
Minutes of the Monetary Policy Meeting

September 17, 2026

Central Bank of the R.O.C. (Taiwan)

**Meeting Minutes¹ on Monetary Policy
at the Joint Meeting of the Board of Directors and
the Board of Supervisors, Held on September 17, 2026**

Date and Time: 2:00 p.m., September 17, 2026

Location: Room A606, Central Bank of the R.O.C. (Taiwan)

Members Present:

Chairman, Board of Directors: Chin-Long Yang

Executive Directors: Tsui-Yun Chuang, Ming-Hsin Kung, Tzung-Ta Yen,
Mei-Lie Chu, Ray-Beam Dawn

Directors: Shiu-Sheng Chen, Fu-Sheng Hung, Yi-Ting Li, Shi-Kuan Chen,
Chien-Yi Chang, Ming-Chang Wu, Chang-Ching Lin, Ming-Fu Shaw;
Junne-Jih Chen (Excused, Appointing Tzung-Ta Yen as Proxy)

Chairman, Board of Supervisors: Shu-Tzu Chen

Supervisors: Ching-Fan Chung, Sheng-Yao Lin, Kuei-Hui Cheng, Sheng-
Syan Chen

Staff Present:

Hue-Heng Tao, Director General, Department of Banking
Yen-Dar Den, Director General, Department of Issuing
Chiung-Min Tsai, Director General, Department of Foreign Exchange
Yih-Jiuan Wu, Director General, Department of the Treasury
Ya-Hui Pan, Director General, Department of Financial Inspection
Ti-Jen Tsao, Director General, Department of Economic Research
Jui-Hsiang Lu, Director General, Secretariat
Shu-Huei Kuo, Director General, Department of Accounting
Shu-Hui Chang, Director, Personnel Office
Chia-Wen Hsieh, Director, Legal Affairs Office
Wei-Sheng Chiu, Secretary, Board of Directors
Chih-Jung Lee, Secretary, Board of Supervisors

Presiding: Chin-Long Yang

¹ This English translation is provided for information purposes only; the Chinese version shall prevail in case of discrepancies.

AGENDA: ECONOMIC AND FINANCIAL CONDITIONS AND MONETARY POLICY DECISION

I. Staff Review of Economic and Financial Conditions

1. International Economic and Financial Conditions

In the past few weeks, escalating tensions in the Middle East had kept energy supply conditions tight. Nevertheless, investment in artificial intelligence (AI) had continued to support economic growth in major economies, while global manufacturing and services Purchasing Managers' Index (PMI) readings remained in expansionary territory. Major international institutions expected the global economy to grow moderately this year (2026), with growth expected to rebound next year (2027) as the energy shock eases.

Regarding international commodity prices, since late July this year, escalating tensions in the Middle East had driven oil prices up sharply. Grain prices had also surged amid the El Niño phenomenon and an intensification of the Russia-Ukraine conflict. In addition, as disruptions to shipping through the Strait of Hormuz reduced the supply of certain commodities, the R/J CRB Futures Price Index (a proxy for overall international commodity price trends) moved upwards.

On the price front, the sharp rebound in commodity prices could intensify upward pressures on the global producer price index (PPI), adding to the risk of rising global inflation. Major international institutions expected the global inflation rate this year to exceed that of the previous year (2025), before declining next year owing to a higher base effect.

Regarding developments in monetary policy since June this year, the European Central Bank (ECB) had raised the policy rates twice, and the Bank of Japan (BoJ) resumed rate hikes. The U.S. Federal Reserve (Fed) shifted toward rate increases, while the People's Bank of China maintained an accommodative monetary policy stance.

In international financial markets, since the end of June, elevated oil prices, rising expectations of rate hikes by major central banks, and widening fiscal

deficits in several major economies had combined to push government bond yields to their highest levels in years. Global stock markets retreated before fluctuating at elevated levels. The US Dollar Index (i.e., DXY) declined amid joint U.S.-Japan intervention in the foreign exchange market to support the yen, as well as expectations of continued rate hikes by the ECB and BoJ. It subsequently rebounded as persistently high U.S. inflation prompted the Fed to tighten its policy stance.

Looking ahead, the global economic outlook faces many uncertainties, including renewed conflict in the Middle East and the intensification of the El Niño phenomenon, a shift toward tighter monetary policy by major central banks, mounting fiscal pressures in major economies, and heightened uncertainty surrounding investment returns on AI development and associated increase in financing risks. These factors will affect global economic and trade activity, inflation, and financial market developments.

2. Domestic Economic and Financial Conditions

(1) Economic situation

Recent data show that Taiwan's services output continued to grow, while the rapid expansion in manufacturing moderated. With both leading and coincident indicators trending upward, the domestic economy sustained a steady expansion. As indicated by the August readings of the Manufacturing PMI and the Non-Manufacturing Index (NMI), the outlook for future business conditions remained expansionary.

Regarding the components of economic growth, on the external demand front, Taiwan's exports grew by 44.2% year-on-year from January to August this year. Among these, driven by robust demand for innovative AI applications and price increases for certain products, exports of electronic and ICT products remained strong. Meanwhile, price support drove year-on-year export growth for certain non-AI products back into positive territory. Looking ahead, in view of

vibrant demand for emerging technology applications such as AI, coupled with the gradual rollout of domestic capacity in high-end chip processes and advanced packaging, the Bank forecasted strong real export growth for both the second half of the year and the full year, with growth momentum extending into next year.

Regarding private investment, capacity expansions by semiconductor and memory manufacturers and continued optimism about business prospects across most industries would likely bolster firms' willingness to invest. The Bank forecasted double-digit real private investment growth for both the second half of the year and the full year, followed by steady growth next year.

Regarding private consumption, steady domestic economic growth and strong profitability among listed companies had supported salary growth and cash dividend payouts. Meanwhile domestic stock markets recorded buoyant trading activity and the automobile market also recovered. Against this backdrop, the Bank forecasted that the momentum of real private consumption would remain solid in the second half of the year and for the full year, before picking up moderately next year.

In the labor market, total employment in the first seven months of this year increased over the same period of last year, while the unemployment rate declined year on year. From January to July, nominal total earnings grew moderately, and real total earnings registered the fastest growth for the same period in the past eleven years.

Overall, economic growth in the first half of this year was better than expected. In addition, the Bank's outlook for private consumption and private investment this year was more optimistic than in its previous forecast (in June). Accordingly, the Bank revised upward its forecast for this year's economic growth rate to 11.48%. Among the components of economic growth, net external demand and capital formation were the main growth drivers, together accounting for 75.61% of total economic growth.

Looking ahead to next year, demand for emerging technology applications was expected to remain strong, continuing to drive Taiwan's exports and private

investment. In addition, potential public-sector pay increases and a minimum wage hike were also expected to support further growth in private consumption. However, reflecting the high base of comparison, the Bank forecasted that economic growth would reach 5.82% next year. Major domestic and foreign forecasting institutions projected Taiwan's economic growth rate to range from 10.13% to 12.50% this year and from 2.59% to 7.10% next year.

(2) Price trends

In August 2026, the annual growth rates of the consumer price index (CPI) and core CPI both moved downwards. For the first eight months of the year, the CPI annual growth rate averaged 1.84%, mainly owing to price increases in expenses on food away from home, personal effects (such as gold ornaments and jewelry), residential rent, entertainment services, transportation, fuel and lubricants, and education. Together, they raised the CPI annual growth rate by 1.57 percentage points, accounting for around 85.3% of the total increase. For the same period, the core CPI annual growth rate averaged 2.11%. These readings suggested that current inflation remained moderate.

In August 2026, price increases for frequently purchased items and the 17 key daily commodities were both lower than the overall CPI inflation rate. By commodity type, services prices rose by 2.41% year on year in the first eight months of the year, exceeding the corresponding increases in commodity prices (1.21%) and the overall CPI, as prices of rent, food away from home, and entertainment services remained elevated.

Since the beginning of this year, import prices had risen primarily owing to higher prices for electronic components such as integrated circuits, as well as crude oil and other energy and mineral products. However, most price increases in electronic components were reflected in export prices. Moreover, with the government actively implementing measures to stabilize energy prices, current imported inflationary pressures remain manageable.

Food prices, particularly those of fruit and vegetables, were expected to rise because of recent weather-induced disruptions, and services inflation remained elevated and sticky. In addition, strong global demand for AI had driven up prices of domestic consumer electronics, computers, and related products. Accordingly, the Bank revised upward its forecasts for this year's CPI and core CPI inflation rates to 2.03% and 2.16%, respectively. Looking ahead to next year, international institutions currently projected global oil prices to be lower than this year's levels. Consequently, price increases for domestic fuel and airfares were expected to moderate. Together with expectations of moderate consumer demand, these factors led the Bank to forecast that CPI and core CPI inflation would decline to 1.83% and 1.89%, respectively, next year.

Major domestic and foreign institutions forecasted Taiwan's CPI inflation rate to range from 1.89% to 2.10% this year and from 1.70% to 2.10% next year, with most of them expecting the rate to decline in 2027. However, international geopolitical risks and weather conditions, among the sources of uncertainty, could affect future domestic inflation trends.

(3) Financial conditions

Driven by robust global demand for AI, domestic AI-related industries expanded their operations and investment, generating greater demand for corporate working capital. Meanwhile, brisk trading in the local stock market boosted demand for loans to individuals for financial investment. As a result, the average year-on-year growth rate of total bank loans for January-July this year was 8.23%, exceeding the full-year average of 7.43% recorded last year. The average year-on-year growth rate of M2 over the same period reached 6.60%, also higher than last year's full-year average of 4.54%.

Amid a sharp increase in domestic demand for funds and net outward remittances by foreign investors, overall funding conditions tightened, and both short- and long-term market interest rates rose in recent months. The Bank continued to use open market operations to manage market liquidity. From June

to August this year, banks' average net excess reserves registered slightly above NT\$52 billion, indicating that liquidity in the banking system remained ample.

Since the Bank moderately adjusted the cap on the loan-to-value (LTV) ratio for second housing loans taken out by natural persons nationwide to 60% in March this year, banks had continued to strengthen risk management for real estate lending. The effects of the Bank's measures had become more evident recently, with the real estate loan concentration ratio of all banks declining further as of the end of July this year. Bank credit had been clearly redirected toward productive economic activities, and the year-on-year growth rates of outstanding real estate-related loans had declined from their recent peaks. Bank credit had continued to prioritize funding for home purchases by people without owner-occupied housing, as well as policy-directed lending for urban renewal and the reconstruction of unsafe and dilapidated buildings. Housing market transactions had continued to cool, speculative activity had diminished, and public expectations of further housing price increases had continued to moderate.

(4) Review of the Bank's recent monetary policy stance

As M2 growth reflects funding conditions and helps assess economic activity and inflationary pressures, the Bank has continued to use M2 growth as an important reference indicator for monetary policy. Since the Bank adopted a reference range for M2 growth in 2020, the framework has generally worked well.

Since the easing of the pandemic in 2022, the Bank's monetary policy had remained somewhat contractionary. In particular, between the first quarter of 2022 and the third quarter of 2024, the recovery in economic activity following the pandemic boosted money demand. During this period, the Bank adopted a tighter policy stance by raising the policy rates, increasing reserve requirements, and strengthening selective credit control measures, thereby restraining money supply. Then, from the fourth quarter of 2024 onwards, the development of the AI industry had driven stronger economic growth, while buoyant stock market activity further boosted money demand. Although the Bank had not made further

adjustments to policy rates during this period, its overall monetary operations had remained relatively tight, continuing to restrain money supply. In contrast, after several rounds of rate cuts beginning in the second half of 2024, the Fed, the ECB and the Bank of Korea (BOK) had recently shifted toward rate hikes. The Bank, however, had kept its policy rates unchanged since its last rate hike in March 2024.

Since 2024, the sum of Taiwan's year-on-year real GDP growth rate and CPI inflation rate had exceeded M2 growth, indicating that the Bank's monetary operations remained relatively tight. This had helped guide market interest rates upward, curb inflationary pressures, and guard against asset price bubbles. For example, Taiwan's cumulative inflation rate from 2020 to 2026(f) was significantly lower than those of major economies, including the U.K., the U.S., the euro area, and South Korea.

3. Considerations for Monetary Policy Decisions

(1) Regarding the policy rate decision

A. Inflation is expected to remain manageable this year and fall below 2% next year.

— With international oil prices remaining elevated and services inflation remaining elevated and sticky, the Bank revised upward its forecasts for this year's CPI and core CPI inflation rates to 2.03% and 2.16%, respectively.

— International institutions currently expected global oil prices to be lower next year than this year. The Bank and major institutions alike forecasted that Taiwan's CPI inflation rate will decline next year to around 1.8%, below this year's rate.

B. The Bank revised upward its forecast for Taiwan's economic growth this year and expected the economy to continue growing steadily next year.

C. The Bank's monetary policy stance is mildly restrictive

— Since 2022, the Bank's monetary policy stance has remained mildly

restrictive, using both price-based and quantity-based tools. These measures included six cumulative policy rate hikes, four increases in NT dollar reserve requirement ratios, and a seventh round of strengthening in the selective credit control measures in September 2024 to curb inflation and the expansion of real estate credit.

- Since the beginning of this year, the Bank has maintained a relatively contractionary monetary policy stance through its operations, contributing to increases in both short- and long-term domestic market interest rates.
- The Bank's gradual and measured monetary tightening has helped stabilize domestic prices and anchor inflation expectations.

(2) Regarding the adjustment to selective credit control measures

A. Since the Bank moderately adjusted the cap on the loan-to-value (LTV) ratio for second housing loans to natural persons in March this year, banks have continued to strengthen their risk controls over real estate lending, and the effects of the Bank's measures have become more evident recently:

- At the end of July 2026, concentration of real estate lending of all banks has declined to 34.44% from 35.56% at the end of March 2026, representing also a decline of 3.17 percentage points from the recent peak of 37.61% recorded at the end of June 2024.
- Bank credit resources have been increasingly channeled toward productive activities, while the year-on-year growth rate of real estate-related loans has declined from its recent peak: At the end of July this year, the annual growth rate of outstanding loans other than real estate loans extended by all banks rose further to 14.31% from 9.86% at the end of March. By contrast, the annual growth rate of outstanding real estate loans fell to 3.40% from 3.68% at the end of March, well below the recent peak of 9.41% at the end of September 2024.
- Bank credit resources have continued to prioritize the funding needs of

policy-supported lending, including housing loans for borrowers without existing owner-occupied housing and loans for urban renewal and the reconstruction of old and dilapidated buildings. At domestic banks, the ratio of outstanding housing loans to individuals without an existing owner-occupied home to total outstanding housing loans, and the ratio of outstanding loans for urban renewal and the reconstruction of old and dilapidated buildings to total outstanding construction loans, rose further from 64.4% and 24.7%, respectively, at the end of March to 65.1% and 25.2% at the end of July this year.

- Banks' credit quality has remained sound, and related credit risks have remained manageable. At the end of July this year, the non-performing loan (NPL) ratios for housing loans and construction loans at domestic banks were both 0.08%, remaining low and below the NPL ratio of 0.14% for total loans.
- Public expectations of rising housing prices have continued to moderate.

B. The effects of the Bank's selective credit control measures have continued to become more evident. However, given the recent launch of the Preferential Youth Housing Loan Program 3.0 and strong domestic economic growth, together with active trading in the domestic stock markets, expectations of rising housing prices could strengthen. The impact of these developments on the housing market remains to be seen, and it would therefore be inappropriate to substantially relax the existing credit control measures at this stage. Accordingly, the Bank would make moderate adjustments to the relevant measures as follows:

- To better accommodate the housing needs of natural persons taking out second housing loans to purchase homes for owner-occupation by themselves or their family members, the Bank would raise the maximum LTV ratio for such loans from 60% to 70%.
- Since December 2021, when the Bank required borrowers taking out land loans to provide a written affidavit to commence construction within a

specified period, banks have handled such cases prudently and set construction commencement schedules based on the circumstances of individual cases. Given that the relevant rules may also serve well under banks' own credit extension practices, the Bank would remove the requirement of submitting "a written affidavit specifying the timeframe to commence construction."

II. Proposition and Decision about Monetary Policy

- 1. Policy Propositions: (1) To keep the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations unchanged at 2%, 2.375%, and 4.25%, respectively; (2) to adjust the selective credit control measures**
2. Board members agreed on the policy rate hold and the adjustment to the selective credit control measures. Related discussions are summarized as follows.

(1) Discussions about the policy rates

One board director pointed out a divergence between the Bank's pace of monetary policy adjustment and those of the central banks in the U.S., the euro area, and South Korea. The Fed, the ECB, and the BOK had successively raised their policy rates from the second half of 2021 and then delivered several rate cuts from 2024 onwards, before resuming rate hikes this year as all three economies were experiencing elevated inflation rates above 3%. By contrast, Taiwan's inflation rate remained within the manageable range. In addition, while the policy interest rates had stayed unchanged following the last rate hike in March 2024, the Bank, in addition to interest rate policy, had also deployed other instruments at its disposal: for instance, it raised reserve requirement ratios, introduced a seventh round of selective credit control measures, and managed the growth of

monetary aggregates through open market operations. In effect, these preemptive policy moves tightened market liquidity and drove market interest rates upward, thereby helping to attain the objective of price stability. Against this background, the director supported today's rate hold proposition and noted that the period leading up to the next Board Meeting would provide time to further weigh domestic inflation trends, the pace and degree of foreign central bank tightening, domestic financial conditions, and other uncertainties, which would help inform the policy rate path.

Another board director also expressed support for a rate hold even as the Fed had just raised the fed funds rate by 0.25 percentage points. The primary assessment was that, as reflected in reserve money conditions, the Bank's monetary policy stance remained mildly restrictive, with growth of monetary aggregates under control, market interest rates guided upwards, and inflationary pressures contained as a result. In contrast, several other economies, despite having adjusted policy rates upwards/downwards for a few times, still recorded higher actual inflation rates than Taiwan's. Meanwhile, our government had continued to implement measures to stabilize domestic oil prices and extend tax cuts on commodity imports, which also helped mitigate inflationary pressures arising from higher import prices.

One board director favored a rate hold but noted that inflationary pressures could persist. Given the import price index had risen significantly since the start of the year, CPI inflation could have been higher had it not been for the government's supply-side measures. And with the U.S.-Iran war still ongoing, elevated oil prices are unlikely to fall back to last year's levels in the near term.

Another board director stated that despite persistent inflationary pressures at the current juncture, it should be noted that monetary policy transmission happens with a time lag as policy effects usually take time to work. In addition, domestic and foreign forecasting institutions all expected inflation to gradually decline in the period ahead. Against this backdrop, it seemed appropriate to maintain the policy rates at the current levels rather than raise them to curb

inflation. Nevertheless, a protracted U.S.-Iran war could gradually erode the scope for government measures to cushion the impact on inflation. Price developments should therefore be closely monitored.

One board director expressed concerns that inflationary pressures remained pronounced. Recent price data showed that the year-on-year increase in the PPI for domestic sales excluding imports had accelerated in recent months, potentially feeding through to the CPI, while import prices had continued to rise. Moreover, as the Fed had raised its policy rate by 0.25 percentage point, the Bank's decision to hold its policy rate steady, if confirmed today, would widen the interest rate differential between the two economies, putting further downward pressure on the NT dollar and adding to import price pressures. In addition, the Bank's estimated positive contribution of demand factors to CPI inflation had increased further, and the number of employed persons experiencing negative growth in real total earnings this year had also risen. Meanwhile, bank lending continued expanding, though concentrated in the ICT sector. As strong funding demand had driven up both short- and long-term interest rates, the Bank could raise its policy rates to be more aligned with the market rates, helping to curb the expansion of aggregate demand and thus ease inflationary pressures. **Another board director** pointed out that the depreciation of the NT dollar is mainly due to outflows associated with foreign investors' remittances, rather than the U.S.-Taiwan interest rate differential.

Several board directors noted the impact of policy rate adjustments on capital allocation. **One of them** expressed the view that, compared with traditional industries, technology industries, such as ICT, are less sensitive to interest rate changes because of their stronger profitability. Recently, funding demand from the ICT sector had contributed to relatively tight liquidity conditions. A policy rate hike could further exacerbate the uneven allocation of capital across industries, warranting more attention from the Bank to the funding needs of traditional industries. Furthermore, bank lending to the securities industry had increased amid active domestic stock market trading. This merited close

monitoring, as a sharp increase in market volatility could expose banks to greater risks. **Another board director** also pointed out a policy rate hike could make it more difficult for SMEs, micro-businesses, and traditional industries to access funding, thereby supporting a steady monetary policy move by the Bank.

One board director stated that large economies such as the U.S. and Europe could base their monetary policy decisions primarily on assessments of their respective inflation and unemployment rates. Taiwan, however, is a small open economy, where monetary policymaking must take these two indicators into account while also considering a broader range of factors. Driven by strong demand from the U.S., Taiwan recorded robust economic growth so far this year; however, growth would have been relatively moderate excluding the contribution from AI-related sectors. Though the inflation rate was forecasted to slightly exceed 2% this year, it was mainly attributable to the impact of the U.S.-Iran war, and the government's energy price stabilization measures also helped to weaken the pass-through of PPI to CPI. In addition, domestic private consumption did not show signs of overheating. With inflation remaining largely under control, and considering that a policy rate affects the broader economy and tends to have a stronger impact on SMEs, micro-businesses and traditional industries, the director therefore supported a rate hold.

Another board director also remarked that in recent years, Taiwan's economy had exhibited a growth pattern characterized by strong external demand but relatively moderate domestic demand, with private consumption growth considerably weaker than net export growth. As private consumption's share of GDP was expected to decline further to just under 40% this year, the inflationary impact of strong economic growth would be limited. Moreover, the rise in import prices was driven mainly by higher prices for electronic components, including integrated circuits, and energy and mineral products, such as crude oil. However, increases in import prices for electronic components were largely reflected in higher export prices. In addition, the government's active measures to stabilize energy prices significantly mitigated the impact of surging crude oil import prices

on domestic prices.

One board director stated that now would be the time for monetary policy normalization. A policy rate hike at this juncture would not be aimed at curbing business cycle fluctuations or combating inflation, but rather at addressing excessively low interest rates so as to maintain a neutral policy stance, while ensuring economic stability and steer Taiwan out of the low interest rate trap. At present, the domestic economy was enjoying stellar growth, but inflation risk still lingered; for instance, CPI inflation in the housing-related category remained high. Meanwhile, the 2026 and 2027 real interest rates calculated/estimated using 1-year time deposit rates remained negative, which potentially implied that monetary policy could be a bit too loose relative to the neutral real interest rate. In addition, the Bank's 28-day NCD rate was currently the lowest among the one-month equivalent rates in major economies. Separately, inflation inequality stems mainly from the fact that lower-income households concentrate their spending on essentials with little scope for substitution, making it harder for them to alter their spending baskets and leaving them to carry a heavier inflationary burden, which also underscored the need for policy normalization.

Another board director pointed to the case of Japan, stating that Japan had been mired in a long period of deflation and economic stagnation, prompting its adoption of zero-rate and even negative-rate policies from October 2010 to February 2024; however, in more recent years, Japan had gradually normalized its monetary policy with measured rate hikes, exiting the ultra-low interest rate trap. In contrast, Taiwan has been recording well-contained inflation and continued economic growth, and the policy rates remain positive and currently stand at the highest levels since 2009. This showed that Taiwan neither entered a low rate trap nor encountered the imperative of monetary policy normalization. Furthermore, whether the policy rates are too low or in need of adjustment is primarily contingent on how well inflation is anchored, rather than the level of nominal interest rates or whether the real interest rate is in negative territory. For instance, as of July 2026, the annual growth rate of the U.S. PCE price index had

exceeded the Fed's 2% target for 65 consecutive months (remaining above 2.5% since June last year in particular). Consequently, the Fed raised the target range for the federal funds rate from 3.50%-3.75% to 3.75%-4.00% this September to "remove a dose of accommodation." As for Taiwan, the average CPI annual growth rate for January-August was 1.84%; this showed that inflationary pressures remained manageable, suggesting that currently policy interest rates were at appropriate levels. The director further noted that, in the case of the real interest rate (calculated using one-year time deposit interest rate), those of major economies and of Taiwan had mostly been negative this year, with Taiwan's real interest level still higher than those of many other major economies, such as the euro area, Switzerland, the U.S., and Japan. When it comes to the neutral rate, to paraphrase what Fed Chairman Warsh recently said, although the neutral interest rate provides reference value in academic discussions and aids in policy evaluation, it does not function as an operational guide for actual policy rate decisions. Particularly considering that the neutral rate is difficult to measure for a small open economy like Taiwan, making it ill-suited as a basis for policy rate decisions. Moreover, the Bank's monetary policy tools include not only price-based instruments (i.e., interest rates) but also quantity-based ones (e.g., selective credit control measures and reserve requirement ratios), the latter of which also exert a restrictive effect. Therefore, a direct comparison of the levels of the Bank's policy rates with those of other economies may not be appropriate.

One board director noted that Taiwan's inflation rate was low and stable compared with those of many other economies. As this was also helped by the government's price stabilization policies, the Bank would still have time to assess whether price increases were reflecting transitory energy shocks or a long-term issue owing to structural changes. The assessment could then serve as a reference for deliberations on policy rate adjustments when the Board next convenes.

Another board director stated support a rate hold, citing that proactive government supply-side measures had kept domestic inflation more moderate than most major economies, with major domestic and foreign institutions

forecasting Taiwan's inflation to remain under control through this year and next. Moreover, given that Taiwan's strong economic performance and buoyant stock market had been driven mainly by external factors, they warranted no immediate monetary policy response. Nevertheless, as these conditions had persisted for some time, close attention should still be paid to potential second-round effects arising from any overheating of domestic demand. For instance, the growth rate of the index of domestic sales prices had continued to rise this year, and studies show its impact on the CPI is highly significant. Other statistical evidence included the pick-up in private investment and private consumption growth in the year to date, real total earnings growth in January-July reaching a 11-year high for the same period, and the annual growth rate of the services CPI – which is more heavily influenced by domestic demand – exceeding those of the goods CPI and the overall CPI.

One board director gave two primary reasons for supporting a rate hold. First, monetary policy has limited room for maneuver against the current supply-side driven inflation spurt, as a domestic policy rate hike would have no sway over international oil prices but could further weigh on the funding cost burdens of firms and households alike. In addition, forecasts by both domestic and international institutions indicated that Taiwan's CPI inflation will moderate next year; nevertheless, close attention must still be paid to future price dynamics. Second, this year's economic growth so far was not structurally even, with expansion concentrated mainly in AI-related exports and capital spending, whereas domestic demand remained relatively moderate. Against this backdrop, should a rate hike be implemented, those bearing the brunt would be the sectors bypassed by the AI boom, notably traditional manufacturing, services, SMEs, and mortgage-burdened households.

Another board director noted that since the beginning of this year, global monetary policy had confronted mounting challenges, with geopolitical relations, fiscal burdens, and capital demand for AI exerting significant pressures. Different central banks were operating on their own unique considerations, while the Bank

adopted a relatively steady monetary policy stance. Judging by the policy outcome, Taiwan had recorded well-paced economic growth and better inflation performance compared with other economies. If households and the business sector are receptive to the Bank's measured stance, it would help better anchor public expectations and in turn foster an environment conducive to monetary policy stability.

(2) Discussions regarding the selective credit control measures

Multiple board directors expressed the view that it would be appropriate to moderately relax the LTV cap on second home loans taken out by natural persons from 60% to 70%, as the Bank's selective credit control measures have taken further effect, as reflected in the continued decline in the concentration of real estate lending. Nevertheless, it remained crucial to continue monitoring developments in the housing market and conduct a rolling review or make adjustments as warranted. **One of the directors** stated that market expectations remained a pivotal factor shaping housing market dynamics. While the 10-percentage-point LTV cap relaxation earlier this year had shown a rather limited effect on the housing market, further easing by another 10 percentage points today would still require close monitoring of its subsequent impact. In the event of a shift in market expectations or a potential reversal in property market conditions, the Bank may consider reintroducing tightening measures under its selective credit control framework to maintain a housing market status quo of contracting volumes and consolidating prices.

Another board director noted that there was no urgent need to relax selective credit control measures at the current juncture, mainly because real estate loan balances were still increasing. Although the concentration of real estate lending had been declining, this was primarily driven by an expansion in the denominator (total loan balance). Moreover, the share of surveyed consumers expecting a further housing market price softening had dropped; if such sentiment were to persist and the Bank were to relax controls in the meantime, it could

negate the progress achieved through previous rounds of selective credit controls.

One board director pointed out that manufacturer-related financing had increased and the outstanding balance of real estate loans had risen but at a modest pace, leading the concentration of real estate lending to decline. Meanwhile, the outstanding balance of construction loans had fallen whereas those of policy-supported lending such as housing loans for borrowers without owner-occupied housing and loans for urban renewal and old/unsafe building reconstruction had risen. Additionally, the proportion of respondents expecting housing prices to fall remained higher than that expecting them to rise. Based on these developments, the director supported the adjustment to the selective credit control measures.

Another board director stated support for the rolling adjustment of the selective credit control measures, citing a relative moderation in the flow of credit resources into the real estate market and the fact that the current mortgage interest rates were broadly higher than those before the introduction of the controls. Raising the ceiling on the LTV ratio of the second housing loans to natural persons would help creditworthy but liquidity-constrained borrowers in obtaining housing loans, a move also aligned with banks’ internal risk management framework.

3. Monetary Policy Decision:

- (1) The board directors decided to keep the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations unchanged at 2%, 2.375%, and 4.25%, respectively.**

Voting for the proposition:

Chin-Long Yang	Tsui-Yun Chuang	Ming-Hsin Kung
Tzung-Ta Yen	Mei-Lie Chu	Ray-Beam Dawn
Fu-Sheng Hung	Shi-Kuan Chen	Chien-Yi Chang
Ming-Chang Wu	Chang-Ching Lin	Ming-Fu Shaw

Junne-Jih Chen
(Excused, Appointing Tzung-Ta Yen as Proxy)

Voting against the proposition:

Shiu-Sheng Chen Yi-Ting Li

(2) The board directors decided to adjust the selective credit control measures.

Voting for the proposition:

Chin-Long Yang	Tsui-Yun Chuang	Ming-Hsin Kung
Tzung-Ta Yen	Mei-Lie Chu	Ray-Beam Dawn
Shiu-Sheng Chen	Fu-Sheng Hung	Shi-Kuan Chen
Chien-Yi Chang	Ming-Chang Wu	Chang-Ching Lin
Ming-Fu Shaw	Junne-Jih Chen (Excused, Appointing Tzung-Ta Yen as Proxy)	

Voting against the proposition:

Yi-Ting Li

III. The Press Release

The board directors approved unanimously to issue the following press release in the post-meeting press conference, together with the Supplementary Materials for the Post-Monetary Policy Meeting Press Conference prepared by the Bank.

Monetary Policy Decision of the Board Meeting (2026 Q3)

I. Global economic and financial conditions

Since the Board met in June this year, rising investment in artificial intelligence (AI) and related technologies has contributed to further expansion in global manufacturing activity and sustained and moderate growth in the global economy. Amid geopolitical tensions in the Middle East, international crude oil and other commodity prices have remained elevated and global inflationary pressures have persisted.

From June onwards, the European Central Bank has implemented policy rate hikes twice, and the Bank of Japan has resumed raising policy rates. The U.S. Federal Reserve has pivoted toward a policy rate increase, while the People's Bank of China has maintained its loose monetary policy stance. In the meantime, market attention on the pace of monetary policy adjustments and fiscal soundness in major economies, as well as the profitability of AI-related investment, have induced greater volatility in global financial markets.

Looking ahead, international institutions currently forecast that as the impact of the energy shock subsides, global economic growth is likely to rebound and global inflation is projected to decline next year. Nevertheless, the global economic and financial outlook faces numerous uncertainties, including possible impacts arising from developments in the Middle East conflict, the future course of monetary policy among major central banks, the prospect for AI-related industries, and the shift in U.S. economic and trade policies.

II. Domestic economic and financial conditions

1. The domestic economy performed better than expected in the first half of the year, expanding by 14.15% over the same period a year ago. From July onwards, bolstered by continuous and strong demand for AI and other emerging technology applications, exports grew significantly and private investment also increased further, while private consumption posted sustained growth. The Bank revised up its forecast for Taiwan's GDP growth rate to 9.09% for the second half of this year and 11.48% for the year as a whole (see Appendix Table 1 for the forecasts by major institutions). Regarding labor market conditions in recent months, the number of employed persons continued to rise, the unemployment rate declined year on year, and wages grew mildly.

Looking ahead to next year, robust demand for emerging technology applications is likely to persist, which will continue to boost exports and private investment. Meanwhile, with possible hikes in public sector pay and minimum wage, private consumption is expected to rise further. However, the Bank forecasted that a higher base effect would lead the economic growth rate to register 5.82% next year.

2. For the first eight months of the year, the annual growth rate of the consumer price index (CPI) averaged 1.84% and that of the core CPI (excluding vegetables, fruit, and energy items) averaged 2.11%. Given that international oil prices remained elevated and that services inflation stayed high and showed downward rigidity, the Bank revised upward its forecasts for Taiwan's CPI and core CPI inflation rates to 2.03% and 2.16%, respectively (see Appendix Table 2 for the forecasts by major institutions).

Regarding the inflation outlook for next year, as major foreign institutions currently projected that international oil prices would decline from the levels this year, upward pressures on domestic fuel and lubricant prices and air fares would likely ease somewhat subsequently. Meanwhile, consumer demand was expected to be mild. The Bank therefore forecasted that for next year the CPI and core CPI inflation rates will slow to 1.83% and 1.89%, respectively, with most domestic and foreign institutions also expecting a decline in Taiwan's 2027 CPI inflation rate (Appendix Table 2). However, international geopolitical risks and weather factors could affect future domestic inflation trends.

3. The ongoing global AI demand boom has driven investment and operating activities across related industries at home, resulting in an increase in corporate funding demand for working capital. Meanwhile, local stock market buoyancy has also led to stronger needs for loans to retail borrowers for financial investment. Against this backdrop, the average annual growth rate of loans and investments of all banks rose to 8.23% for the first seven months of this year, taking the annual growth rate of M2 to an average of 6.60% for the same period.

Short- and long-term market interest rates both drifted up in recent months, reflecting the significant increase in domestic funding needs and a net foreign capital outflow. The Bank continued to manage market liquidity through open market operations. Excess bank reserves averaged above NT\$52 billion for the period from June to August this year, suggesting still ample liquidity in the banking system.

III. The Board decided to keep the policy rates unchanged

At the meeting today, the Board considered the totality of information on the economic and financial conditions at home and abroad. Domestic inflation was expected to remain contained this year and would likely ease to below 2% next year, and the domestic economy was projected to expand at a solid pace. Against this background, and taking a prudent approach to the uncertainty surrounding the global economic and financial outlook and the potential impact of the Middle East conflict on domestic prices and the economy, the Board judged that a rate hold would help sustain sound economic and financial development on the whole.

The Board decided to keep the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations unchanged at 2%, 2.375%, and 4.25%, respectively.

Going forward, the Bank will closely monitor domestic inflation trends, the extent of monetary policy tightening by major central banks, domestic financial conditions, and the implications of other uncertainty factors – such as the prospects of AI applications, impacts from the U.S. economic and trade policies, and extreme weather – for Taiwan's economic activity. The Bank will adjust its monetary policy accordingly in a timely manner to fulfill the statutory duties of maintaining financial and price stability while fostering economic development within the scope of the aforementioned objectives.

IV. The Board decided to adjust the selective credit control measures

Since the Bank's moderate adjustment in March this year to the cap on the loan-to-value (LTV) ratio for a natural person's second housing loan, domestic banks have continued to reinforce real estate credit risk management, with signs of further improvement in the disproportionate credit flow into the real estate market. At the end of July 2026, the ratio of real estate lending to total lending of all banks (a measure of concentration of real estate lending) has declined to 34.44% from 35.56% at the end of March 2026, representing also a decline of 3.17 percentage points from the recent peak of 37.61% recorded at the end of June 2024. In the meantime, domestic banks have recorded a continued increase in housing loans to non-homeowners as a share of total housing loans. Loans for urban renewal and reconstruction of unsafe and dilapidated housing have also been rising as a share of construction loans. Housing market transactions have been cooling off, with speculative activity decreasing; consumer expectations for housing

price rises have also softened.

Considering that the selective credit controls are showing effectiveness and that financial institutions' reinforcement of real estate credit risk control have produced positive results, the Bank decided to make moderate adjustments to the credit controls and to amend the Regulations Governing the Extension of Mortgage Loans by Financial Institutions accordingly, effective September 18, 2026 (see Appendix). Major amendments included the following:

- (1) To more aptly support the need to purchase owner-occupant housing for borrowers themselves or their family, the Bank decided to adjust the LTV ratio cap on a natural person's second housing loan, raising it from 60% to 70%.
- (2) Regarding land loans, which are subject to the rules introduced in December 2021 by the Bank that such loans should be accompanied by a written affidavit specifying the timeframe to commence construction, it has been observed that banks have demonstrated prudence in underwriting such loans while requesting and verifying the loan cases' construction schedules. Given these developments and in view that the relevant rules may serve well under banks' own credit extension practices, the Bank decided to remove the requirement of submitting "a written affidavit specifying the timeframe to commence construction."

Going forward, the Bank will continue to conduct rolling reviews of the credit control measures and make timely adjustments as warranted in order to foster financial stability and sound banking operations.

- V. The NT dollar exchange rate is in principle determined by market forces. Nonetheless, when irregular forces (such as massive inflows/outflows of short-term capital) and seasonal factors lead to excess volatility or disorderly movements in the NT dollar exchange rate with adverse implications for economic and financial stability, the Bank will, consistent with its statutory duties, step in to maintain an orderly market.

**Appendix: Comparison Table of the Amendments to the
Regulations Governing the Extension of Mortgage Loans
by Financial Institutions**

Effective Date: September 18, 2026

Loans		Loan Underwriting Criteria	
		Current provisions	Amendments
Housing loans taken out by corporate entities		LTV ratio cap: 30%; No grace period	(Unchanged)
Natural persons	High-value housing loans	LTV ratio cap: 30%; No grace period	(Unchanged)
	First housing loans for current homeowners	No grace period	(Unchanged)
	Second housing loans	LTV ratio cap: 60%; No grace period	LTV ratio cap: <u>70%</u> ; No grace period
	Third (or more) housing loans	LTV ratio cap: 30%; No grace period	(Unchanged)
Unsold housing unit loans		LTV ratio cap: 30%	(Unchanged)
Land loans		● LTV ratio cap: 50% (10% to be withheld until construction commences) ● Additional requirements: ◆ A substantive project development plan ◆ A written affidavit specifying the timeframe to commence construction	● LTV ratio cap: 50% (10% to be withheld until construction commences) ● Additional requirements: ◆ A substantive project development plan
Mortgage loans for idle land in industrial districts		LTV ratio cap: 40%; 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	(Unchanged)

Appendix Table 1

Taiwan's Economic Growth Forecasts by Major Institutions

Unit: %

Forecast Institutions		2026 (f)	2027 (f)
Domestic Institutions	CBC (2026/9/17)	11.48	5.82
	Cathay/NTU (2026/9/14)	11.60	5.10
	DGBAS (2026/8/14)	11.05	6.04
	TIER (2026/7/24)	10.38	n.a.
	CIER (2026/7/22)	10.35	3.71
	Academia Sinica (2026/7/13)	10.16	n.a.
Foreign Institutions	BofA (2026/9/16)	12.00	7.00
	Citi (2026/9/16)	11.00	7.10
	Goldman Sachs (2026/9/16)	11.05	2.59
	HSBC (2026/9/16)	10.20	5.30
	S&P Global Market Intelligence (2026/9/15)	10.13	3.32
	UBS (2026/9/15)	10.99	4.31
	J.P. Morgan (2026/9/11)	11.40	4.60
	Nomura (2026/9/11)	12.50	7.00
	Standard Chartered (2026/9/11)	11.50	6.50
Forecast Average		11.05	5.26

Appendix Table 2
Taiwan's Inflation Forecasts by Major Institutions

Unit: %

Forecast Institutions		2026 (f)	2027 (f)
Domestic Institutions	CBC (2026/9/17)	2.03*	1.83*
	Cathay/NTU (2026/9/14)	2.10	1.90
	DGBAS (2026/8/14)	2.07	1.90
	TIER (2026/7/24)	1.98	n.a.
	CIER (2026/7/22)	2.02	1.89
	Academia Sinica (2026/7/13)	1.95	n.a.
Foreign Institutions	BofA (2026/9/16)	2.00	1.70
	Citi (2026/9/16)	2.00	2.10
	Goldman Sachs (2026/9/16)	2.00	1.72
	HSBC (2026/9/16)	2.00	2.00
	S&P Global Market Intelligence (2026/9/15)	1.96	1.74
	UBS (2026/9/15)	1.89	1.93
	J.P. Morgan (2026/9/11)	2.10	1.80
	Nomura (2026/9/11)	2.00	1.70
	Standard Chartered (2026/9/11)	2.10	2.00
Forecast Average		2.01	1.86

* The Bank forecasted the annual growth rate of the core CPI (excluding vegetables, fruit, and energy items) to register 2.16% for 2026 and 1.89% for 2027.