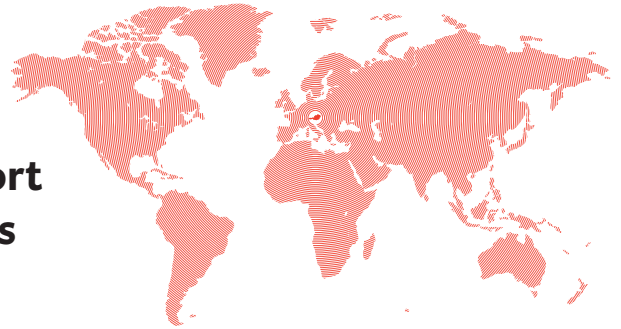


Oberbank

Economic and Banking Report

Global Financial Institutions



Taiwan

Economic situation

> GDP 2021: +5,7 %

An island state characterised by tradition and modernity. Away from traditional structures in the economic and infrastructural sector, Taiwan shines with a highly developed high-tech industry. In particular, its expertise in the "high-end" sector, which includes the production of semiconductors, ICT technologies (information and communication technology) and LCDs (liquid crystal displays), supports and further expands the country's central position in the global value chain.

Taiwan is one of the highest-income markets in Asia, is considered a classic export country and generates 60 % of its GDP through foreign trade. Exports of goods (compared to services) play a predominant role. The main customer for Taiwanese goods exports is China, with a 40 % share. In addition to a general dependence on the key sector of the electronics industry, the country is

heavily dependent on the economic cycle of the Chinese market.

The first steps towards diversifying Taiwan's procurement and sales markets were taken by opening up trade policy in the direction of ASEAN (Association of Southeast Asian Nations). This is intended to facilitate the acquisition of industrial land in order to boost the reshoring project as a result. This is understood to mean the resettlement of companies in domestic markets. Despite the pandemic, the strong increase in gross fixed capital formation due to the reshoring of companies, solid consumer demand and a low unemployment rate stimulated the economy, resulting in economic growth of 3.4 % in 2020, 5.7 % in 2021, and 5.7 % in the current year. of 5.7 % in 2021, and 3.2 % is forecast for 2022.

The current unemployment rate is a moderate 4.4 %, so Taiwan is strugg-

ling with a continuing brain drain, the migration of highly qualified workers abroad, in addition to the advancing ageing of the population. With a projected brain drain of 7.2 % in 2021, Taiwan is considered the most affected nation worldwide. The reason for this is Taiwan's still low wage level, which allows many workers to be lured away, especially by companies based in China.

Brain drain – Taiwan most affected globally

After a slight deflation of 0.2 % in 2020 and inflation of 2 % in 2021, inflation of 2.4 % is forecast for 2022. This is due to accelerated post-covid consumer demand on the one hand and the continued strain on supply chains on the other.

Transforming Taiwan into an innovation-driven economy

> "Smart & Green City" in planning

Apart from the general investments in Taiwan's infrastructure in the area of water supply, municipal infrastructure and digitalisation, several major projects are planned as part of the "5+2 innovative industries plan". In addition to the ICT digitisation offensive, these include the promotion of biotechnology and medical technology, the expansion of green energy, mechanical engi-

neering, smart machinery, the defence industry, the circular economy and the modernisation of agriculture.

In addition, a massive increase in the share of energy from renewable resources is planned, with the aim of achieving climate neutrality by 2050. The focus is primarily on the construction of new wind farms, solar and hydropower plants.

Summary:

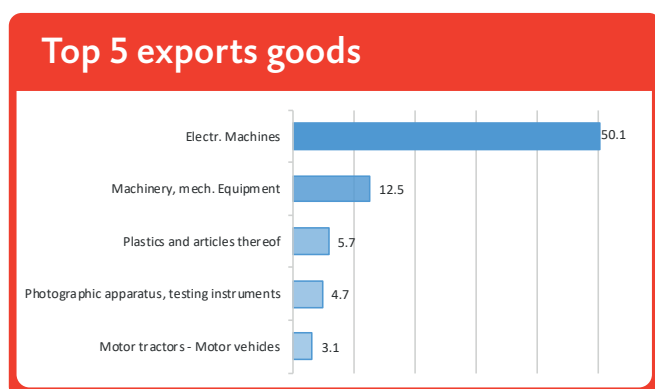
- Exports responsible for 60 % of GDP
- GDP growth 2021: 5.7 %
- One of the highest-income markets in Asia
- „5+2 innovative industries plan“ as innovation driver of the economy
- Investment in the „5+2 innovative industries plan“ as an economic driver
- Brain drain and ageing as challenges of the labour market

Key economic figures	2020	2021	2022*	2023*
Nominal GDP in billion USD	669.2	751.3	793.1	806.0
Gross domestic product/capita at purchasing power parity in USD	58,421	64,240	68,588	72,062
Population in millions	23.6	23.4	23.5	23.5
Real economic growth in %	+3.4	+5.7	+3.2	+2.3
Inflation rate in %	-0.2	2.0	2.4	0.8
Unemployment rate in %	3.8	4.4	4.2	4.0
Exchange rate NTD to EUR; 1 Euro = in NTD	33.76	33.17	31.19	31.74
Goods exports of the country in billion USD	342.2	464.6	508.0	522.9
Goods imports of the country in billion USD	267.5	378.4	417.5	438.0

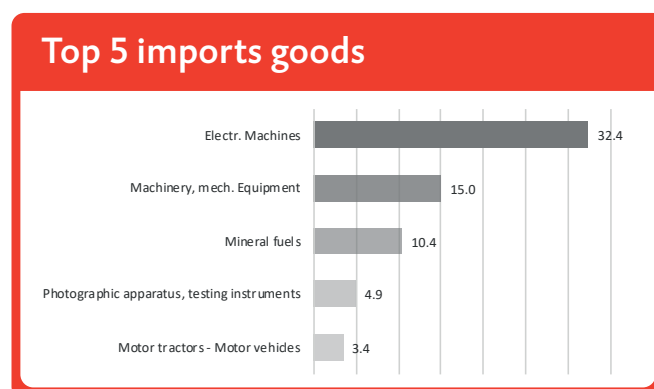
Source: WKO, Wirtschaftsbericht, March 2022
*forecast

Exports/Imports

China is the most important export and import country for Taiwanese goods, accounting for around 29 % and 20 % respectively. After Hong Kong and Japan, the USA is the third most important trading partner. The main export sector is electrical machinery, which accounts for an outstanding share of over 50 %.



Source: WKO, Länderprofil, February 2022; 2020 in %.



Economic relations with Austria and the Oberbank regions

With a record foreign trade volume of more than EUR 1.8 billion in 2021, Taiwan is one of Austria's most important Far Eastern trading partners. The island state also maintains a lively trade relationship with Germany. Germany is considered Taiwan's most important European trading partner.

> Taiwan's exports to Austria

In 2021, Taiwan's exports to Austria recorded an increase of 28.2 %, which is mainly attributable to growth in the items "electrical machinery", "road vehicles" and "metal goods". In addition, Taiwan is developing into one of the leading manufacturers of semiconductors, making electronic devices such as computers, laptops and smartphones among Austria's top import goods.

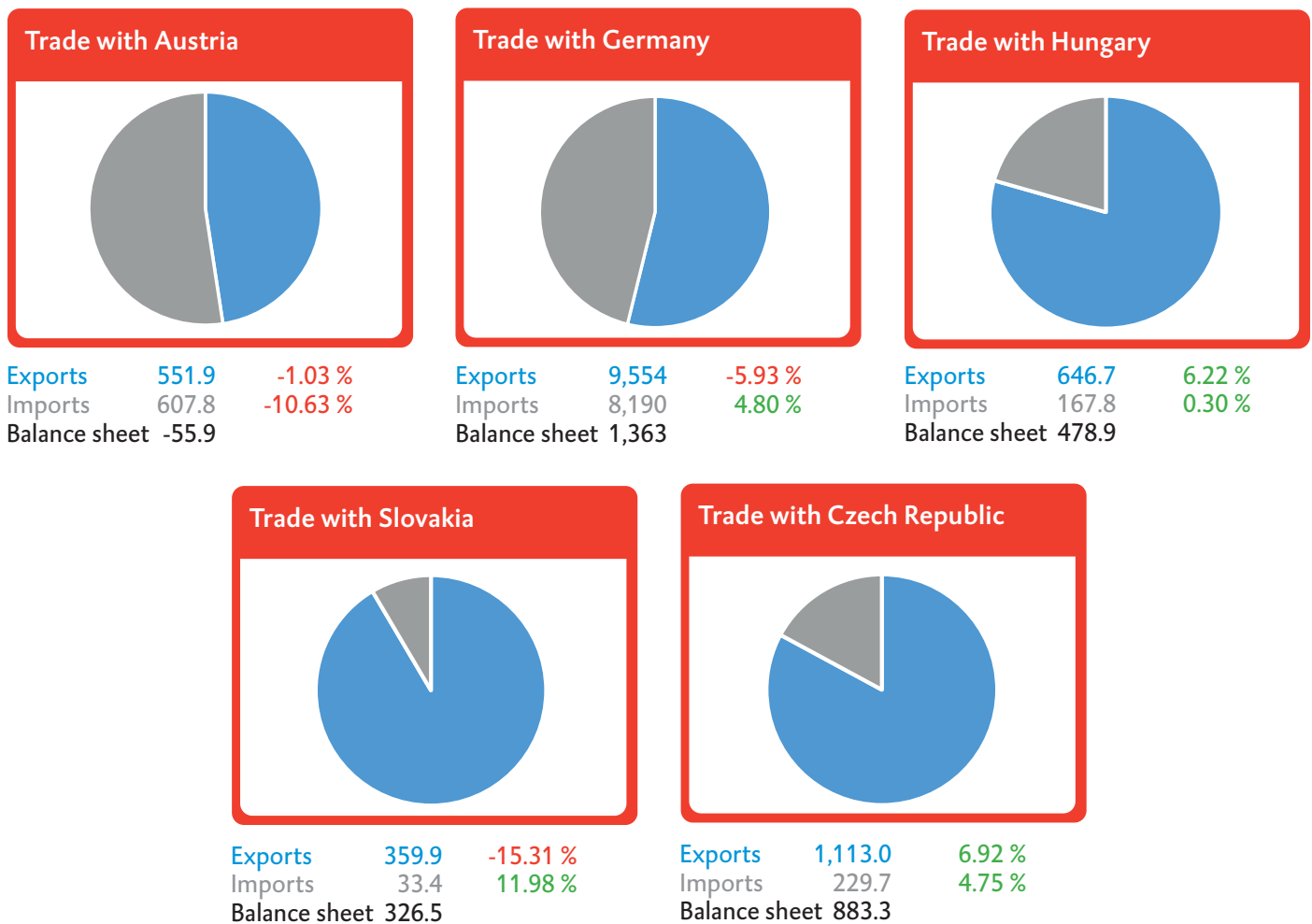
Taiwanese exports to Austria 2021: +28.2 %

> **Austria's exports to Taiwan**

By far the most important export item, "machinery and equipment", recorded a strong increase of 49 % in 2021. However, official figures on Austria's exports to Taiwan do not reflect the country's actual importance as a market. Numerous Taiwanese companies are located in China and purchase Austrian products. The increasing demand for machinery for the semiconductor industry also opens up excellent business opportunities for Austrian companies.

Austria's exports to Taiwan 2021: +34.6 %

Taiwan's foreign trade



2020, Change YOY, in EUR million
 Imports, exports and balance from Taiwan's perspective; own presentation
 Source: Trademap

Assessment of the business environment

Climate Change Performance Index 2022	Rank 58 of 64 countries
Corruption Perceptions Index 2021	Rank 25 of 198 countries
Global Competitiveness Index 2019	Rank 12 of 141 countries
Rule of Law Index (World Justice Project) 2021	-
Most important goods export market AT/DE 2020	Rank 32/ Rank 30

Current rankings of Oberbank regions in the Corruption Perceptions Index:

Germany	10
Austria	13
Czech Republic	49
Hungary	73
Slovakia	56

In terms of competitiveness and the prevention of corruption, Taiwan is ranked in the top 10 %, ahead of its most important Asian competitors China and

South Korea. This once again underpins the economic potential of the island state. On the other hand, there is a clear need

for action regarding climate-friendly economic strategies. With a rank of 58 out of 64, Taiwan ranks in the bottom 10 % worldwide in this assessment.

Rating Taiwan

> Investment Grade

Agency	Rating	Outlook	Date
Fitch	AA	Stable	10.09.2021
Moody's	Aa3	Positive	24.02.2021
S&P	AA	Positive	22.04.2021

Source: FitchConnect

Double A ratings with stable or positive outlook for the country

Taiwan was reassessed by all three major rating agencies last year. Both Fitch and S&P upgraded the nation from "AA-" to "AA". Fitch justifies this upgrade with Taiwan's comparatively moderate handling of the Covid 19 pandemic.

In addition, robust export performance, political stability, strong institutional capacity, effective rule of law and low levels of corruption strengthen this rating. S&P also bases its assessment on these indicators and forecasts a positive

outlook despite increasing geopolitical risks with China. The key factor here is the strong external demand for electronics exports.

Taiwan's largest banks

Place	Bank	Total Assets
1	Bank of Taiwan	192,211
2	CTBC Bank Co Ltd	160,576
3	Taiwan Cooperative Bank	138,865
4	Mega International Commercial Bank Co Ltd	122,888
5	First Commercial Bank Ltd	122,626
6	Taipei Fubon Commercial Bank Co Ltd	117,020
7	Cathay United Bank Co Ltd	114,977
8	Hua Nan Commercial Bank Ltd	107,693
9	E.Sun Commercial Bank Ltd	104,920
10	Land Bank of Taiwan	100,176*

Total assets as of 31.12.2020 in USD million; * consolidated as of 31.12.2019
Source: Bankers Almanac, download on 21.03.2022

Oberbank-Expertise

Banks shaded in grey:

Oberbank has an active relationship (SWIFT/RMA) with these relationship banks and can thus present documentary transactions for customers. Payment transactions are also possible with all banks in Taiwan via our clearing bank partners.

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Status: 28.04.2022

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GFI-Status: April 2022

Oberbank AG, legal form: public limited company, registered office: Linz, company register no. FN 79063 w, Linz Regional Court, DVR: 0019020.

Oberbank AG, German branch, registered office: Munich, registration number: HRB 122267, Munich Local Court, branch managers and permanent representatives: Robert Dempf, Bernd Grum, Stefan Ziegler, Manuel Leitner.

Oberbank AG, head office: Linz, Austria, legal form: public limited company, company register number: FN 79063 w, Linz Regional Court, Management Board: Chairman CEO Dr. Franz Gasselsberger, MBA, Management Board Director Mag. Dr. Josef Weißl, MBA, Management Board Director Mag. Florian Hagenauer, MBA, Management Board Director Martin Seiter, MBA, Supervisory Board Chairman: Dr. Andreas König.