

2. Banking Sector

Number of Monetary Financial Institutions

At the end of 2021, the number of monetary financial institutions (defined hereafter in this chapter as excluding the central bank) increased to 404. The number of domestic banks increased by one with the opening of LINE Bank. The number of foreign and Mainland Chinese banks increased by one as PT Bank Rakyat Indonesia (Persero) Tbk. set up its branch in Taiwan. As for money market mutual funds, the number remained zero after the last remaining fund was liquidated in May 2017. The numbers of the other types of monetary financial institutions all stood unchanged.

In addition to monetary financial institutions, the number of financial holding companies was 16, the same as 2020.

Number of Monetary Financial Institutions by Type

Types of Institutions	End of 2021	End of 2020	Annual Change
Total Number of Main Offices	404	402	2
Domestic Banks	39	38	1
Foreign and Mainland Chinese Banks	30	29	1
Credit Cooperatives	23	23	0
Credit Departments of Farmers' and Fishermen's Associations	311	311	0
Chunghwa Post	1	1	0
Total Number of Branches	6,098	6,090	8
Local Branches	5,887	5,885	2
Overseas Branches	152	146	6
Offshore Banking Units	59	59	0

Sources: 1. *Financial Statistics Monthly* (February 2022), CBC.
2. Department of Financial Inspection, CBC.

Market Shares of Deposits and Loans

At the end of 2021, domestic banks maintained a dominant role in the deposit market, with the market share rising further to 80.55%. Such a phenomenon was primarily due to a more sizeable increase in the deposits of domestic banks, resulting from continued credit growth and ample market liquidity, as well as inward remittances of firms' overseas sales revenues. By contrast, the deposit market shares shrank for most of the other types of monetary institutions, with the departments of savings and remittances of Chunghwa Post taking up a share of 12.56%, the credit departments of farmers' and fishermen's associations 4.08%, credit cooperatives 1.52%, and branches of foreign and Mainland Chinese banks 1.29%.

In terms of loans, the market share of domestic banks rose to 90.53%, owing to stronger funding needs of enterprises fueled by the global economic recovery and Taiwan's robust exports, along with sustained growth in the housing market. Furthermore, public enterprises increased borrowing from domestic banks to facilitate their efforts in line with the national energy transition plan. In contrast, foreign and Mainland Chinese banks' market share declined to 3.99%. For the other institution types, Chunghwa Post's market share remained at 0.02%. For

credit departments of farmers' and fishermen's associations and credit cooperatives, which tend to have higher lending rates, their market shares continued to drop to 3.80% and 1.66%, respectively.

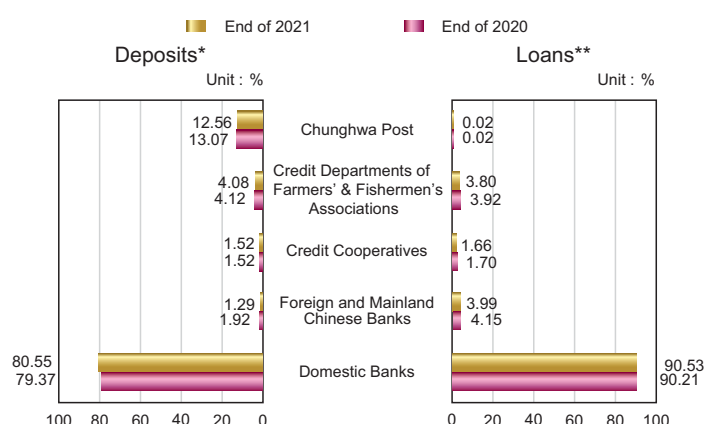
Main Sources and Uses of Funds in Monetary Financial Institutions

At the end of 2021, the total amount of funds in monetary financial institutions was NT\$60,130 billion, increasing by NT\$3,748 billion compared to the end of 2020. The combined share of transaction and nontransaction deposits was around 85%. Against a backdrop of abundant market liquidity, the balances of transaction deposits and nontransaction deposits kept growing, posting annual growth rates of 11.92% and 4.30%, respectively.

In the case of fund uses, bank loans still accounted for over 50% of total uses of funds at the end of 2021. Owing to strong export growth bolstered by a global economic upturn as well as an increasing funding need among public and private enterprises, the year-end loan balance of monetary financial institutions expanded by 7.99%, or NT\$ 2,479 billion, over the previous year end, picking up to a rate faster than the 7.18% of 2020. As for net foreign assets, owing to active deposit absorption by their overseas branches, the foreign liabilities of monetary financial institutions increased, causing the annual growth rate of net foreign assets to fall sharply from 23.87% at the end of the previous year to 0.96%.

Portfolio investments by monetary financial institutions measured on a cost basis showed an annual growth rate of 10.66% in 2021. As for banks' purchases of certificates of deposit issued by the central bank, its annual growth rate decreased significantly from 16.60% at the end of the previous year to 3.59%, but its share of funds used remained stable at about 16%.

Market Shares of Deposits and Loans by Category of Monetary Financial Institutions



Notes: * Excluding the values of the host contracts of structured products issued by banks.

** Including data for securities acquired under reverse repurchase agreements.

Source: *Financial Statistics Monthly* (February 2022), CBC.

Main Sources and Uses of Funds in Monetary Financial Institutions¹

Unit: NT\$ billion

	End of 2021			End of 2020			Annual Change	
	Amount	Share (%)	Annual Growth Rate (%)	Amount	Share (%)	Annual Growth Rate (%)	Amount	Share (%)
Sources:								
Transaction Deposits ²	22,318	37.12	11.92	19,940	35.37	17.67	2,378	1.75
Nontransaction Deposits ³	28,902	48.07	4.30	27,710	49.14	5.17	1,192	-1.07
NT Dollar Deposits	21,495	35.75	2.29	21,015	37.27	1.05	480	-1.52
Foreign Currency Deposits ⁴	7,407	12.32	10.63	6,695	11.87	20.63	712	0.45
Government Deposits	1,285	2.14	13.22	1,135	2.01	6.18	150	0.13
Other Items	7,625	12.67	0.36	7,597	13.48	10.19	28	-0.81
Total	60,130	100.00	6.65	56,382	100.00	10.00	3,748	0.00
Uses:								
Net Foreign Assets ⁴	5,174	8.60	0.96	5,125	9.09	23.87	49	-0.49
Loans	33,492	55.70	7.99	31,013	55.00	7.18	2,479	0.70
NT Dollar Loans	32,415	53.91	7.96	30,026	53.25	6.99	2,389	0.66
Foreign Currency Loans ⁴	1,077	1.79	9.10	987	1.75	13.23	90	0.04
Portfolio Investments ⁵	7,508	12.49	10.66	6,784	12.03	5.81	723	0.46
Purchases of CDs Issued by CBC	9,391	15.62	3.59	9,065	16.08	16.60	326	-0.46
Deposits with CBC	4,565	7.59	3.87	4,395	7.80	9.92	170	-0.21

Notes: 1. Monetary Financial Institutions include Domestic Banks, Local Branches of Foreign and Mainland Chinese Banks, Credit Cooperatives, Credit Departments of Farmers' and Fishermen's Associations, Chunghwa Post and Money Market Mutual Funds.

2. Including checking accounts, passbook deposits and passbook savings deposits.

3. Including time deposits, time savings deposits, foreign currency deposits, postal savings deposits, non-residents' NT dollar deposits, repurchase agreements and money market mutual funds.

4. Excluding valuation changes in the exchange rate of the NT dollar against foreign currencies.

5. Measured at original costs.

Source: Financial Statistics Monthly (February 2022), CBC.

Deposits

Because of the continued growth in domestic credit, an abundance of market capital, and the inward remittances of overseas sales revenues by some companies, as of year-end 2021, the deposit balance of monetary financial institutions was NT\$52.5 trillion, an increase of NT\$3.5 trillion compared with the previous year end. However, because of a year-on-year increase in net resident capital outflow and a higher base effect, the annual growth rate of deposits decreased from 9.22% at year-end 2020 to 7.19% at year-end 2021.

In terms of transaction deposits, its annual growth rate decreased from 17.67% at year-end 2020 to 11.92% at year-end 2021 because of a slowdown in the growth of passbook savings deposits.

The aforementioned slowdown was partly due to a higher comparison base in 2020 as many people opted to keep money in more-liquid forms of accounts such as passbook savings deposits in view of the pandemic's impact. Moreover, in 2021, there was a decrease in the balance of securities giro accounts as Taiwan's stock market was dampened by a domestic COVID-19 flare-up, the Evergrande default crisis and China's energy control tightening, and market fears of elevated

US inflation. These developments combined to slow down the growth in passbook savings deposits.

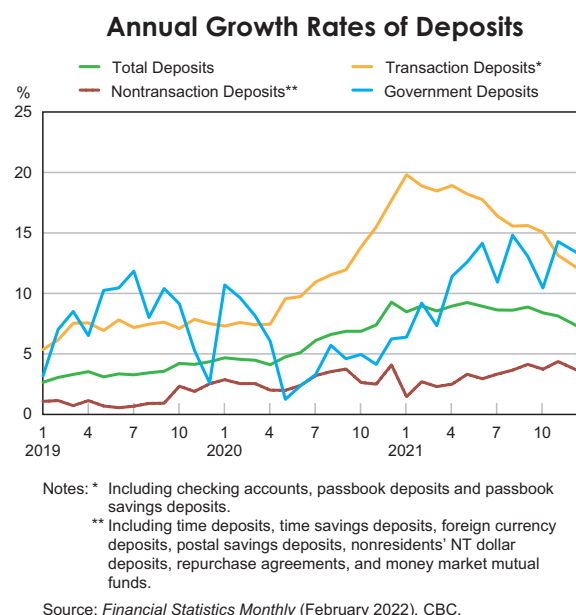
Although the annual growth rate decreased, transaction deposits as a share of total deposits increased to 42.51% at the end of 2021.

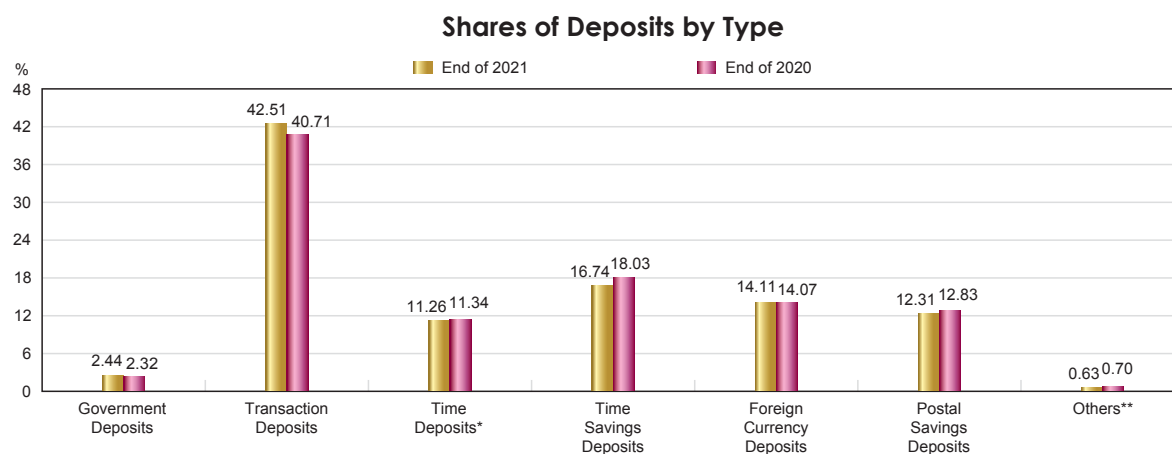
In terms of nontransaction deposits, its annual growth rate decreased from 4.01% at year-end 2020 to 3.56% at year-end 2021 because the growth of foreign currency deposits in 2021 was less than that in 2020. Its share in total deposits also shrank from 56.97% at year-end 2020 to 55.05% at year-end 2021.

The annual growth rate of foreign currency deposits showed a significant decrease in the first half of the year owing to an increase in overseas investment by residents and pension funds, as well as the paying off of foreign loans by some companies. By contrast, the annual growth rate increased slightly in the second half of 2021 owing to an increase in inward remittances of overseas sales revenues. At the end of 2021, the annual growth rate of foreign currency deposits decreased from 14.23% the year before to 7.46%, whereas foreign currency deposits as a share of total deposits grew from 14.07% a year ago to 14.11%.

In 2021, the annual growth rate of time deposits (including negotiable certificates of deposit) increased and then decreased. In the beginning of the year, the amount of pension funds saved as time deposits increased; during mid-2021, many companies delayed cash dividend payments as shareholders' meetings were postponed amid the domestic COVID-19 flare-up and saved the money temporarily as time deposits. As a result, the annual growth rate of time deposits reached a peak of 11.47% in August. Later, as companies began to pay their cash dividends and a financial holding company used the funds in its time deposits to purchase the shares of a life insurance company, the annual growth rate of time deposits slightly decreased. At the end of 2021, time deposits grew faster year-on-year from the previous year's 5.62% to 6.42%, whereas its share in total deposits shrank from 11.34% at year-end 2020 to 11.26% at year-end 2021.

The annual growth rate of time savings deposits continued to decrease in 2021 but at a slower pace. The decrease slowed primarily because of an expansion in 2021 from pension funds moving a part of their money into time savings deposits based on fund scheduling strategies, as well as a lower





Notes: * Including NCDs.

** Including repurchase agreements, nonresidents' NTD deposits and money market mutual funds.

Source: *Financial Statistics Monthly* (February 2022), CBC.

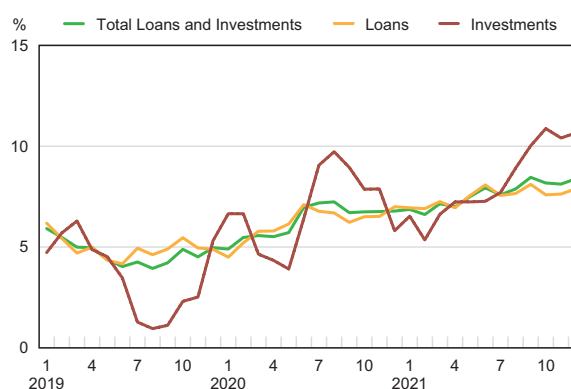
comparison base in 2020 when many savers chose to park their money in highly-liquid passbook savings deposits amid the pandemic as a precaution. Consequently, the annual growth rate of time savings deposits rose from -2.31% the previous year to -0.45%. Regarding postal savings, their annual growth rate increased from 2.00% at year-end 2020 to 2.85% at year-end 2021. At the end of 2021, time savings and postal savings as a share of total deposits decreased from the previous year's 18.03% to 16.74%, and from 12.83% to 12.31%, respectively.

With regard to government deposits, several factors contributed to a broad upswing. Because of an increased public need for relief packages during a domestic pandemic flare-up, the total amount of government bonds issued was higher than that of the previous year. Furthermore, revenue from profit-seeking enterprise income tax and from securities transaction tax both increased significantly, as the provisional tax payment exempted in 2020 as a pandemic relief measure was included by companies in their 2021 payment and transactions in the stock market surged on the back of robust earnings of listed companies. As a result, the annual growth rate of government deposits broadly trended upwards, reaching 13.22% at the end of the year from the 6.18% one year before. Government deposits as a share of total deposits also grew from 2.32% to 2.44%.

Bank Loans and Investments

The annual growth rate of loans and investments of monetary financial institutions was 8.39% at the end of 2021, up from 6.79% at the end of 2020. Growth in loans increased to an annual pace of 7.89% at the end of

Annual Growth Rates of Loans and Investments



Source: *Financial Statistics Monthly* (February 2022), CBC.

2021 from 7.00% at the end of the previous year, while growth in portfolio investment accelerated to 10.66% at the end of 2021 from 5.81% a year earlier.

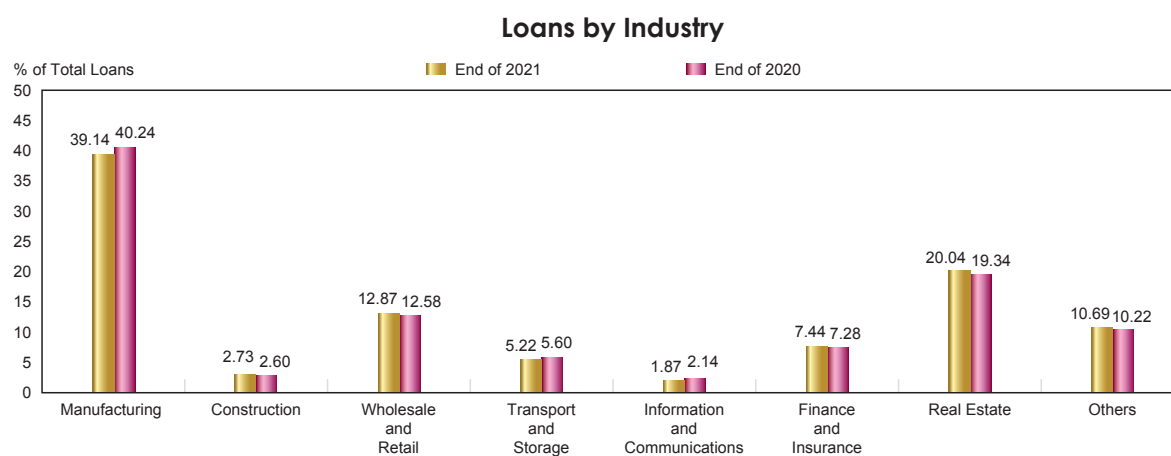
Loans by Sector

The annual growth rate of private sector loans extended by banks (defined in the following paragraphs as including domestic banks and local branches of foreign and Mainland Chinese banks) climbed to 8.27% at the end of 2021 from 7.70% a year earlier. The upturn was mainly due to strong exports and sustained growth in housing loans. The annual growth rate of loans to government enterprises recorded a surge of 27.00% at the end of 2021, a sharp upturn from the 22.38% decline at the end of 2020, as Taiwan Power Company and CPC Corporation increased borrowing from banks to finance energy transition. In contrast, the annual growth rate of loans to government agencies slid from 9.94% to 1.92% at the end of 2021, as the government collected more tax revenues and issued more bonds, leading to a reduction in borrowing from banks.

In terms of loan composition, loans extended to the private sector and to government enterprises accounted for 93.90% and 1.68% of total loans at the end of 2021, respectively, higher than the 93.87% and 1.43% recorded at the end of 2020. Loans extended to government agencies accounted for 4.43% at the end of 2021, lower than 4.70% at the end of the previous year.

Loans by Industry

Broken down by industry sector, bank loans to the manufacturing sector continued to account for the largest portion, at 39.14% at the end of 2021 compared to 40.24% at the end of 2020, with its annual growth rate up from 1.18% to 5.52%. This was mainly attributable to an increase in loans extended to computers, electronic and optical products manufacturing spurred by rapid growth of exports in 2021. Meanwhile, the share of loans extended to the construction industry continued to



Note: Figures include the data of domestic banks and local branches of foreign and Mainland Chinese banks but exclude their data on securities acquired under reverse repurchase agreements.

Source: *Financial Statistics Monthly* (February 2022), CBC.

rise, with its annual growth rate up from 13.23% to 13.78% at the end of 2021, reflecting solid demand for public infrastructure projects, and construction for residential property and new plants.

The share of loans extended to the real estate industry expanded; however, its annual growth rate contracted as a result of soft demand and a higher base effect. In contrast, both the share and the annual growth rate of loans extended to the wholesale and retail industry continued to rise on account of stabilizing consumer demand and robust exports. Meanwhile, the share and the annual growth rate of loans to the finance and insurance industry increased, as a buoyant stock market and rising margin debt drove up demand for bank loans to boost working capital.

Consumer loans

The annual growth rate of consumer loans extended by banks increased from 8.96% at the end of 2020 to 9.00% at the end of 2021. Among them, house-purchasing loans grew by NT\$760.7 billion, or 9.46%, in 2021 mainly because major economies maintained an accommodative monetary policy stance owing to the COVID-19 pandemic and funds repatriation by overseas Taiwanese firms. As for the shares of various types of consumer loans, house-purchasing loans remained the largest component, with its share increasing from 84.13% at the end of 2020 to 84.48% at the end of 2021. Car loans accounted for 1.74%, decreasing from 1.78%, mainly because of the chip and car parts shortage caused by the pandemic. Meanwhile, house-repairing loans, revolving credit for credit cards, employee welfare loans, and other consumer loans accounted for 0.52%, 0.96%, 0.51%, and 11.78%, respectively.

Portfolio Investment

Owing to valuation changes, portfolio investment by monetary financial institutions, measured at fair value, recorded a year-on-year increase of NT\$743.9 billion, while the increase was smaller, at NT\$723.4 billion, when measured on a cost basis.

Portfolio investment by monetary financial institutions, measured on a cost basis, grew at a higher rate of 10.66% in 2021, mainly bolstered by major economies' accommodative monetary policy stances as they were watchful of uncertainties relating to the COVID-19 pandemic and ample liquidity in the domestic financial system.

In terms of tool types, banks and the Department of Savings and Remittances of Chunghwa Post invested more in corporate securities in 2021 as they adjusted their asset allocations, seeking to increase returns on investment amid persistently low interest rates. Government bonds accounted for a share of 51.63%, lower than the 54.96% registered a year ago. At the end of 2021, commercial paper accounted for a share of 20.43%, higher than a year ago. Corporate bonds accounted for a share of 18.76%, increasing from the end of 2020.

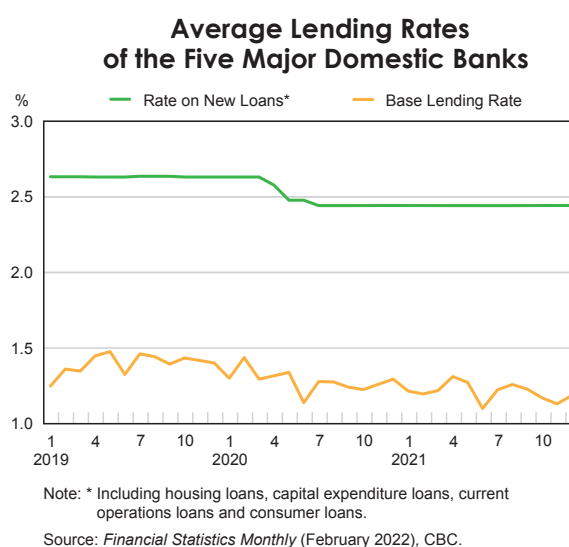
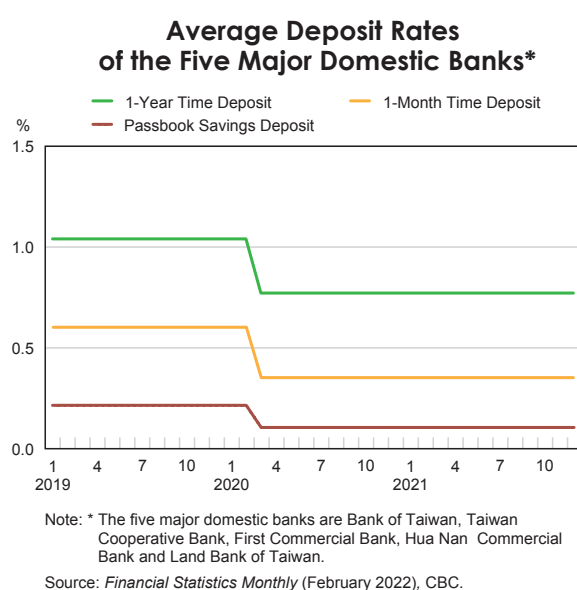
Bank Interest Rates

As the Bank kept policy rates unchanged in 2021, domestic bank interest rates remained steady. Regarding the interest rates of the five major domestic banks, their average fixed rates on one-month and one-year time deposits, respectively, remained at 0.35% and 0.77% at the end of 2021.

In addition, the Bank announced in the December 2021 Board Meeting that if domestic price inflation remains high, the industries affected by the COVID-19 pandemic have recovered steadily, and interest rates in major economies are rising, the Bank will adjust its monetary policy as necessary to meet its statutory obligations.

The weighted average rates on deposits and loans of domestic banks generally showed a slightly downward trend in 2021. In the third quarter of 2021, the deposit rate declined to 0.35% from 0.40% in the fourth quarter of the previous year, mainly owing to the increase in the share of transaction deposits in total deposits and the reduction in the posted interest rate on deposits by some banks. In the fourth quarter, the rate rose to 0.36% as some banks offered higher rates to attract savers and some raised the rates for retiree-oriented deposit programs. On the whole, the weighted average interest rate on total deposits of domestic banks was 0.36% in 2021, which was 0.09 percentage points lower than that recorded in the previous year.

As banks' rates on current operations loans declined in 2021, the weighted average interest rate on new loans of the five major domestic banks decreased from 1.273% in the previous year to 1.200% in 2021, down by 0.073 percentage points. Excluding central government loans, the weighted average interest rate on new loans decreased from 1.302% in the previous year to 1.258% in 2021, down by 0.044 percentage points. Meanwhile, the average base lending rate remained at 2.442% at the end of 2021.



In the third quarter of 2021, owing to the increase in lower-rate borrowings from local governments and the introduction of competitive rate loans by some banks to reduce excess funds, the weighted average interest rate on total loans of domestic banks fell from 1.62% in the fourth quarter of the previous year to 1.60%. In the fourth quarter, the share of government borrowings with lower interest rates declined, but several banks also launched low lending rate offers; consequently, the weighted average rate remained unchanged after taking into account the weight of lending size. For the year as a whole, the weighted average interest rate on loans of domestic banks was 1.60%, which was 0.08 percentage points lower than that recorded in the previous year.

Because the decrease in the average deposit rate was more than that in the average lending rate, the average interest rate spread between deposits and loans widened to 1.24 percentage points in 2021, which was 0.01 percentage points more than that recorded in the previous year.

