

## 2. Banking Sector

### Number of Monetary Financial Institutions

At the end of 2022, the number of monetary financial institutions (defined hereafter in this chapter as excluding the central bank) increased to 406. The number of domestic banks increased by one with the opening of NEXT Commercial Bank Co., Ltd. The number of foreign and Mainland Chinese banks increased by one as KEB Hana Bank 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 decreased to 15. This came about as a result of Jih Sun Financial Holding Co., Ltd. being merged into Fubon Financial Holding Co., Ltd., thereby reducing the number of financial holding companies from 16 at the end of last year to 15.

### Number of Monetary Financial Institutions by Type

Types of Institutions	End of 2022	End of 2021	Annual Change
Total Number of Main Offices	406	404	2
Domestic Banks	40	39	1
Foreign and Mainland Chinese Banks	31	30	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	6,074	6,098	-24
Local Branches	5,863	5,887	-24
Overseas Branches	152	152	0
Offshore Banking Units	59	59	0

Sources: 1. *Financial Statistics Monthly* (February 2023), CBC.  
2. Department of Financial Inspection, CBC.

### Market Shares of Deposits and Loans

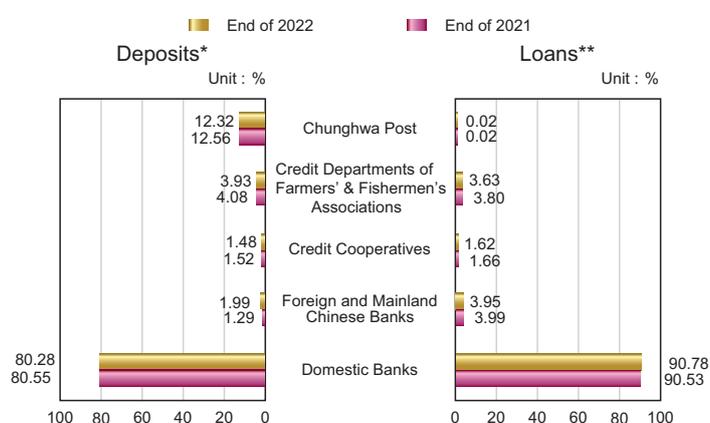
At the end of 2022, while domestic banks maintained a dominant role in the deposit market, their market share declined to 80.28% compared with the previous year end. This was primarily due to a decrease in the annual growth rate of deposits of domestic banks resulting from net foreign capital outflows and slower growth in bank loans and investments. By contrast, the market share of branches of foreign and Mainland Chinese banks rose to 1.99% as their preferential foreign currency

deposit programs attracted more funds. For the other types of monetary institutions, their deposit market shares shrank with the departments of savings and remittances of Chunghwa Post taking up a share of 12.32%, the credit departments of farmers' and fishermen's associations 3.93%, and credit cooperatives 1.48%.

In terms of loans, the market share of domestic banks continued to climb to 90.78%, mainly because of government enterprises' robust demand for funds. In contrast, foreign and Mainland Chinese banks' market share slipped to 3.95%.

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 3.63% and 1.62%, respectively.

### 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 2023), CBC.

### Main Uses of Funds in Monetary Financial Institutions

At the end of 2022, the total amount of funds in monetary financial institutions was NT\$62,310 billion, increasing by NT\$2,209 billion compared to the end of 2021. The combined share of transaction and non-transaction deposits was around 85%. The balances of transaction deposits and non-transaction deposits posted annual growth rates of 2.42% and 5.94%, respectively.

In the case of fund uses, loans still accounted for over 50% of total uses of funds at the end of 2022. Owing to an increase in loans to government enterprises, the annual growth rates of NT dollar loans rose from 7.96% at the end of the previous year to 8.92%. As for net foreign assets, the annual growth rate rose to 10.40% because of an increase in lending to offshore banking units.

Portfolio investments by monetary financial institutions (measured on a cost basis) changed from a growth rate of 10.66% at the end of the previous year to minus 0.55%, mainly due to a decrease in investment in commercial paper. Purchases of certificates of deposit issued by the central bank recorded a contraction of 9.01% from a growth of 3.59% at the end of the previous year, but its share of funds used remained stable at about 14%.

Main Uses of Funds in Monetary Financial Institutions<sup>1</sup>

Unit: NT\$ billion

	End of 2022			End of 2021			Annual Change	
	Balance	Share (%)	Annual Growth Rate (%)	Balance	Share (%)	Annual Growth Rate (%)	Balance	Share (%)
Funds Balance								
Transaction Deposits <sup>2</sup>	22,858	36.68	2.42	22,318	37.13	11.92	540	-0.45
Nontransaction Deposits <sup>3</sup>	30,850	49.51	5.94	29,121	48.45	10.53	1,730	1.06
NT Dollar Deposits	23,023	36.95	7.11	21,495	35.76	2.29	1,527	1.19
Foreign Currency Deposits <sup>4</sup>	7,828	12.56	2.65	7,626	12.69	4.76	202	-0.13
Government Deposits	1,426	2.29	10.92	1,285	2.14	13.22	140	0.15
Other Items	7,176	11.52	-2.73	7,377	12.28	7.00	-202	-0.76
Total	62,310	100.00	3.67	60,101	100.00	17.25	2,209	0.00
Uses:								
Net Foreign Assets <sup>4</sup>	5,645	9.06	10.40	5,113	8.51	-4.50	532	0.55
Loans	36,067	57.88	7.59	33,524	55.77	7.80	2,543	2.11
NT Dollar Loans	35,306	56.66	8.92	32,415	53.93	7.96	2,891	2.73
Foreign Currency Loans <sup>4</sup>	761	1.22	-31.34	1,109	1.84	3.31	-347	-0.62
Portfolio Investments <sup>5</sup>	7,467	11.98	-0.55	7,508	12.49	10.66	-41	-0.51
Purchases of CDs Issued by CBC	8,544	13.71	-9.01	9,391	15.62	3.59	-846	-1.91
Deposits with CBC	4,586	7.37	0.45	4,566	7.61	3.87	21	-0.24

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.

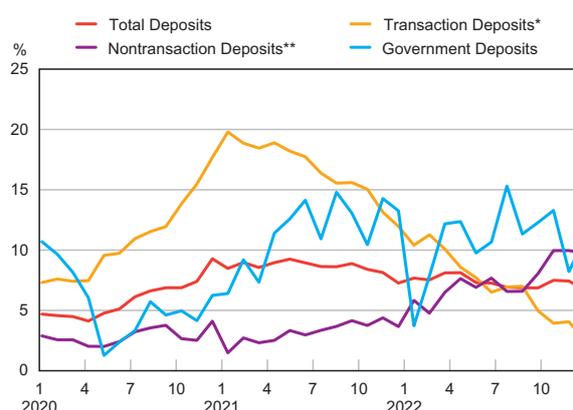
Source: *Financial Statistics Monthly* (February 2023), CBC.

## Deposits

Because of net foreign capital outflows and slower growth in loans and investments, the annual growth rate of deposits of monetary financial institutions declined to 6.63% at the end of 2022 from 7.19% a year earlier. Regarding the composition of deposits, the decline in the annual growth rate was mainly due to slower growth in transaction deposits and government deposits.

In terms of transaction deposits, its annual growth rate significantly decreased to 2.42% at the end of 2022 from 11.92% a year ago because the annual growth rate of passbook

## Annual Growth Rates of Deposits



Notes: \* Including checking accounts, passbook deposits and passbook savings deposits.

\*\* Including time deposits, time savings deposits, foreign currency deposits, postal savings deposits, nonresidents' NT dollar deposits, repurchase agreements, and money market mutual funds.

Source: *Financial Statistics Monthly* (February 2023), CBC.

deposits turned negative and the annual growth rate of passbook savings deposits slowed down. Its share in total deposits also shrank to 40.83% at the end of 2022 from 42.51% a year ago.

The annual growth rate of passbook deposits turned negative in 2022 mainly due to an increase in corporate payments for profit-seeking enterprise income tax and cash dividends, and a shift of funds from property and casualty insurers' passbook deposit accounts to policyholders' passbook savings deposits by way of increased payments for pandemic-related insurance claims.

The annual growth rate of passbook savings deposits slowed down because of a decrease in the balance of securities giro accounts as Taiwan's stock market was dampened by the impacts of the Russia-Ukraine war, the ongoing interest rate hikes by the Fed, and foreign investor net sales of Taiwanese stocks. In addition, the Bank raised the policy interest rates four times in 2022, prompting depositors to move from passbook savings into time savings deposits in search of higher returns.

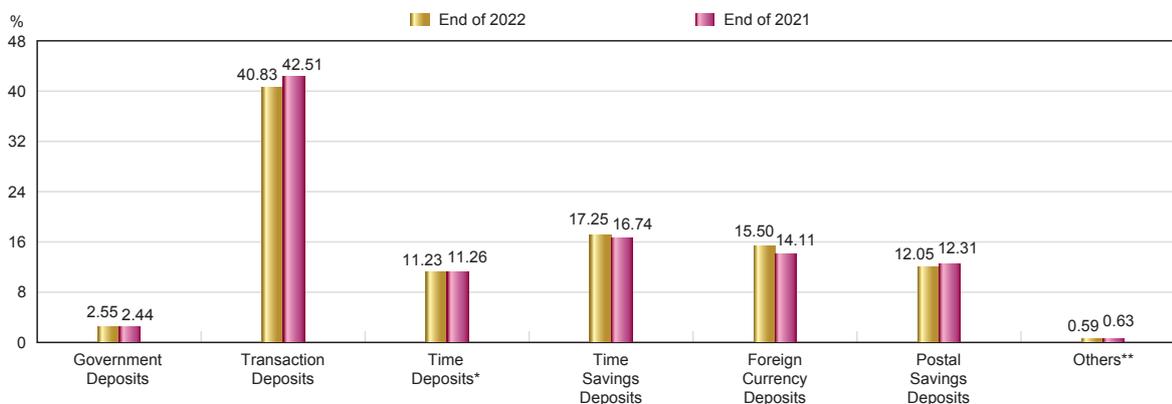
In terms of nontransaction deposits, its annual growth rate rose to 9.69% at the end of 2022 from 3.56% a year earlier because of increases in time savings deposits and foreign currency deposits. Its share in total deposits also went up to 56.62% at the end of 2022 from 55.05% a year earlier.

The annual growth rate of foreign currency deposits accelerated to 17.20% at the end of 2022 from 7.46% a year earlier and its share increased to 15.50% from 14.11%. There were several factors contributing to the uptrend. Enterprises' inward remittances of overseas sales revenues increased and banks implemented preferential interest rate programs of foreign currency deposits to obtain more funds. Meanwhile, owing to the depreciation of the NT dollar against the US dollar, the value of foreign currency deposits increased when converted to NT dollars.

In 2022, the annual growth rate of time deposits (including negotiable certificates of deposit) reached a yearly high of 8.81% at the end of May and then dropped to 1.98% at the end of July. Because many enterprises delayed cash dividend payments in 2021 owing to the impact from the pandemic, the timing of the temporary parking of funds in time deposits and paying cash dividends by enterprises in 2022 was earlier than the previous year, resulting in an initial increase and a subsequent decrease in the annual growth rate due to the base effect. Later, enterprises moved a part of their money from passbook deposits into time deposits and deposited some funds obtained from cash capital increases in time deposits based on fund scheduling strategies and profitability considerations. This resulted in a slight increase in the annual growth rate of time deposits in the second half of the year. The annual growth rate of time deposits reached 6.37% at the end of 2022, lower than the 6.42% at the end of the previous year. Its share in total deposits decreased to 11.23% at the end of 2022 from 11.26% a year earlier.

The annual growth rate of time savings deposits continued to rise in 2022, mainly due to the impact of international financial market turbulence and the effects of policy rate hikes. Some

### Shares of Deposits by Type



Notes: \* Including NCDs.

\*\* Including repurchase agreements, non-residents' NTD deposits and money market mutual funds.

Source: *Financial Statistics Monthly* (February 2023), CBC.

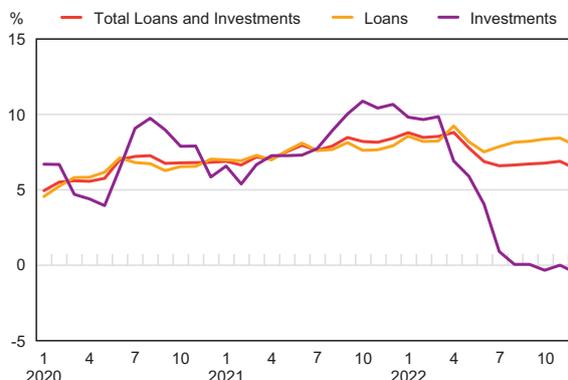
individuals and pension funds adjusted their asset allocation, moving funds to time savings deposits. As a result, the year-end annual growth rate increased to 9.83% from -0.45% at the end of the previous year, and its share in total deposits increased to 17.25% from 16.74%. Regarding postal savings, the annual growth rate increased from 2.85% at year-end 2021 to 4.45% at year-end 2022, showing a general upward trend. However, the proportion of postal savings to total deposits decreased from 12.31% to 12.05%.

With regard to government deposits, the annual growth rate fluctuated month by month in 2022. In view of ample tax revenues from profit-seeking enterprise business income tax and individual income tax, the national treasury administration reduced the net issuance of treasury bills and government bonds, as well as repaying loans in advance. As a result, the annual growth rate of government deposits decreased to 10.93% at the end of the year from 13.22% one year before. However, government deposits as a share of total deposits increased from 2.44% to 2.55%.

### Bank Loans and Investments

The annual growth rate of loans and investments of monetary financial institutions was 6.38% at the end of 2022, down from 8.39% at the end of 2021. Growth in loans increased to an annual pace of 7.94% at the end of 2022 from 7.89% at the end of the previous year, whereas growth in portfolio investment fell into negative territory at -0.55% at the end of 2022 from 10.66% a year earlier.

### Annual Growth Rates of Loans and Investments



Source: *Financial Statistics Monthly* (February 2023), CBC.

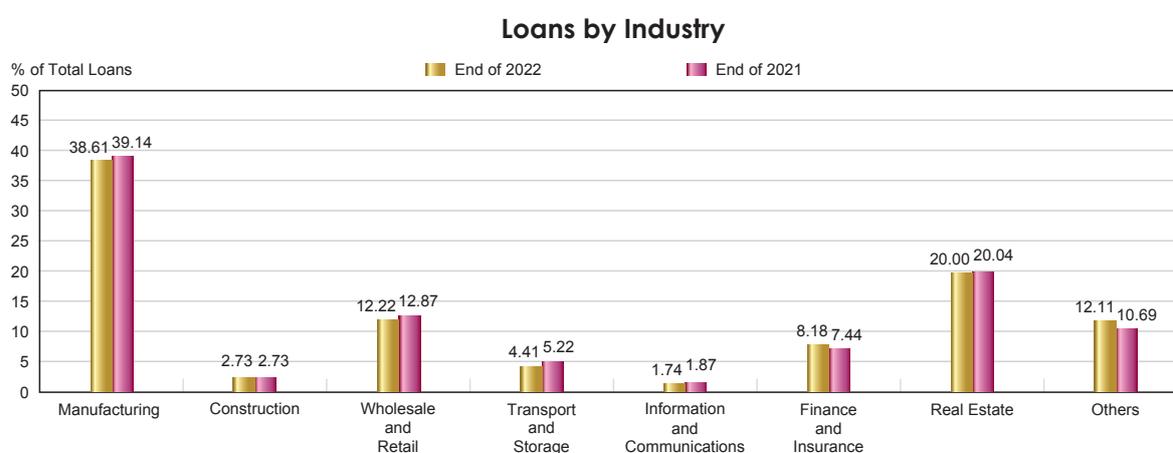
## Loans by Sector

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) slipped to 7.46% at the end of 2022 from 8.27% a year earlier. The decline was largely due to slower growth in house-purchasing loans and the repayment of relief loans by workers. The annual growth rate of loans to government enterprises continued to soar by 81.52% as of the end of 2022, from 27.00% a year earlier, mainly driven by an increasingly growing need for funds by Taiwan Power Company and the CPC Corporation. In contrast, the annual growth rate of loans to government agencies slowed from 1.92% to -1.63% at the end of 2022 owing to a larger repayment by the government thanks to increased tax revenues.

In terms of loan composition, loans extended to government enterprises accounted for 2.82% of total loans at the end of 2022, higher than the 1.68% recorded at the end of 2021. Loans extended to the private sector and government agencies accounted for 93.16% and 4.02% at the end of 2022, lower than 93.89% and 4.43% 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 38.61% at the end of 2022 compared to 39.14% at the end of 2021, with its annual growth rate up from 5.52% to 10.01%. This was mainly attributable to an increase in loans extended to electronic parts and components manufacturers. Meanwhile, the share of loans extended to the construction industry remained at 2.73%, with its annual growth rate down from 13.78% to 11.49% at the end of 2022 amid the housing market slowdown.



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 2023), CBC.

Both the share and the annual growth rate of loans extended to the real estate industry trended down in line with softening demand and a higher base effect. Meanwhile, the share and the annual growth rate of loans extended to the wholesale and retail industry continued to decline on the pandemic's impact in the first half of the year as well as a higher base effect. In contrast, the share and the annual growth rate of loans to the finance and insurance industry continued to increase as rising money market interest rates prompted the industry to repay commercial paper and increase borrowing from banks.

## Consumer loans

The annual growth rate of consumer loans extended by banks decreased from 9.00% at the end of 2021 to 6.16% at the end of 2022. Among them, house-purchasing loans increased NT\$574.3 billion, or 6.52%, in 2022, a slower year-on-year increase than 9.46% in 2021 mainly because major economies had started their interest rate hike cycles, the government implemented the cross-ministry Healthy Real Estate Market Plan, and downside risks in the global economy increased in the second half of the year, all of which hampered housing market transactions. As for the shares of various types of consumer loans, house-purchasing loans remained the largest component, with its share increasing from 84.48% at the end of 2021 to 84.77% at the end of 2022. Car loans accounted for 1.75%, increasing from 1.74%, mainly because new car prices rose as a result of higher production costs. Meanwhile, house-repairing loans, revolving credit for credit cards, employee welfare loans, and other consumer loans accounted for 0.43%, 0.94%, 0.42%, and 11.69%, respectively.

## Portfolio Investment

Owing to valuation changes, portfolio investment by monetary financial institutions, measured at fair value, recorded a year-on-year decrease of NT\$202.8 billion, while the decrease was smaller, at NT\$40.9 billion, when measured on a cost basis.

Portfolio investment by monetary financial institutions, measured on a cost basis, slipped into negative territory, registering -0.55% in 2022 compared to 10.66% in 2021, as banks significantly reduced investment positions to support market liquidity. Liquidity tightened gradually because of net foreign capital outflows, the Bank's hikes in the policy rates and the reserve requirement ratios, and the loan repayment by banks under the Bank's Special Accommodation Facility to Support Bank Credit to SMEs.

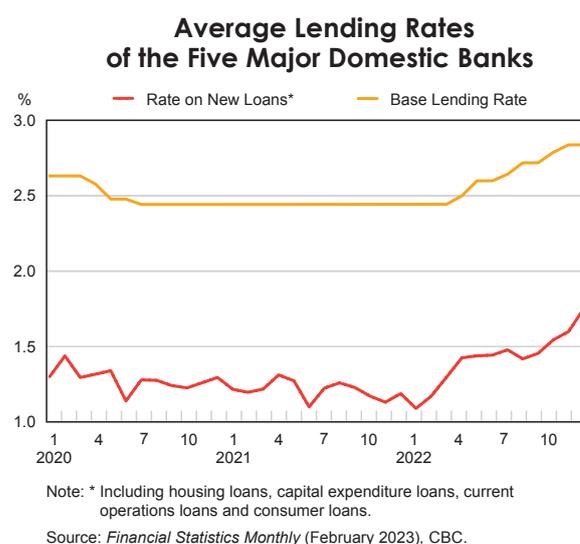
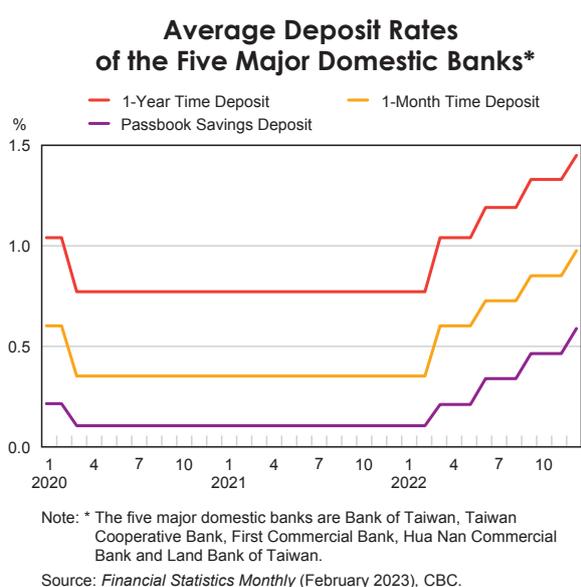
In terms of tool types, government bonds accounted for a share of 56.12%, higher than the 51.63% registered a year ago, as more government bonds were issued than repaid, resulting in an expansion in the total outstanding of bonds issued compared to the previous year. At the end of 2022, commercial paper accounted for a share of 16.54%, lower than a year ago, owing to a slower growth in the commercial paper market given rising money market interest rates. In addition, corporate bonds accounted for a share of 19.42%, edging up from the end of 2021.

## Bank Interest Rates

Considering the tightening monetary policies of major economies, the continued rise of international commodity prices, and the high pressure of domestic imported inflation, the Bank raised policy rates in March, June, September and December in 2022, in order to contain domestic inflation expectations and maintain price stability. As a result, banks' posted interest rates on deposits and loans trended upward. In the case of the five major domestic banks, the average fixed rates on one-month and one-year time deposits rose to 0.98% and 1.45% at the end of December 2022 from 0.35% and 0.77% at the end of January, respectively, up by 0.63 and 0.68 percentage points respectively from the end of 2021.

In addition, in view of the obvious rise in the downside risks to the global economy and the slight easing in global inflationary pressures, albeit not without uncertainties, the Bank stressed in the December 2022 Board Meeting that it would continue to pay close attention to the monetary policy trends of major economies, changes in international raw material prices, geopolitical risks, extreme weather events and other developments and adjust monetary policy as necessary to fulfill its statutory mandate.

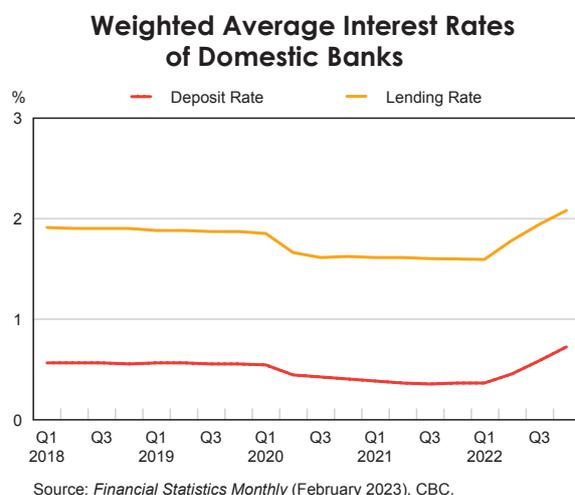
The weighted average rates on deposits and loans of domestic banks generally showed an upward trend in 2022. In terms of deposit interest rates, although the Bank's policy rate hike in March guided banks' posted interest rates on deposits upward, there was a higher base effect from the previous quarter when some banks offered higher rates to attract savers and some raised the rates for retiree-oriented deposit programs. As a result, the average deposit interest rate still decreased slightly, leading the weighted average interest rate to remain at 0.36% in the first quarter of 2022.



Thereafter, the rate rose from 0.45% in the second quarter to 0.72% in the fourth quarter in step with the policy rate hikes. For the year as a whole, the weighted average interest rate on deposits of domestic banks was 0.53%, which was 0.17 percentage points more than that recorded in the previous year.

In terms of loan interest rates, with the four policy rate hikes in the year, banks successively increased their base lending rates and the index rates on adjustable-rate mortgages. As a result, the weighted average interest rate on new loans of the five major domestic banks roughly trended upward from 1.085% in January to 1.749% in December. For the year as a whole, the rate increased from 1.200% in the previous year to 1.446%, up by 0.246 percentage points. Excluding central government loans, the weighted average interest rate on new loans increased from 1.258% in the previous year to 1.483% in 2022, up by 0.225 percentage points. Moreover, the average base lending rate increased to 2.837% at the end of 2022 from 2.442% at the previous year-end.

In the first quarter, though the Bank's March policy rate hike led to an increase in the relevant loan interest rates, the effect was not reflected in the quarterly average loan interest rate as the rate hike was enforced in late March. In addition, the increase in lower-rate borrowings by governments and the introduction of competitive rate loan schemes by some banks also brought forth some strains. Consequently, the weighted average interest rate on loans of domestic banks fell from 1.60% in the previous quarter to 1.59% in the first quarter of 2022. Then, the Bank's policy rate hikes led the weighted average loan rate to increase from 1.78% in the second quarter of the year to 2.08% in the fourth quarter. For the year as a whole, the weighted average interest rate on loans of domestic banks was 1.85%, which was 0.25 percentage points more than that recorded in the previous year.



Because the increase in the average lending rate was more than that in the average deposit rate, the average interest rate spread between deposits and loans widened to 1.32 percentage points in 2022, which was 0.08 percentage points more than that recorded in the previous year.