negative range.

The BEI Market Index scored 52.6, up 5.41% from 49.9. Central banks around the world have turned dovish, and the May FOMC meeting is expected to maintain the current rate. Views on rates declined slightly to 46.5 points. With trade talks progressing, and China's economic data showing stabilization in April, US stocks reached new highs and the index for Taiwanese stocks reached 61.4 points. With the return of foreign capital to emerging Asian markets, the Taiwan stock market reached 11,000, causing expectations for the NTD to rise to 53 points. The score for real estate fell to 49.4 points. The recent *Regulations on the Use and Taxation of Foreign Remittances* prevent returning capital from being invested in real estate for 5 years, causing slightly more pessimism on real estate.

BEI - Market Index Components



BEI - Operations Index Components



Changes since last month

Rank	Best performing indicators	Worst performing indicators
1	Net interbank loans	Interest income
2	Loan to Deposit ratio	Intention to hire
3		Whole bank pre-tax net profit
4		Domestic net income before taxes
5		Corporate client credit risk

Data source: TABF