

### 3.4 General assessment of Taiwan's financial system

Overall, the financial system in Taiwan remained sound and resilient in 2024. In financial markets, the outstanding amount of bill and bond issuance expanded, and trading volume in the secondary market increased. Domestic stock indices of TWSE- and OTC-listed companies repeatedly hit new highs with active trading. The NT dollar broadly showed a moderate depreciating trend with relatively low volatility. Regarding financial institutions, domestic banks continued to post record-high profits, with sound asset quality and adequate capital levels. Life insurance companies saw a notable rebound in profits, greater momentum for premium income growth, and an increase in the average RBC ratio. Bills finance companies also experienced improved profits, with the guarantee business expanding. With respect to financial infrastructure, domestic payment and settlement systems operated smoothly. The Bank and the FSC made timely regulatory revisions and adopted due supervisory measures to facilitate the stable development of the financial sector. Meanwhile, appropriate measures were implemented to address climate risks with the aim of mitigating potential impacts therefrom. Overall, Taiwan's financial system remained largely stable throughout 2024.

Entering 2025, against a backdrop of uncertainty surrounding the new US administration's policy direction, domestic stock indices declined sharply before gradually rebounding; the NT dollar exchange rate movements became more volatile but remained relatively stable over the longer term; the money and bond markets also continued to exhibit subdued volatility. Meanwhile, the asset quality of financial institutions was not significantly affected under the circumstances, with average NPL ratios remaining at historical lows. However, should the impact of US tariff policies cause Taiwan to record a reduction in exports, declines in corporate revenues, or a rise in unemployment, the debt servicing capacity of corporate and household sectors – the main borrowers of financial institutions – could be impaired. This may result in higher credit default risk, which would in turn adversely affect the asset quality, profitability, and capital adequacy of financial institutions.

Moreover, heightened volatility in both domestic and international financial markets could dampen the investment performance of financial institutions, particularly life insurance companies, which hold sizable investment portfolios in both domestic and foreign markets and are more exposed to market risks. The Bank will continue to closely monitor developments in US tariff policies and related negotiations between the US and other major economies, so as to identify potential risks and to respond in a prudent manner.