4. Foreign Exchange Market

The NT Dollar Exchange Rate

In 2025, on a daily average basis, the NT dollar depreciated against the euro, but appreciated against the Korean won, the US dollar, the renminbi (RMB) and the Japanese yen; the trade-weighted nominal effective exchange rate index of the NT dollar increased by 2.6%. The exchange rate movements of the NT dollar vis-à-vis each of the above foreign currencies are as follows.

During the course of 2025, the NT dollar first appreciated against the US dollar and then depreciated. In addition to frequent adjustments to the U.S. reciprocal tariff policies after their announcement in early April, the U.S. House's passage of the *"One Big Beautiful Bill" Act* made investors concerned about the economic growth momentum, fiscal condition, inflation outlook and monetary policy direction of the U.S., leading to US dollar depreciation. Meanwhile, as foreign investors net bought Taiwanese stocks and Taiwanese exporters increased their US dollar sales in anticipation of NT dollar appreciation, the NT dollar appreciated against the US dollar. In the second half of 2025, Fed Chair Powell's repeatedly cautious stance toward rate cuts led to a US dollar rebound. Furthermore, foreign investors net sold Taiwanese stocks to lock in profits after the U.S. reciprocal tariff measures took effect on August 7, and global investors also showed growing concerns about an AI bubble. Combined, these factors caused the NT dollar to depreciate against the US dollar. At the end of 2025, the NT dollar appreciated by 4.3% against the US dollar compared to the end of the previous year. On an annual average basis, the NT dollar appreciated by 3.0% year on year against the US dollar.

In 2025, the NT dollar broadly depreciated against the euro during the course of the year except for a temporary appreciation in early May. In March, Germany's plans to relax its debt brake to expand national defense expenditures and its establishment of a €500 billion infrastructure fund to boost economic growth supported the euro. In April, frequent adjustments to U.S. tariff policies triggered international capital flows into safe-haven euro-denominated assets, leading to a sharp appreciation of the euro and depreciation of the NT dollar against the euro. Later, as growing market expectation of a rate cut by the European Central Bank (ECB) weakened the euro, along with the significant NT dollar strengthening in early May, the NT dollar appreciated against the euro. From late May onwards, several factors – including ECB President Lagarde's comments about adopting a "global euro moment" strategy to strengthen the euro's international status, the European Union's trade agreement with the U.S., and the ECB's pause in its rate-cutting cycle in the second half of 2025 that also lowered market expectations of further rate cuts – combined to strengthen the euro. The NT dollar consequently continued to depreciate against the euro. At the end of 2025, the NT dollar depreciated by 7.5% against the euro compared to the end of the previous year. On an annual average basis, the NT dollar depreciated by 1.3% against the euro compared to the previous year.

Regarding the NTD-yen exchange rate, the NT dollar first depreciated and then appreciated against the Japanese yen in the first half of 2025, while remaining range-bound in the second half. At the beginning of 2025, because lingering inflation pressures in Japan raised market expectation of a rate hike by the Bank of Japan (BoJ) and the U.S. tariff policies also heightened market uncertainties, the resultant safe-haven capital flows into yen assets strengthened the yen and led to NT dollar depreciation against the yen. Later, as BoJ Governor Ueda's remarks signaling a cautious stance toward monetary policy adjustments amid high uncertainty over U.S. tariff policies dampened market expectation of a BoJ rate hike, the yen weakened and thus the NT dollar appreciated against the yen. Then, during the second half of 2025, the NT dollar exchange rate against the yen remained range-bound, mainly because Japan reached trade and investment agreements with the U.S., market expectations of a BoJ rate hike shifted, and the Japanese government's ¥21.3 trillion economic stimulus package caused market concern about potential fiscal deterioration. At the end of 2025, the NT dollar appreciated by 4.5% against the yen compared to the end of the previous year. On an annual average basis, the NT dollar appreciated by 1.9% against the yen compared to the previous year.

Throughout 2025, the NT dollar first appreciated against the RMB and then depreciated. Notably, the tariff barriers between China and the U.S. rose in early April, causing the RMB to weaken and the NT dollar to appreciate against the RMB. In the second half of 2025, the People's Bank of China (PBoC) guided the RMB central parity rate higher, and the signing of various economic and trade agreements during the U.S.-China leader summit in late October helped ease bilateral trade tensions. Additionally, with many economists contending that the RMB should moderately appreciate in the mid-to-long term, market expectations for RMB appreciation gained traction, increasing the willingness to sell foreign exchange and thereby bolstering the RMB and causing the NT dollar to depreciate against the RMB. Overall, the NT dollar depreciated by 0.2% year on year against the RMB at the end of 2025. On an annual average basis, the NT dollar appreciated by 2.9% against the RMB compared to the previous year.

Throughout 2025, the NT dollar broadly appreciated against the Korean won. At the beginning of 2025, rising political uncertainty in South Korea led to range-bound movements in the NT dollar exchange rate against the won. In April, the won weakened amid the impact of U.S. tariff policies and the commencement of U.S.-Korea trade negotiations. This, coupled with a notable strengthening in the NT dollar in early May, led the NT dollar to appreciate against the won. From mid-July onwards, as the Bank of Korea (BoK) paused its rate-cutting cycle and the South Korean government actively pushed for corporate governance reforms, foreign investors turned into net buyers of Korean stocks, and the NT dollar therefore depreciated against the won. Nonetheless,

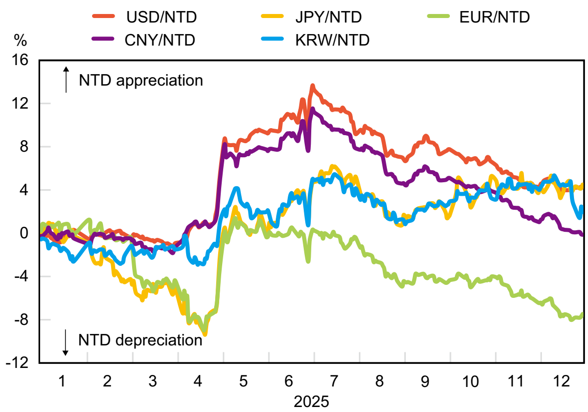
Annual Changes of NTD Exchange Rate Against Major Currencies

	NTD/USD	NTD/EUR	NTD/JPY	NTD/CNY	NTD/KRW
Exchange Rate (2025/12/31)	31.438	36.899	0.2008	4.4982	0.0218
Exchange Rate (2024/12/31)	32.781	34.132	0.2098	4.4913	0.0223
Annual Change	4.3%	-7.5%	4.5%	-0.2%	1.9%
Average Exchange Rate (2025)	31.166	35.217	0.2082	4.3347	0.0219
Average Exchange Rate (2024)	32.108	34.753	0.2121	4.4610	0.0236
Annual Change	3.0%	-1.3%	1.9%	2.9%	7.5%

Source: Department of Economic Research, CBC.

after September, U.S.-Korea trade negotiations stalled, and Korean retail investors increased overseas securities investment, together exerting downward pressure on the won; consequently, the NT dollar appreciated against the won. In late December, to prevent the excessive weakness of the won from exacerbating imported inflationary pressures, the South Korean government implemented robust measures to support the won. As a result, the won rebounded substantially, causing the NT dollar to depreciate against the won. Overall, at the end of 2025, the NT dollar appreciated by 1.9% against the won compared to the end of the previous year. On an annual average basis, the NT dollar appreciated by 7.5% against the won compared to the previous year.

Percentage Changes of NT Dollar Against Major Currencies
(Compared with End-2024)



Source: Department of Economic Research, CBC.

Foreign Exchange Trading

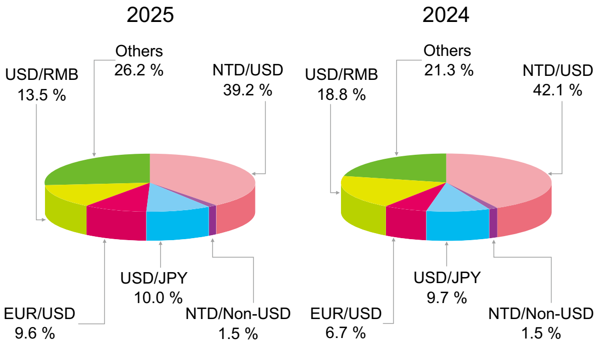
Trading in the Taipei foreign exchange market increased in 2025. Total net trading volume for the year was US$11,577.2 billion, representing a 6.0% year-on-year increase; the daily average turnover was US$47.1 billion.

In terms of trading partners, transactions between banks and nonbank customers accounted for 27.7% of the total turnover, while interbank transactions made up 72.3%, including 18.5% for transactions among local banks and 53.8% for those between local banks and overseas banks.

As far as traded currencies were concerned, NT dollar trading against foreign currencies accounted for 40.7% of the total trading volume, of which trading against the US dollar made up a dominant 39.2%. Transactions in third currencies contributed to 59.3% of the total trading volume, with trading in currency pairs of USD-RMB, USD-JPY, and EUR-USD accounting for respective shares of 13.5%, 10.0%, and 9.6%. Compared with the previous year, the volume of NT dollar trading against foreign currencies decreased by 0.9% while that of transactions in third currencies increased by 11.3%.

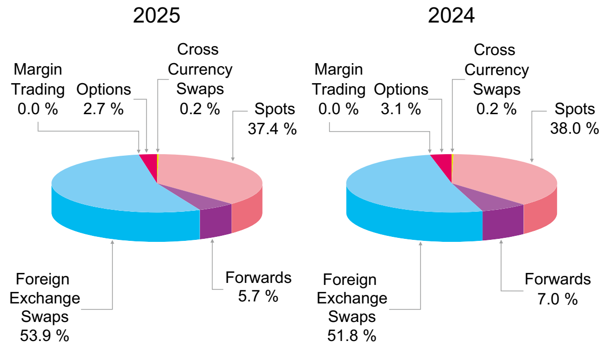
With respect to types of transactions, the major types were foreign exchange swaps and spots, accounting for 53.9% and 37.4% of total turnover, respectively. Compared with the previous year, the trading volume in foreign exchange swaps, spots, cross currency swaps, and margin trading increased, while the trading volume in forward transactions and options decreased.

Composition of Foreign Exchange Transactions by Currency Pair



Source: Department of Foreign Exchange, CBC.

Composition of Foreign Exchange Transactions by Type of Product



Source: Department of Foreign Exchange, CBC.

For other foreign currency derivatives products, including futures, options and swaps linked to interest rates, commodity prices, stock price indices and credit risks, the total turnover was US$256.1 billion in 2025. Of this amount, interest rate-related derivatives accounted for the lion's share at 97.4% with US$249.4 billion, declining by 13.3% from the previous year owing mainly to the decrease in interest rate futures turnover.

Turnover of Other Products in the Taipei Foreign Exchange Market

Unit: US$billion

Year	Interest Rate-Related Products				Commodity-Related Products	Stock Index Options	Credit Derivatives	Total
	Interest Rate Swaps	Interest Rate Options	Foreign Currency Interest Rate Futures	Subtotal	Commodity Options			
2021	79.0	10.7	104.3	194.0	4.1	0.4	0.6	199.2
2022	90.4	14.7	202.6	307.6	2.9	0.3	0.8	311.7
2023	79.8	8.6	168.3	256.6	1.8	1.9	0.5	260.8
2024	92.7	6.4	188.6	287.7	2.6	2.4	0.8	293.5
2025	122.0	11.3	116.1	249.4	3.4	3.0	0.4	256.1
2024-2025 Annual Growth Rate (%)	31.6	76.2	-38.4	-13.3	31.5	21.9	-45.9	-12.7

Note: "Forward Rate Agreement" is excluded from the table because the turnover has been 0 since 2017.
Source: Department of Foreign Exchange, CBC.

Renminbi Business

By the end of 2025, there were 65 domestic banking units (DBUs) and 56 offshore banking units (OBUs) engaging in renminbi business. The balance of renminbi deposits amounted to RMB115.4 billion; renminbi remittances totaled RMB2,130.4 billion in 2025; renminbi settlement through the Taipei Branch of the Bank of China totaled RMB5,384.2 billion in 2025.

Renminbi Business Conducted by Financial Institutions

Unit: RMB billions

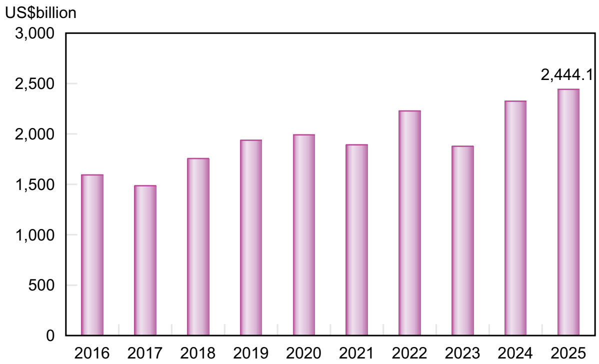
Business Items	Amount
Deposit balance (including NCDs, end of 2025)	115.4
Total remittances (February 2013 to December 2025)	24,467.3
Total settlement through the Taipei Branch of the Bank of China (February 2013 to December 2025)	60,586.7
Total value of 206 RMB-denominated bonds issued (as of the end of 2025)	135.9
Accumulated premium receipts from RMB-denominated investment-linked insurance business (February 2013 to December 2025)	22.1
Accumulated premium receipts from RMB-denominated traditional insurance business (April 2014 to December 2025)	10.3

Source: Department of Foreign Exchange, CBC.

Foreign Currency Call Loan & Swap Markets

The transaction volume in the foreign currency call loan market in 2025 was US$2,444.1 billion, an increase of 5.0% over the previous year. Of the total, US dollar transactions accounted for a dominant share of 79.0% with US$1,930.2 billion, increasing by 1.6% from the previous year. Renminbi transactions increased by 14.2% year on year to RMB716.0 billion, making up a share of 4.2% of the total. Japanese yen transactions reached ¥48,678.9 billion, representing a share of 12.7% of the total with a year-on-year increase of 6.4% in volume. The amount of euro transactions was €41.5 billion, with a share of 2.0%. Other currencies accounted for a combined 2.1% of the total transaction volume. Meanwhile, the balance of foreign currency call loan transactions stood at US$57.6 billion at the end of 2025.

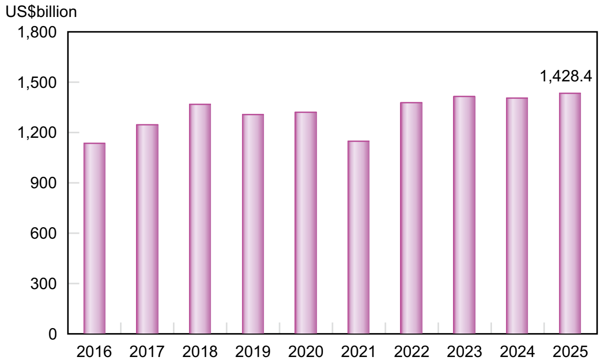
Transactions in the Foreign Currency Call Loan Market



Source: Department of Foreign Exchange, CBC.

The volume of foreign currency-NTD swap transactions reached US$1,428.4 billion in 2025, 2.1% more than the previous year, while the balance was US$256.8 billion at the end of 2025.

Transactions in the Foreign Currency Swap Market



Source: Department of Foreign Exchange, CBC.

OBU Assets

There were 59 OBUs at the end of 2025, with 35 of them operated by domestic banks and the other 24 by foreign banks. The total assets of all OBUs increased to US$327.5 billion at the end of 2025, up by US$51.0 billion or 18.4% from the previous year end owing to an increase in claims on financial institutions.

Balance Sheet of OBUs in the Banking System

Unit: US$billion

Year / Month (End of month)	Loans to Nonfinancial Institutions	Portfolio Investment	Claims on Financial Institutions	Other Assets	Total Assets= Total Liabilities & Equity	Deposits of Nonfinancial Institutions	Due to Financial Institutions	Securities Issued	Other Liabilities & Equity
2021/12	78.5	93.7	68.2	9.5	249.9	104.5	125.1	0.0	20.3
2022/12	76.0	108.2	75.7	6.2	266.1	117.7	128.0	0.0	20.5
2023/12	70.2	122.0	78.3	6.7	277.3	113.3	138.8	0.0	25.2
2024/12	73.7	130.3	63.1	9.4	276.6	117.9	134.9	0.0	23.7
2025/12	82.7	146.6	84.5	13.7	327.5	133.4	169.3	0.0	24.8
2024/12-2025/12 Growth Rate (%)	12.2	12.5	33.9	45.6	18.4	13.1	25.5	0.0	4.8

Source: Department of Foreign Exchange, CBC.

Domestic banks' OBUs accounted for 86.3% of total assets with an amount of US$282.7 billion, and foreign banks' OBUs accounted for 13.7% with an amount of US$44.9 billion. In terms of uses of funds, portfolio investments represented the largest share of 44.8% of total assets with an amount of US$146.6 billion; claims on financial institutions and loans to nonfinancial institutions came in the second and third place with shares of 25.8% and 25.3%, respectively. In terms of destinations of funds, Asia accounted for the highest share at 43.0%, followed by the Americas at 33.3%.

The main source of funds for OBUs came from due to financial institutions, making up 51.7% of total liabilities and equity, followed by deposits of nonfinancial institutions with a share of 40.7%. The main funding origin of OBUs was Asia, accounting for 64.2%, followed by the Americas with a share of 26.6%.

In 2025, foreign exchange trading turnover of all OBUs decreased by 23.5% from the previous year to US$1,118.5 billion, of which US$521.3 billion was for spot transactions, US$85.6 billion for forward transactions, and US$511.6 billion for swap transactions. Compared with the previous year, the growth rates of the trading turnover of FX spot, forward, and swap transactions were -0.6%, -64.0%, and -26.9%, respectively.

In 2025, total turnover of other derivatives products conducted by the OBUs decreased by 0.6% to US$658.2 billion over the previous year, of which interest rate swaps registered the largest turnover of US$359.8 billion, making up 54.7% of the total.