2. Monetary Management

Maintaining Policy Rates Unchanged

In 2025, the domestic inflation rate continued its gradual downtrend, and the inflation outlook for 2026 was projected to be mild, with the inflation rate staying below 2%. Meanwhile, the domestic economy delivered strong performance in 2025 and was expected to post solid growth in 2026.

In light of these developments, and taking a prudent approach to the uncertainty surrounding the global economic and financial outlook and the potential influence of U.S. economic and trade policies on the domestic economy, the Bank decided at its four quarterly Board meetings in 2025 to keep the policy rates unchanged. Therefore, the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations remained at 2%, 2.375%, and 4.25%, respectively.

Continuing Open Market Operations to Adjust Market Liquidity

In 2025, the Bank continued to adjust the money supply through open market operations by issuing CDs in response to domestic economic and financial conditions, which helped to maintain banking system liquidity and market interest rates at appropriate levels.

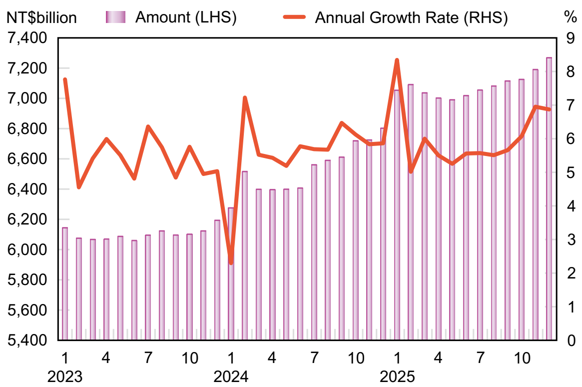
(1) Appropriately Managing Reserve Money

The Bank continued to conduct open market operations by issuing CDs. At the end of 2025, the total outstanding amount of CDs issued by the Bank was NT$7,423.7 billion.

In 2025, reserve money grew by 6.02% year on year, 0.44 percentage points higher than the previous year's figure. The annual average excess reserves of financial institutions were NT$47.2 billion, lower than the previous year's NT$48.2 billion.

In terms of the monthly movements of reserve money, the annual growth rates of reserve money for January and February were more volatile because of the shift in the exact timing of the Lunar New Year holidays (which occurred in mid-February in 2024, yet in late January in 2025). For the first two months of 2025, reserve money posted an annual growth rate of 6.65%. In subsequent months, the annual growth rates of reserve money remained relatively stable, except in November, when

Reserve Money (Averages of Daily Figures)



Source: *Financial Statistics Monthly* (February 2026), CBC.

the growth rate rose to 6.95% owing to the impact of the government's NT$10,000 universal cash handout program.

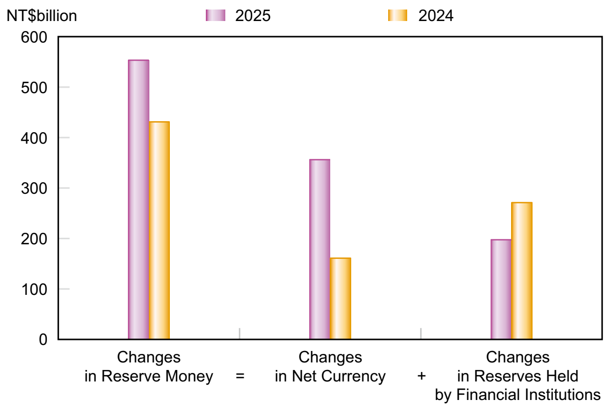
On the demand side, reserve money, measured on a daily average basis, increased by NT$553.5 billion over the previous year. Of the components, net currency rose by NT$197.3 billion and the annual growth rate increased to 6.09% from 5.21% the previous year; reserves held by financial institutions expanded by NT$356.2 billion, with the annual growth rate rising to 10.82% from 8.97% the previous year.

With buoyant exports and strong economic growth boosting personal incomes, together with more consecutive holidays, demand for currency strengthened, leading to a larger increase in net currency compared to the previous year.

As for reserves held by financial institutions, stronger growth in demand deposits drove up banks' required reserves, resulting in a larger increase in reserves held by financial institutions relative to the previous year.

From the supply side perspective, reserve money rose by NT$509.7 billion at the end of 2025. According to the balance sheet of the Bank revealing the sources of changes in reserve money, increases were mostly attributable to the growth in foreign assets held by the Bank, whereas decreases largely reflected a rise in the outstanding balance of CDs issued by the Bank.

Changes in Reserve Money (Averages of Daily Figures)



Source: *Financial Statistics Monthly* (February 2026), CBC.

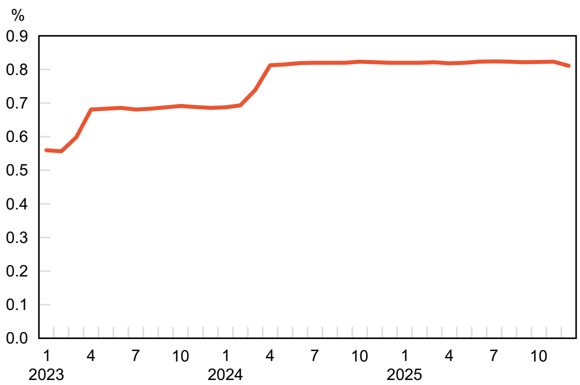
(2) Overnight Call Loan Rate Remaining Stable at an Appropriate Level

The annual average overnight call loan rate remained broadly stable at around 0.820% throughout 2025.

(3) Conducting Regular Small-Scale Repo Operations

The Bank conducted small-scale test repo operations on CDs and government bonds in April and October 2025 to improve operational

Overnight Call Loan Rate



Source: *Financial Statistics Monthly* (February 2026), CBC.

readiness and ensure resilience of open market operations. In addition, in December 2025, the Bank conducted a small-scale test repo operation on sustainable bonds issued by banks to help promote the development of sustainable finance.

(4) M2 Growth Falling Before Trending Up, All Within Reference Range

Measured on a daily average basis, the annual growth rate of M2 fell by 1.29 percentage points from the previous year to 4.54% in 2025. The slowdown mainly reflected a higher base effect and decelerated growth in bank loans and investments.

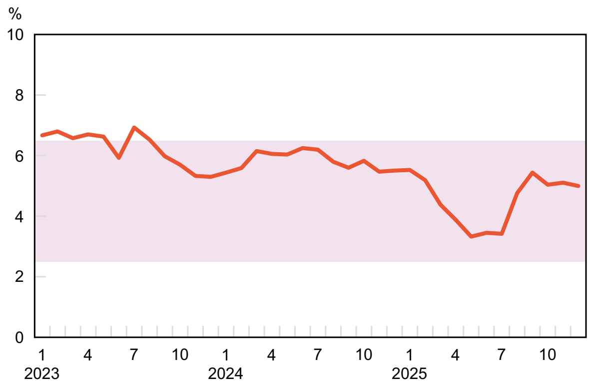
With regard to the monthly movements in 2025, the M2 annual growth rate reached its yearly high of 5.53% in January, buoyed by increased currency issuance during the Lunar New Year holidays and robust growth in bank loans and investments. Thereafter, the rate declined to its yearly low of 3.33% in May, mainly because of slower growth in housing loans and in bank loans and investments, as well as a larger contraction in foreign currency deposits.

The rate subsequently recovered to 5.44% in September, supported by a pickup in demand deposits, a narrower contraction in foreign currency deposits, and foreign capital shifting from net outflows to net inflows. In the following months, the M2 annual growth rate fluctuated and edged down to 5.00% in December on account of net capital outflows.

The annual growth rate of the monetary aggregate M1B, measured on a daily average basis, fell by 1.05 percentage points to 3.56% in 2025.

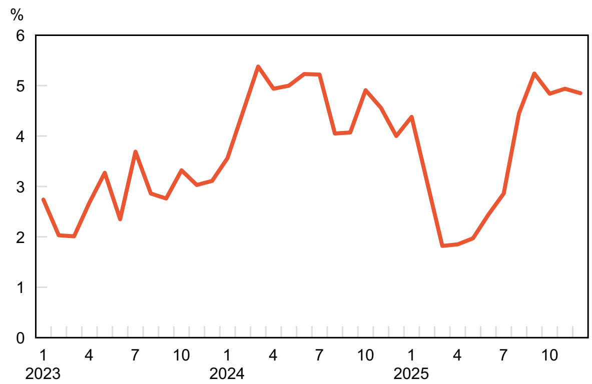
As for the monthly movements in 2025, the M1B annual growth rate declined from 4.38% in January to its yearly low of 1.82% in March, reflecting decelerated growth in bank loans and investments and net capital outflows. From April onwards, the M1B annual growth rate trended up and reached its yearly high of 5.24% in September, driven by a sustained increase in demand deposits, before ending the year slightly lower.

Annual Growth Rate of M2



Note: Shaded area is the reference range (2.5% to 6.5%) for M2 growth.
Source: *Financial Statistics Monthly* (February 2026), CBC.

Annual Growth Rate of M1B



Source: *Financial Statistics Monthly* (February 2026), CBC.

Continuing with the Selective Credit Control Measures and Adopting Supporting Measures to Strengthen Their Effectiveness

To promote financial stability and ensure sound banking operations, to carry on with the Bank's policy efforts under the government's Healthy Real Estate Market Plan, and to prevent excessive bank credit from flowing into the real estate market, the Bank continued to implement the selective credit control measures in 2025, following the seventh amendment effective September 2024, as follows.

(1) Requesting banks to enhance internal quantitative control goals of aggregate real estate lending volumes from the fourth quarter of 2024 to the fourth quarter of 2025

A. Over this period, most banks met their self-set targets for internal management of real estate lending, indicating that the concentration of banks' credit resources in real estate lending has gradually improved and that credit resources have been channeled towards accommodating the funding needs of productive enterprises for real investment.

B. A small number of banks failed to meet their targets, primarily because they prioritized housing loans to non-homeowner borrowers and loans for urban renewal and reconstruction of unsafe and dilapidated buildings, which is in line with government policy objectives.

C. Currently, most banks adopt a prudent approach to real estate lending and conduct credit assessments in accordance with the 5Ps of credit appraisal (People, Purpose, Payment, Protection, and Perspective/Prospects), including careful evaluation of the borrower's character and creditworthiness, the intended use of funds, the source of repayment, the adequacy of collateral and other protections, and the overall outlook for the credit.

D. Most banks have implemented and achieved their self-set quantitative control goals of aggregate real estate lending volumes. In this view, starting 2026, banks may carry out quantitative controls at their own discretion. Nevertheless, the Bank will continue to require banks to submit data reports on real estate lending on a monthly basis and will also strengthen its efforts in targeted financial examinations, so as to keep watch on the evolving situations of banks' real estate lending and to urge banks to ensure compliance with the selective credit control measures.

(2) Announcing in September 2025 that the deadline for owner-occupiers with a genuine need for home replacement to sell their original property would be extended from one year to 18 months

A. To accommodate the financing needs of an owner-occupier, who has a genuine need for home replacement and commits to selling the original property within one year after the disbursement of a newly approved housing loan, the application for a first or second housing loan (for purchasing a non-high-value house) may be exempted from the restrictions under the Bank's selective credit controls.

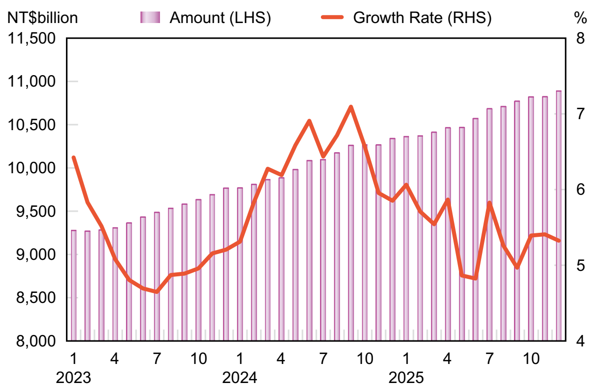
B. Since the implementation of the above measure, most households have been able to complete home replacement smoothly. However, a small number of borrowers have reported that the backlog in mortgage disbursements or a cooling housing market have lengthened the time required to sell their original residences. In view of the needs of owner-occupiers undertaking genuine home replacement, on September 8, 2025, the Bank announced an adjustment to the deadline for selling the original property under the home replacement assistance measures, extending it from one year to 18 months, applicable to loan cases filed on or after September 20, 2024.

Facilitating SME Funding

To assist small and medium enterprises (SMEs) in obtaining necessary funds for their operations, the Bank has regularly tracked banks' lending to SMEs and participated in the "Forward-Looking SME Financial Services Coordination Platform Meeting," jointly hosted by the Financial Supervisory Commission (FSC) and the Ministry of Economic Affairs to urge banks to enhance their lending to SMEs.

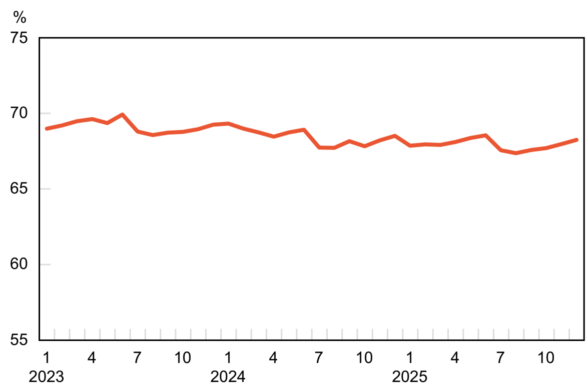
At the end of 2025, the outstanding loans extended to SMEs by domestic banks amounted to NT$10,888.4 billion, an increase of NT$550.4 billion from the end of the previous year to a level that exceeded the annual lending growth target of NT$460 billion set by the FSC for 2025 under the "Program to Encourage Lending by Domestic Banks to SMEs." At the end of 2025, the ratio of SME loans to loans extended to all private enterprises reached 68.26%, slightly lower than the 68.52% recorded at the previous year end.

Outstanding Loans Extended to SMEs



Source: FSC.

Ratio of Outstanding Loans Extended to SMEs to Those Extended to Private Enterprises



Source: FSC.

Accepting Redeposits from Financial Institutions

Accepting redeposits from Chunghwa Post, the Agricultural Bank of Taiwan, and commercial banks is another instrument for the Bank to influence banks' reserve positions in order to promote financial stability. At the end of 2025, the outstanding redeposits of Chunghwa Post stayed broadly unchanged at NT$1,623.7 billion, while the outstanding redeposits of the Agricultural Bank of Taiwan and of commercial banks were NT$71 billion and NT$245.6 billion, respectively.

Box

Implementation Results of the Bank's Selective Credit Control Measures

To promote financial stability and ensure sound banking operations, and to implement the government's Healthy Real Estate Market Plan with respect to the "efficient allocation and proper use of credit resources," the Bank has adopted a series of gradual and targeted selective credit control measures to prevent excessive bank credit from flowing into the real estate market. Accordingly, since December 2020, the Bank has made seven adjustments to the *Regulations Governing the Extension of Mortgage Loans by Financial Institutions* (see Appendix).

From December 2020 to the first half of 2023, the Bank made five adjustments to its selective credit control measures. As a result, housing market transactions gradually cooled, and the growth of real estate lending by all banks moderated. Since the second half of 2023, following the launch of the government's enhanced program of the Preferential Housing Loans for the Youth, housing market transactions rebounded, and the growth of real estate lending by all banks accelerated. Meanwhile, the ratio of real estate lending to total lending of all banks (a measure of concentration of real estate lending) remained elevated, and consumer expectations for housing price increases intensified. Consequently, subsequent to the sixth adjustment to the selective credit control measures, the Bank met with 34 banks in August 2024 to request for self-disciplinary management of the aggregate amount of real estate lending from the fourth quarter of 2024 to the fourth quarter of 2025. Moreover, the Bank made the seventh adjustment to the selective credit control measures in September 2024.

The Bank's selective control measures are primarily aimed at three objectives: (1) to mitigate the over-concentration of credit resources in real estate lending and to avoid crowding out funding needed for real investment by productive enterprises; (2) to channel credit resources continuously towards priority uses aligned with government initiatives such as those in support of non-homeowner mortgage borrowers, urban renewal and reconstruction of unsafe and dilapidated homes; (3) to curb expectations of rising housing prices among the public.

I. Results and effectiveness of the Bank's selective credit control measures

The effectiveness of the Bank's selective credit control measures in attaining the aforesaid three objectives has gradually become evident.

1. The concentration and growth of real estate lending have both eased.

(1) The concentration of real estate lending by all banks gradually came down by 1.16 percentage points, from a recent peak of 37.61% recorded at the end of June 2024 to 36.45% as of the end of December 2025.

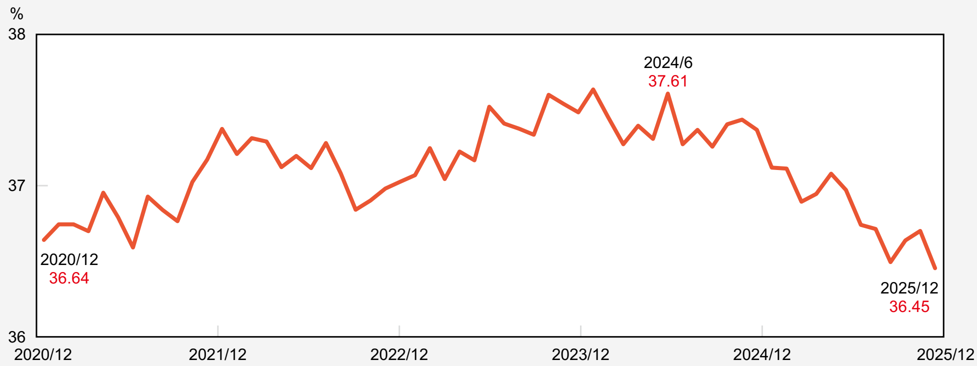
(2) The annual growth rates of outstanding real estate loans, house-purchasing loans, and construction loans of all banks declined from recent highs of 9.41% and 11.26% at the end of September 2024 and 4.72% at the end of October 2024 to 3.44%, 4.46%, and 0.27%, respectively, at the end of December 2025.

2. Banks' credit resources have been channeled towards accommodating the funding needs of non-homeowner mortgage borrowers and those for urban renewal and reconstruction of unsafe and dilapidated buildings.

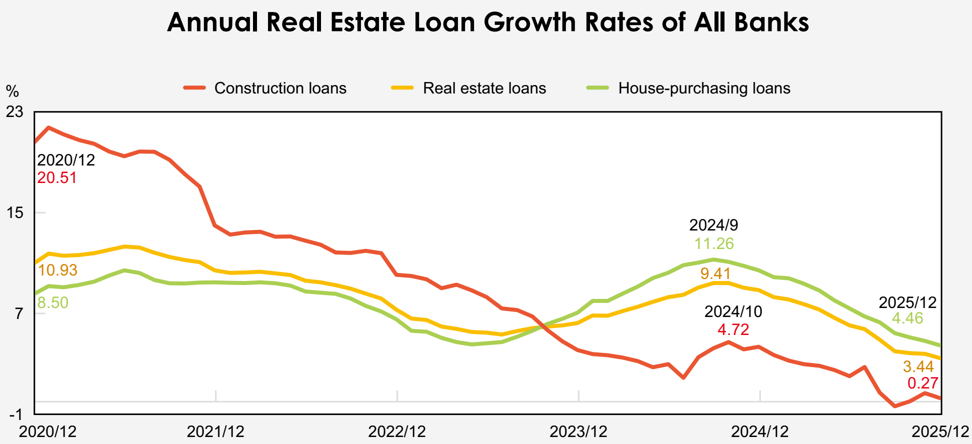
(1) The share of housing loans extended by domestic banks to non-homeowner borrowers in total home loans rose from 50.3% at the end of January 2020 to 63.8% at the end of December 2025.

(2) The share of loans for urban renewal and reconstruction of unsafe and dilapidated buildings extended by domestic banks in total construction loans increased from 5.9% at the end of January 2020 to 24.4% at the end of December 2025.

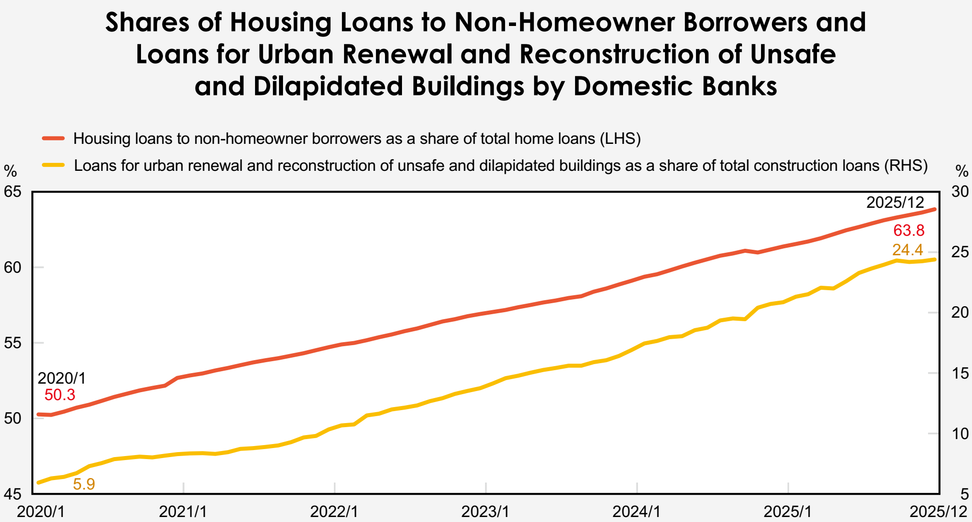
Concentration of Real Estate Lending by All Banks



Note: The concentration of real estate lending refers to the ratio of real estate lending (= house-purchasing loans + house-repairing loans + construction loans) to total lending of all banks.
Source: Department of Economic Research, CBC.



Source: Department of Economic Research, CBC.



Source: FSC.

3. Housing market transactions have continued to cool down, the housing price uptrend has slowed, and consumer expectations for housing price rises have eased.

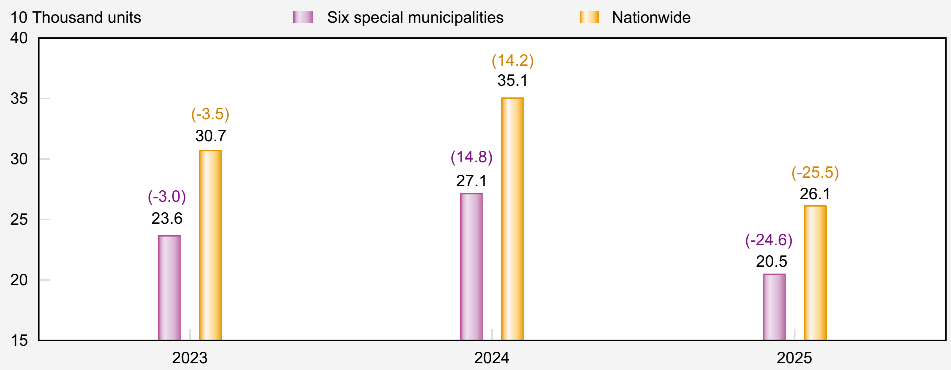
(1) In 2025, the number of building ownership transfers decreased by 25.5% year on year nationwide, while that in the six special municipalities declined by 24.6%.

(2) In the fourth quarter of 2025, the annual growth rate of the Cathay housing price index continued to moderate, that of the Sinyi housing price index turned negative, and that

of the NCCU-Yungching housing price index remained in negative territory. Meanwhile, in the third quarter of 2025, the annual growth rate of the national housing price index released by the Ministry of the Interior (MOI) also turned negative.

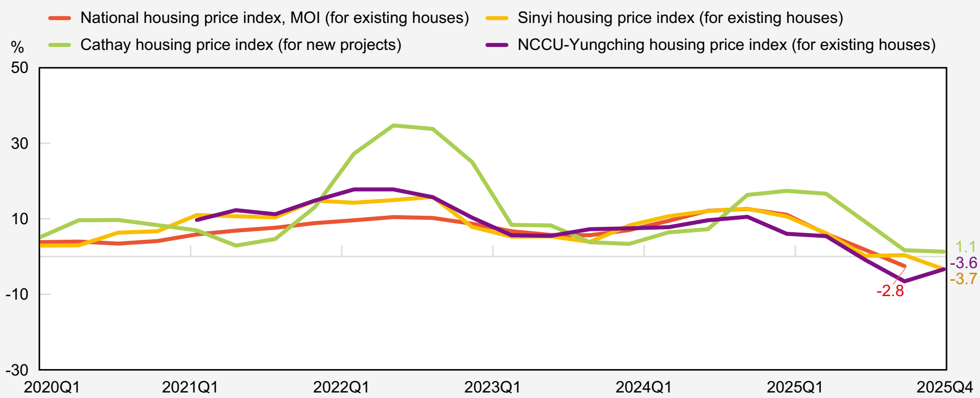
(3) According to a survey conducted by Yungching Realty Group for the first quarter of 2026, the share of respondents expecting housing price declines fell from 50% in the previous quarter to 39%, but remained higher than the share expecting housing price rises, which stood at 26%.

Numbers and Annual Growth Rates of Building Ownership Transfers (Nationwide and the Six Special Municipalities)



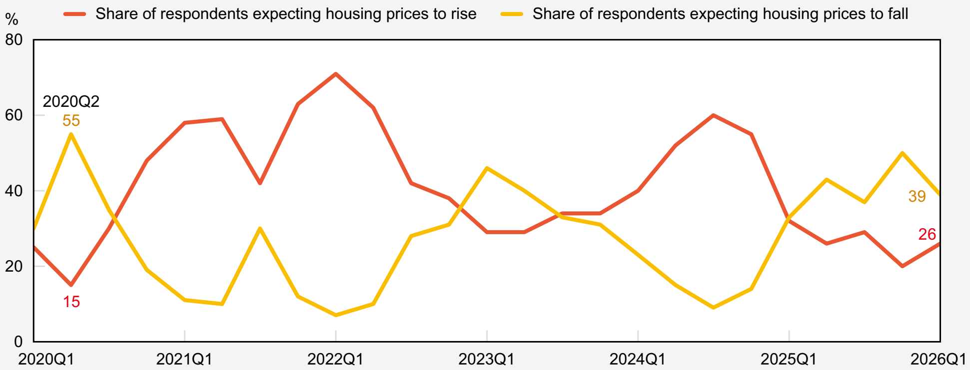
Note: Figures in parentheses indicate annual growth rates(%).
Source: Ministry of the Interior, R.O.C. (Taiwan).

Annual Growth Rates of Nationwide Housing Price Indices



Sources: Real Estate Information Platform of the Ministry of the Interior; Sinyi Real Estate Review; Cathay Real Estate Index Quarterly Report; Yungching Realty Group website.

Survey on Consumer Expectations of Housing Prices by Yungching Realty Group



Source: Housing Market Outlook Report by Yungching Realty Group.

II. The Bank adopted relevant supporting measures to reinforce the effectiveness of the selective credit controls

1. The implementation of banks' internal quantitative control goals of aggregate real estate lending volumes from the fourth quarter of 2024 to the fourth quarter of 2025 is as follows.

(1) Over this period, most banks met their self-set targets for internal management of real estate lending, suggesting that the concentration of banks' credit resources in real estate lending has gradually improved and that credit resources have been channeled towards accommodating the funding needs of productive enterprises for real investment.

(2) A small number of banks failed to meet their targets, mainly because they prioritized housing loans to non-homeowner borrowers and loans for urban renewal and reconstruction of unsafe and dilapidated buildings, which is in line with government policy objectives.

(3) At present, most banks adopt a prudent approach to real estate lending and conduct credit assessments in accordance with the 5Ps of credit appraisal (People, Purpose, Payment, Protection, and Perspective/Prospects), including careful evaluation of the borrower's character and creditworthiness, the intended use of funds, the source of repayment, the adequacy of collateral and other protections, and the overall outlook for the credit.

(4) Most banks have implemented and achieved their self-set quantitative control goals of aggregate real estate lending volumes. In this view, starting 2026, banks may carry out quantitative controls at their own discretion. Nevertheless, the Bank will continue to require banks to submit data reports on real estate lending on a monthly basis and will also strengthen its efforts in targeted financial examinations, so as to keep watch on the evolving situations of banks' real estate lending and to urge banks to ensure compliance with the selective credit control measures.

2. In September 2025, the Bank announced that the deadline for owner-occupiers with a genuine need for home replacement to sell their original property would be extended from one year to 18 months.

(1) To accommodate the financing needs of an owner-occupier who has a genuine need for home replacement and commits to selling the original property within one year after the disbursement of a newly approved home loan, the application for a first or second home loan (for purchasing a non-high-value house) may be exempted from the restrictions under the Bank's selective credit controls.

(2) Since the implementation of the above measures, most households have been able to complete home replacement smoothly. However, a small number of borrowers have reported that the backlog in mortgage disbursements or a cooling housing market have lengthened the time required to sell their original residences. In view of the needs of owner-occupiers undertaking genuine home replacement, on September 8, 2025, the Bank announced that, for loan cases filed on or after September 20, 2024, the deadline for selling the original property would be extended from one year to 18 months.

III. The Bank will continue to implement the selective credit control measures following the seventh amendment and conduct rolling reviews of their effectiveness

The Bank will continue to review the effectiveness of the selective credit control measures, closely monitor potential impacts of real estate sector-related policies on the housing market, and adjust relevant measures in a timely manner as needed in order to promote financial stability and sound banking operations.

Appendix: Key Points of the Seven Amendments to the *Regulations Governing the Extension of Mortgage Loans by Financial Institutions*

Loans		1. 2020.12.8~2021.3.18	2. 2021.3.19~2021.9.23	3. 2021.9.24~2021.12.16
Housing loans taken out by corporate entities		● First housing loans: **LTV ratio cap: 60%;** **No grace period** ● Second (or more) housing loans: **LTV ratio cap: 50%;** **No grace period**	**LTV ratio cap: 40%**; No grace period	(Unchanged)
Natural persons	High-value housing loans	LTV ratio cap: 60%; No grace period	● Borrower with two or less (including zero) outstanding housing loans: **LTV ratio cap: 55%**; No grace period ● Borrower with three or more outstanding housing loans: **LTV ratio cap: 40%**; No grace period	(Unchanged)
	First housing loans for current homeowners[1]	(Nil)		
	Second housing loans	(Nil)	(Nil)	**Housing in the "specific areas"**[2] **No grace period**
	Third (or more) housing loans	**LTV ratio cap: 60%;** **No grace period**	● Third housing loans: **LTV ratio cap: 55%**; No grace period ● Fourth (or more) housing loans: **LTV ratio cap: 50%**; No grace period	(Unchanged)
Land loans		● **LTV ratio cap: 65% (10% to be withheld until construction commences)** ● **Requiring the borrower to submit a substantive development plan for the land purchased**	(unchanged)	● **LTV ratio cap: 60%** (10% to be withheld until construction commences) ● Requiring the borrower to submit a substantive development plan for the land purchased
Unsold housing unit loans		**LTV ratio cap: 50%**	(unchanged)	(unchanged)
Mortgage loans for idle land in industrial districts		Internal rules of banks	**LTV ratio cap: 55%;** **Exemptions applicable when:** ● **Construction on the collateralized land has commenced; or** ● **Borrower has submitted a substantive project development plan and a written affidavit specifying the timeframe to commence construction**	**LTV ratio cap: 50%**; Exemptions applicable when: ● Construction on the collateralized land has commenced; or ● Borrower has submitted a substantive project development plan and a written affidavit stating construction to begin within **1 year**

Notes: 1. "Current homeowners" refer to borrowers who, as verified by financial institutions through the property inquiry list from the Ministry of Finance's nationwide consolidated property holdings database (compiled from property-related tax records), own building(s) registered in their name. However, properties acquired through inheritance shall not be counted toward the number of properties owned by the borrower.
2. The "specific areas" prescribed herein include Taipei City, New Taipei City, Taoyuan City, Taichung City, Tainan City, Kaohsiung City, Hsinchu County, and Hsinchu City.

Source: Department of Banking, CBC.

Appendix: Key Points of the Seven Amendments to the *Regulations Governing the Extension of Mortgage Loans by Financial Institutions* (cont.)

4. 2021.12.17~2023.6.15	5. 2023.6.16~2024.6.13	6. 2024.6.14~2024.9.19	7. 2024.9.20~2026.3.19
(Unchanged)	(Unchanged)	(Unchanged)	**LTV ratio cap: 30%**; No grace period
LTV ratio cap: 40%; No grace period	(unchanged)	(unchanged)	**LTV ratio cap: 30%**; No grace period
			No grace period
(unchanged)	Housing in the "specific areas"[2] **LTV ratio cap: 70%**; No grace period	Housing in the "specific areas"[2] **LTV ratio cap: 60%**; No grace period	**Housing nationwide** **LTV ratio cap: 50%**; No grace period
LTV ratio cap: 40%; No grace period	(unchanged)	(unchanged)	**LTV ratio cap: 30%**; No grace period
● **LTV ratio cap: 50%** (10% to be withheld until construction commences) ● Additional requirements: •A substantive project development plan •**A written affidavit specifying the timeframe (with a maximum of 18 months) to commence construction**	(unchanged)	(unchanged)	(unchanged)
LTV ratio cap: 40%	(unchanged)	(unchanged)	**LTV ratio cap: 30%**
LTV ratio cap: 40%; Exemptions: Unchanged	(unchanged)	(unchanged)	(unchanged)