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LAND BANK OF TAIWAN

Annual Report **2023**



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Chairperson

Hsieh, Chuan-Chuan

Letter to Shareholders

Although COVID-19 no longer poses a strong threat on global economic activities like it used to, the worldwide inflation has forced central banks to raise interest rates more aggressively and frequently, which in turn tightened liquidity supply and hindered growth momentum. While the U.S. economy turned in higher-than-expected growth figures in 2023 and Japan benefited from the recovery of domestic demand and tourism, Mainland China has lagged behind in recovery after lifting COVID-19 restrictions, whereas the European Union and emerging economies delivered underwhelming economic performance due to geopolitics, risking commodity prices, and weakening of currency. In an effort to control high inflation, the Federal Reserve has increased interest rates by a total of 21 ticks between 2022 and 2023. This has raised the benchmark federal funds rate to a range of 5.25% to 5.50%, which is the highest it has been in almost 16 years. As a result of this monetary tightening, the effects are starting to be seen, with a noticeable decrease in global demand. According to the International Monetary Fund (IMF), the global economic growth rate is projected to be 3.0% in 2023, which is lower than the 3.5% growth rate observed in 2022. This suggests a deceleration in global economic expansion.

Meanwhile, Taiwan experienced a decline in foreign trade and export orders in 2023 due to weakened demand from Europe and America, sluggish economic recovery in Mainland China, and the presence of geopolitical risks and global inflationary pressure. Coupled with the aggressive rate hikes that major central banks around the world have taken in response to inflation, the global financial market exhibited heightened volatility and most non-U.S. currencies weakened against the USD in 2023. Taiwan, too, saw inflation rate increase in 2022 mainly due to rises in the price of food, entertainment, service, and rent; however, an increase of core CPI (excluding food and energy) did exhibit a marginal slowdown. The Directorate General of Budget, Accounting and Statistics has estimated Taiwan's economic growth rate at 1.31% for 2023, which is lower than the 2.59% growth rate in 2022. This suggests that Taiwan's economy has been impacted by the global economic downturn, leading to a deceleration in economic activity.

Thanks to the collaborative efforts of our management team and colleagues, the Bank achieved a net profit before tax of NT\$17 billion and pre-tax earnings per share of NT\$1.98 in 2023. Our asset quality remains strong, with a NPL ratio of 0.11% and a NPL coverage ratio of 1,674.96% as of the end of 2023, showcasing our efficient operations. Furthermore, we are collaborating with the government's initiative to bolster various industries and actively facilitate loans for small and medium-sized enterprises. We are also encouraging investments in Taiwan's three major plans and six core strategic industries. The government's efforts at promoting urban regeneration policies and incentives have driven demands for urban regeneration. In 2023, the Bank received an Award of Excellence for Financing of the Six Core Industries and a Special Award for Inclusive Lending to SMEs - Central Region from the Financial Supervisory Commission (FSC).

In response to the technological advancements of the modern era, the Bank actively develops financial technology (FinTech) and continuously promotes the innovative transformation and upgrading of digital financial services. This includes mobile payments, mobile banking, digital deposits, online loan applications, open banking, process digitalization, and a single platform for personal finance services. We have also maintained partnerships with various electronic payment institutions such as JKOPAY, iPass, icash Pay, Orange Pay, PXPAY Plus, Easy Wallet, O'Pay, and

+Pay, offering our customers new options for mobile consumption. Additionally, we regularly hold meetings related to digital finance to monitor and control the progress of various plans, stay informed about the latest developments in financial technology from regulatory authorities and peers, and effectively respond to the challenges brought by the wave of financial technology. Meanwhile, the Bank takes the initiative in building its portfolio of patents, and owned a total of 498 financial technology patents at the end of 2023.

Sustainable development is a fundamental principle that holds significant importance both internationally and in Taiwan. In an attempt to adopt international trends and exert financial influence, the Bank not only launched the “Green and Sustainable Time Deposit Campaign” in March 2023 but also provided businesses with the funding they need to develop green energy through loans, incorporated ESG factors into investment/loan decisions, and signed commitment to the Equator Principles. Between 2021 and 2022, the Bank issued a number of sustainable development bonds to finance green investment and social welfare investment projects. In response to the challenges and opportunities presented by climate change, the Bank has signed the Task Force on Climate-related Financial Disclosures (TCFD) and is gradually adopting its framework. We have integrated climate change risks into our risk management policies and conduct regular surveys of greenhouse gas emission at all business locations local and abroad. Our improved practices have been recognized in multiple awards including: Best ESG Award in Excellence Bank Rating - Non-financial Holding Company, Corporate Sustainability Report Award - Gold in the 16th TCSA, and Sustainable Development Award in China Times' Financial Services Awards.

The Bank's ongoing efforts to improve service quality and enforce fair customer treatment have earned for itself the title of Top Performing Bank in FSC's Fair Customer Treatment Evaluation for Financial Service Providers for 5 consecutive years. The Bank contributes to building an inclusive society by offering a diverse range of financial products and convenient financial services and bringing privileged loans to the underprivileged. Solutions such as “senior reverse mortgage”, “retirement planning”, and “nursing trust” have been introduced to provide more comprehensive lifestyle and wealth protection for elders. The Bank was named Top Performing Bank by FSC in Group A of the “Nursing Trust for Aging - Phase 2”, which further demonstrates the effectiveness of our Trust 2.0 Plan in providing comprehensive trust services. In terms of promoting housing justice and assisting individuals with their home ownership needs, the Bank actively supported the government in the promotion of “Youth Home Loans” during the year. Furthermore, we have actively participated in various social welfare activities, including sports, arts and culture, education, social donations, and social welfare trust funds. Our efforts in these areas have been recognized with the “Social Inclusion Leadership Award” and “Gender Equality Leader Award” by the Taiwan Corporate Sustainability Awards (TCSA). Additionally, we have received the “Sports Promoter Award - Sponsorship Category - Gold”, “Sports Promoter Award - Sponsorship Category - Long-term Sponsorship”, and “Sports Promoter Award - Promotion Category - Gold” from the Sports Administration, Ministry of Education. These accolades serve as a testament to the Bank's commitment to inclusive financing and corporate social responsibility.

The following is a summary of the business performance in 2023, along with the business plan for 2024. It also includes future development strategies, the external competitive landscape, regulatory environment, the impact of the overall business environment, and the credit ratings of the Bank.

I. 2023 Business Results

(I) Organizational Change

The Bank did not undergo any organizational changes in 2023.

(II) Business Plans and Results

i. Business Plans

In light of ongoing climate change, the evolving financial landscape, and intense market competition, our bank has taken proactive measures to leverage its expertise as a specialized real estate bank. This includes offering a range of project loans and green financing to support national economic growth. Additionally, we have prioritized enhancing our competitiveness, expediting our internationalization efforts, and enforcing sustainable practices with the aim of becoming a comprehensive and high-quality financial institution. In 2023, the Bank successfully executed its business development plan and met its financial budget targets. This achievement was guided by five strategic objectives: “business digitalization”, “credit equalization”, “profit diversification”, “human resources qualification”, and “corporate social responsibility implementation”.

ii. Business Strategies Implementation Results

Unit: NTD millions; USD millions (for Foreign Exchange); %

Main Business Activities \ Year	2023	2022	Growth Over the Previous Year (%)
Deposits	2,945,220	2,921,967	0.80
Loans	2,272,283	2,272,058	0.01
Foreign Exchange(USD)	95,425	114,950	-16.99
Trust	461,654	440,253	4.86
Guarantee	65,662	68,210	-3.74
Securities Brokerage	458,057	444,085	3.15
Profit Before Tax	17,043	14,827	14.95

Description: The business figures in this table are the business volume of each year.

(III) Budget Executions

The Company reported NT\$2,945,220,050,000 of deposit volume (105.68% target achievement), NT\$2,272,282,650,000 of loan volume (104.36% target achievement), US\$95,425,500,000 of foreign exchange volume (112.27% target achievement), and NT\$17,043,280,000 of Profit before tax (162.27% target achievement) for 2023.



President

He, Ying-Ming

(IV) Revenues, Expenses, and Profitability Analysis

Unit: NTD millions; %

Item		2023	2022	Variation/Percentage points
Net Income of Interest		31,189	33,080	-5.72%
Net Non-Interest Income		4,031	288	1,299.65%
Total Interest Income		35,220	33,368	5.55%
Total Bad Debts Expense and Guarantee Liability Provision		803	2,263	-64.52%
Operating Expenses		17,374	16,278	6.73%
Profit Before Tax		17,043	14,827	14.95%
Profit		13,171	11,538	14.15%
Earnings Per Share Before Tax (NTD)		1.98	1.72	15.12%
Return on Assets	Before Tax	0.50%	0.44%	0.06 percentage point
	After Tax	0.39%	0.34%	0.05 percentage point
Return on Equity	Before Tax	8.42%	7.81%	0.61 percentage point
	After Tax	6.51%	6.08%	0.43 percentage point
Net Profit Margin		37.40%	34.58%	2.82 percentage points

Description: 2022 figures have been restated by the CPA based on certified figures of the National Audit Office, whereas the 2023 figures are audited.

(V) Research and Development

The Bank has a dedicated unit that analyzes economic, financial, and industry trends and conducts research on topics related to banking service, both on a regular and unscheduled basis. Significant R&D accomplishments in 2023 included: proprietary research reports (4 publications), domestic and foreign economic/financial trend reports (weekly and monthly), industry reports (monthly and quarterly), industry development overview reports (bi-monthly), economic/financial research reports of specific themes (8 publications), and domestic real estate market survey reports (12 publications). All of which were intended to provide references for sales personnel.

II. Summary of 2024 Business Plan

(I) Operating Strategies and Key Operating Policies

- i. To strengthen our operational process, we must continue to focus on the following areas: improving asset quality, enhancing deposit structure, implementing a robust risk management mechanism, fostering a culture of compliance, reducing business risks, maximizing organizational effectiveness, and enhancing information technology services and information security protection.

- ii. Support financial policies and expand operations into multiple business activities for additional synergy.
- iii. We aim to expand interest rate spreads in order to increase interest income, explore commission-based operational revenue, enhance investment yields, strengthen the efficiency of our use of own property, and increase the proportion of overseas profits for improved profitability.
- iv. In line with the digital finance trend, we aim to promote digital finance, integrate virtual and physical channels, offer customer-centric solutions, and provide exceptional digital services. Our goal is to enhance customer experiences, strengthen customer relationships, and drive the integration and innovation of financial technology services. We will leverage big data analysis to develop digital marketing strategies, implement digital operational processes in conjunction with financial technology, and foster a mindset of financial innovation.
- v. Monitor international banking opportunities and create a global corporate banking service network that enhances overseas business performance.
- vi. Support the United Nation's Sustainable Development Goals (SDGs). Promote sustainable finance, implement carbon reduction measures, safeguard customer rights, promote inclusive finance, prioritize employee rights, engage in social welfare activities, strengthen corporate governance, and enhance sustainable value.

(II) Projected Business Goals

The main operating targets for 2024 have been reported to the competent authorities and transferred to the Executive Yuan for approval.

- i. Deposit Volume: NT\$2,907.5 billion, representing an increase of 4.33% from the statutory target of NT\$2,786.9 billion in 2023.
- ii. Loan Volume: NT\$2,250 billion, representing an increase of 3.34% from the statutory target of NT\$2,177.3 billion in 2023.
- iii. Foreign Exchange Volume: USD 92 billion, representing an increase of 8.24% from the statutory target of USD 85 billion in 2023.
- iv. Profit before tax: NT\$11,025 million, representing an increase of 4.73% from the statutory target of NT\$10,529.3 million in 2023.

※ The Business Volume Above Represents: Cumulative average balance for deposits and loans, amount of transactions undertaken for foreign exchange, and cumulative amount for Profit before tax.

III. Business Plans and Future Development Strategies

- (I) Attract deposits from natural persons and SMEs for diversity and improved deposit structure. Adjust asset and liability structure progressively for enhanced capital adequacy and more robust management of liquidity risk and overall risks.
- (II) Cooperate with government policies to offer a range of project loans and green finance options that support private investment, public construction, and sustainable development. Our objectives include developing corporate lending, securing syndicated loans and securities underwriting, strengthening financial services for small and medium-sized enterprises (SMEs), assisting enterprises in obtaining necessary funds for operations, providing a range of electronic payment services, and expanding our corporate banking offerings.
- (III) Set lending rates based on the risk premium, overall customer contribution, and other relevant factors for discriminatory pricing. This will help boost corporate deposits through our lending business. Increase demand deposits to decrease the average deposit interest rate and expand the lending-deposit spread, resulting in higher interest income.
- (IV) Develop customer-centric marketing strategies and provide employees with appropriate incentives to engage in active marketing for improved efficiency and productivity. Adopt joint marketing as means to create synergy and aim to increase percentage of fee-based, non-interest income relative to total revenues.
- (V) We aim to develop mobile payment services and promote our online insurance business in order to expand our service offerings, strengthen customer relationships, and meet the diverse payment and receipt needs of our customers. Our company aims to provide integrated and innovative financial technology services that seamlessly integrate with customers' daily lives. We strive to develop a diverse ecosystem of financial services, ultimately creating a mutually beneficial situation for cross-sector e-commerce. Utilize FinTech to digitize operational processes in order to improve operational efficiency.
- (VI) We will actively develop and nurture a pool of talented individuals from overseas, expand our presence in international markets, and gradually strengthen our global footprint to enhance our international competitiveness. We will also closely align with the government's New Southbound Policy to expand our business network in the Asia-Pacific region and broaden the range of services we offer.
- (VII) Adhere to the United Nations' Sustainable Development Goals (SDGs) by prioritizing climate change risk management in sustainable financing. Uphold the principle of fair treatment for customers. Develop and promote a range of inclusive financial products that align with government social welfare policies and address the needs of an aging

society. Emphasize employee training and development to enhance their skills and well-being, while also safeguarding their rights and interests to foster a harmonious work environment. Fulfill corporate social responsibility through honest management practices, promoting ethical values among employees, strengthening corporate governance, and driving sustainable value.

IV. Impact of the External Competitive Environment, Regulatory Environment, and Overall Business Environment

(I) The External Competitive Environment

With the advancement of digital transformation and development, the banking industry has become more proficient in utilizing new technologies like big data and artificial intelligence. In order to stay in sync with other industries, financial services must integrate APIs, exchange customer data, and adopt other methods to create a financial ecosystem that blurs the boundaries between industries.

In March 2022, Next Bank began its operations to the public, following the establishment of Rakuten International Commercial Bank and Line Bank. These three pure online banks have emerged, leading to a rapid transformation in the competitive landscape of our country's banking industry.

(II) The Regulatory Environment

From the end of 2020, the Central Bank made four adjustments to its selective credit control measures in order to discourage speculation and prevent excessive capital from flowing into the real estate sector. These measures were implemented to promote housing justice. Additionally, in January 2022, the Central Bank introduced new requirements for borrowers of the Land Purchase Loan. These borrowers are now required to commence construction within a specified timeframe and adhere to credit regulations. Failure to begin construction within the designated timeframe will result in the gradual retrieval of the loan by the Bank, along with an annual increase in the interest rate. Furthermore, financial institutions are obligated to implement post loan tracking management, integrate it into internal audits and audit priorities, and continue to carry out institutional reforms to facilitate the sound development of the housing market.

To enhance banks' risk tolerance, the FSC issued an Interpretation on the "Applicable Risk Weights of Domestic Banks in Handling Real Estate Mortgage Loans" in February 2022. This interpretation increased the risk weights for various cases, including new residential loans for corporate entities, residential loans for third households and above (inclusive) of natural persons, loans for land purchase, loans for remaining houses, and mortgage loans for idle land in industrial areas (including loan renewals or refinancing). As a result, banks now face higher capital charges for real estate risk exposure, which puts additional pressure on the banking industry's cost of capital. Furthermore, in January 2023, the Legislative Yuan passed amendments to "The Equalization of Land Rights Act"

to curb speculation and irregularities in the pre-sale housing market. These amendments, which have completed the three-reading procedure, impose restrictions on contract swapping and resale, impose severe penalties for speculative activities, establish a whistleblowing reward system, regulate private legal persons in property purchases, and require declaration and registration of contract terminations. In the short term, these measures will dampen buying sentiment in the pre-sale housing market. In the medium to long term, they will prompt consumers to shift their purchasing preferences from pre-sale housing to completed housing. Consequently, builders will need to adopt new strategies to promote completed housing. However, this shift may pose challenges for small and medium-sized builders with relatively weak financial positions. They may find it difficult to raise construction funds through pre-sale projects, increasing the risk of financial strain and further limiting the survival opportunities for these builders.

In response to the challenges posed by digital transformation, geopolitical risks, and frequent incidents of ATM theft, the FSC has launched the “Financial Cyber Security Action Plan” version 2.0 in December 2022. This plan will be implemented in stages over a three-year period, with quarterly reviews of cyber security outcomes. The plan includes expanding the presence of cyber security officers, organizing regular meetings for these officers, developing an international standard architecture for digital identity verification levels (ISO 29115) to enhance the security of digital identity authentication and prevent identity theft in banking services, strengthening core data protection, improving backup and recovery mechanisms, and enhancing digital resilience. Additionally, a zero-trust network deployment approach will be adopted, following the principle of “never trust, always verify”, to ensure the security of accessing data from any source. To effectively respond to major cyber security incidents, a virtual command and response system will be established, and scenario-based drills will be conducted to validate its operational effectiveness in real-life situations. The objective of this plan is to improve the cyber security capabilities of financial institutions, thereby ensuring a secure and stable digital financial transaction environment. In the future, banks may need to consider cyber security performance when seeking business approvals.

(III) The Overall Business Environment

The investment market has faced challenges due to the Russo-Ukrainian War, inflation, interest rate hikes, and lockdown measures in mainland China. The interest rate hikes have resulted in a wider interest spread for bank deposits, leading to increased net interest income, and as the pandemic subsides and border controls are lifted, service fee income is expected to recover gradually. According to the Central Bank’s statistics, the interest spread for domestic bank deposits reached a new high of 1.36% in the fourth quarter of 2022, the highest since 2018. Due to the ongoing cycle of interest rate hikes, it is anticipated that domestic banks will experience a continued increase in deposit and lending interest rates. This will result in a further enhancement of the lending-deposit spread and, consequently, an increase in bank interest revenue. Overall, amidst the ongoing cycle of interest rate hikes in our country’s banking industry, the steady resurgence of Taiwanese businesses has bolstered long-term growth and increased financing needs. This has

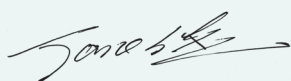
resulted in a rise in net interest income. Furthermore, the persistently high prices of raw materials have led to increased costs for enterprises, driving up the demand for working capital. This trend has been advantageous for the bank's lending operations. It is expected that the economic outlook for our country's banking industry will remain favorable this year.

V. Credit Rating of the Bank

The Bank's credit ratings by Taiwan Ratings, Standard & Poor's (S&P), and Moody's Investors Service (Moody's) are as following. Taiwan Ratings awarded the Bank a long-term rating of twAA+ and a short-term rating of twA-1+; S&P awarded a long-term rating of A and a short-term rating of A-1; Moody's awarded a long-term rating of Aa3 and a short-term rating of P-1; all 3 rating agencies concluded a Stable outlook.

Rating Agency	Latest Rating Date	Rating Results		Other Rating-related Information
		Long-term Rating	Short-term Rating	
Taiwan Ratings	2023.6.14	twAA+	twA-1+	Outlook: Stable
S&P	2023.6.14	A	A-1	Outlook: Stable
Moody's	2024.1.18	Aa3	P-1	Outlook: Stable

Chairperson



President





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Directors and Executives

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Bank Profile

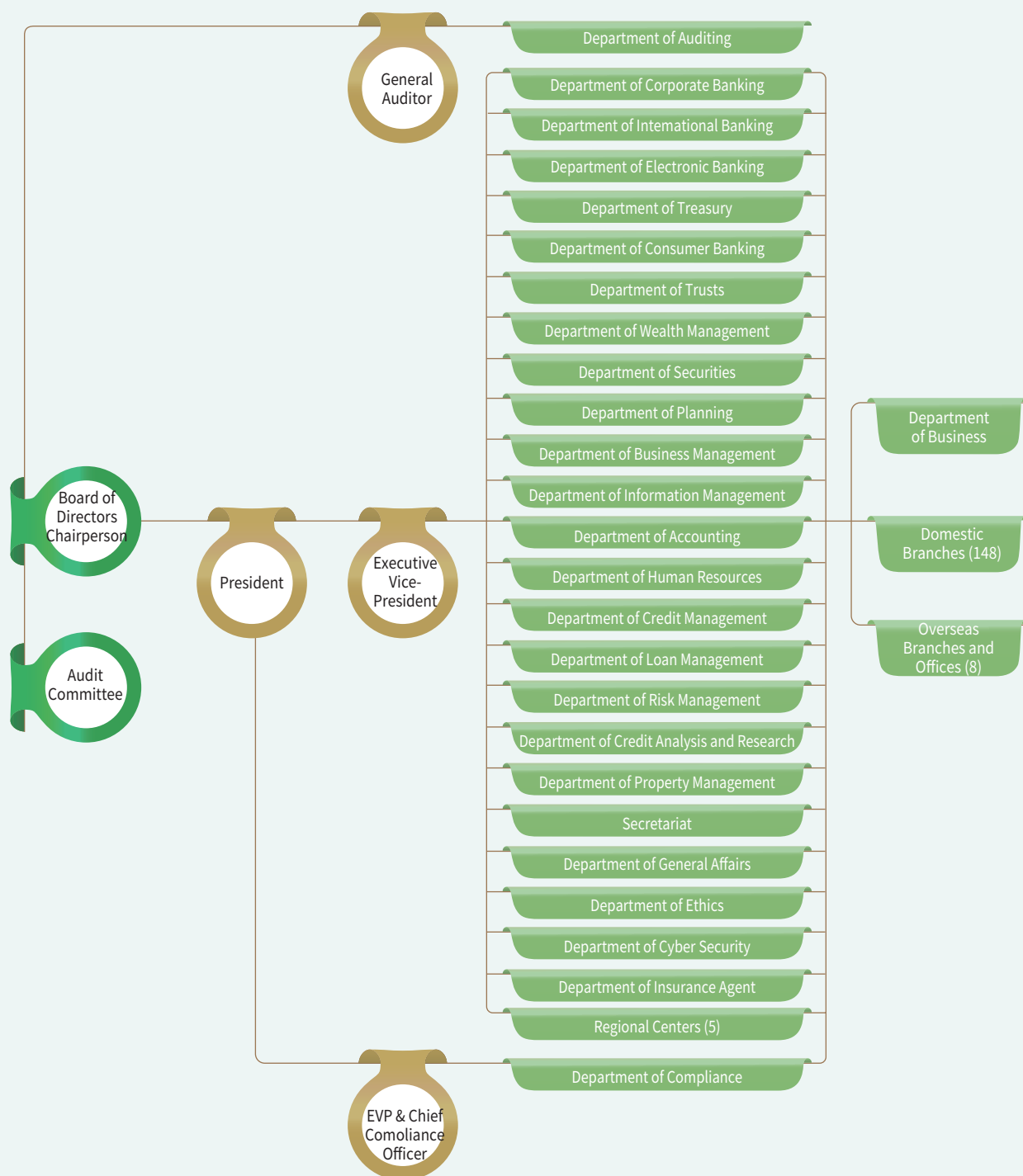
I. Establishment

The "Land Bank of Taiwan" was founded on September 1, 1946 specifically for the purpose of enforcing the government's land-related policies such as equalization of land rights and the Land-To-The-Tiller Program introduced in 1945. It was initially funded by the treasury and commenced operations in accordance with the laws of the Republic of China based on the five branches of the Kangyo Bank of Japan located at Taipei, Hsinchu, Taichung, Tainan, and Kaohsiung, making it the only bank within the nation to specialize in real estate-backed credit. The Bank became a corporate entity in accordance with Article 52 of the Bank Act in May 1985, turned into a state-owned enterprise on December 21, 1998 following the suspension of provincial government, re-organized into "Land Bank of Taiwan Co., Ltd." on July 1, 2003, and transformed into a public company on May 21, 2004. The Bank established a subsidiary named Land Bank Insurance Brokerage Co., Ltd. on October 31, 2013 as a means to expand the scope of business activities and later merged Land Bank Insurance Brokerage Co., Ltd. into the organization on January 1, 2020 out of support for the government's business merger incentive policies.

At the end of December 2023, the Bank had NT\$86.2 billion of share capital (100% owned by the Ministry of Finance) and gained 15.69% market share in construction loans and 9.42% market share in housing loans, making it the leader in real estate-backed lending among all the domestic banks.



II. Organizational Chart



III. Employees

Time of Data		End of March 2024	End of 2023	End of 2022
Number of Employees	Staff	5,344	5,438	5,391
	Workers	325	331	361
	Total	5,669	5,769	5,752
Average Age (excluding workers)		43.65	43.68	44.07
Average Years of Service (excluding workers)		16.08	15.98	16.38
Academic Qualifications Distribution	Doctoral Degree	9	9	8
	Master's Degree	1,749	1,755	1,697
	University (college)	3,610	3,692	3,692
	Senior High School	257	268	301
	Below Senior High School	44	45	54

IV. Sources of Share Capital

Year/ Month	Issued Price	Authorized Capital		Paid-up Capital		Note	
		Number of Shares	Amount	Number of Shares	Amount	Source of Share Capital	Others
March 2024	NT\$10	8.62 Billion Shares	NT\$86.2 Billion	8.62 Billion Shares	NT\$86.2 Billion	Contribution From Treasury and Cumulative Capitalizations	<ol style="list-style-type: none"> 1. NT\$25 billion contributed by the Treasury. 2. Capitalized NT\$25 billion of capital reserve in 2009 (approved under Letter No. Jin-Guan-Zheng-Fa-0980068219 issued by the FSC on December 30, 2009, effective since December 30, 2009). 3. Capitalized NT\$8.1 billion of special capital reserve in 2015 (approved under Letter No. Jin-Guan-Zheng-Fa-1040041402 issued by the FSC on October 23, 2015, effective since October 23, 2015). 4. Capitalized NT\$4.494 billion of special capital reserve and retained earnings in 2016 (approved under Letter No. Jing-Shou-Shang-10501263840 issued by the Ministry of Economic Affairs on November 14, 2016). 5. Capitalized NT\$10.606 billion of special capital reserve in 2019 (approved under Letter No. Jing-Shou-Shang-10801184460 issued by the Ministry of Economic Affairs on December 27, 2019). 6. Capitalized NT\$13 billion of special capital reserve in 2021 (approved under Letter No. Jing-Shou-Shang-11001231150 issued by the Ministry of Economic Affairs on December 23, 2021).

Directors and Executives

I. Directors

March 31, 2024

Title	Name	Date Elected/ Appointed	Term	Legal Entity Represented
Chairperson (Managing Director)	Hsieh, Chuan-Chuan	2021.8.17	2024.8.16	Ministry of Finance
President (Managing Director)	He, Ying-Ming	2021.8.17	2024.8.16	Ministry of Finance
Managing Director	Chu, Hsuan-Lien	2021.8.17	2024.8.16	Ministry of Finance
Managing Director	Hsieh, Lirng-Yuahn	2023.3.30	2024.8.16	Ministry of Finance
Managing Director (Independent Director)	Chen, Yue-Min	2021.9.29	2024.8.16	Ministry of Finance
Director (Independent Director)	Lai, Ching-Chong	2021.8.17	2024.8.16	Independent Director
Director (Independent Director)	Chen, Fong-Yao	2021.8.17	2024.8.16	Independent Director
Director	Yang, Yeh-Cheng	2021.8.17	2024.8.16	Ministry of Finance
Director	Wang, Shu-Tuan	2021.8.17	2024.8.16	Ministry of Finance
Director	Li, Chien-Hsien	2021.8.17	2024.8.16	Ministry of Finance
Director	Wu, Yi-Lin	2021.8.17	2024.8.16	Ministry of Finance
Director	Yang, Chung-Hsien	2021.8.17	2024.8.16	Ministry of Finance
Director (Labor Director)	Chen, Chung-Tsan	2023.6.28	2024.8.16	Labor Director
Director (Labor Director)	Lin, Shenn-Wen	2023.6.28	2024.8.16	Labor Director
Director (Labor Director)	Tao, Chun-F	2023.6.28	2024.8.16	Labor Director

II. Executives

March 31, 2024

Title	Name	Date Elected/Appointed
General manager	He, Ying-Ming	2021.3.24
Executive Vice President	Chiu, Tein-Sheng	2020.10.27
Executive Vice President	Tang, Chin-Yung	2021.8.27
Executive Vice President	Chou, Ching-Chang	2023.6.19
Executive Vice President	Tsai, Tzu-Ying	2024.1.16
Executive Vice President	Chen, Chao-Fu	2024.1.16
Lead Auditor	Cheng, Pei-Yu	2020.10.27
EVP&Chief Compliance Officer	Lin, Su-Huang	2024.1.16

Directors



Chairperson

Hsieh, Chuan-Chuan

President

He, Ying-Ming



Managing Director

Hsieh, Lirng-Yuahn

Managing Director

Chen, Yue-Min

Managing Director

Chu, Hsuan-Lien

Executives



Chairperson
Hsieh, Chuan-Chuan



President
He, Ying-Ming



Executive Vice President
Chiu, Tein-Sheng



Executive Vice President
Tang, Chin-Yung



Executive Vice President
Chou, Ching-Chang



Executive Vice President
Tsai, Tzu-Ying



Executive Vice President
Chen, Chao-Fu



General Auditor
Cheng, Pei-Yu



EVP&Chief Compliance Officer
Lin, Su-Huang



Corporate Governance

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Corporate Governance

I. Discrepancies and its causes between Corporate Governance Best-Practice Principles for Banks and the Bank's Corporate Governance

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Y	N	Summary Description	
<p>I. Bank's Shareholding Structure and Shareholders' Rights</p> <p>(I) Has the bank implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?</p> <p>(II) Is the bank constantly informed of the identities of its major shareholders and the ultimate controller? Has the bank established and implemented risk management practices and firewalls for companies it is affiliated with?</p> <p>(III) Has the bank established and implemented risk management practices and firewalls for companies it is affiliated with?</p>	V		<p>I.</p> <p>(I) Dedicated personnel have been assigned to perform shareholder service and maintain proper communication.</p> <p>(II) The Ministry of Finance is the Bank's sole shareholder, and given that the Bank has assigned dedicated personnel to perform shareholder service, the Bank is in control of the identity of its major shareholder and ultimate controller.</p> <p>(III) The Bank has implemented Land Bank of Taiwan "Subsidiary Management Guidelines" and "Guidelines on Appointment of Directors and Supervisors in Business Investments and Subsidiaries" for enhanced supervision and management over subsidiaries.</p>	No deviation was found.
<p>II. Composition and Responsibilities of the Board of Directors</p> <p>(I) Does the Board of Directors have a diversity policy and management goals in place?</p> <p>(II) Apart from the Remuneration Committee and Audit Committee, has the bank assembled other functional committees at its own discretion?</p>	V	V	<p>II.</p> <p>(I) The Bank has a set of "Land Bank of Taiwan Corporate Governance Code of Conduct" in place that specifically requires diversification in board members' background and the implementation of diversity guidelines based on the Bank's operations, business activities, growth needs, and overall capacity of the board as part of its management objectives.</p> <p>(II) On December 19, 2014, the Bank established an Audit Committee and formulated the Organizational Regulations for the Audit Committee. The committee consists of solely independent directors. The Bank is a government-owned institution, fully owned by the Ministry of Finance. Employee salaries are determined by a salary grades system, which is managed in accordance with the "Salary Grade Table for Employment of Financial and Insurance Institutions under the Ministry of Finance". As a result, there are no Compensation Committee or other functional committees in place.</p>	No deviation was found.

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Y	N	Summary Description	
(III) Has the bank established a set of policies and assessment tools for evaluating Board performance, and conducted performance evaluation on a yearly basis? Are performance evaluation results reported to the Board of Directors and used as reference for compensation, remuneration, and nomination decisions?		V	(III) The Bank is not listed on the TWSE or TPEX. It compensates directors according to the “Guidelines for Ministry of Finance Appointing Persons-in-charge, Managers, Directors and Supervisors in State-owned and Private Institutions” and by having directors conduct annual self-assessments in accordance with the “Performance Evaluation Scorecard for Persons-in-charge, Managers, Directors and Supervisors Appointed by the Ministry of Finance in Public or Private Institutions” (performance indicators include: Board meeting attendance count, engagement in or reporting of significant matters, involvement in and contribution to state-owned enterprises, other specific good performance, etc.). Outcomes of performance self-assessments are reported to the Ministry of Finance before the end of February each year.	
(IV) Are external auditors' independence assessed on a regular basis?		V	(IV) The Bank appoints financial statement auditors according to the procedures outlined in the Government Procurement Act, and requires auditors to issue a statement of independence in accordance with the “Statement of CPA Professional Ethics No. 10”. Auditor appointments are raised for discussion and approved by the Audit Committee and Board of Directors, and are reported to the National Audit Office for final approval afterwards. The service agreement signed with the accounting firm contains a termination and dismissal clause that allows service arrangements to be reviewed on a yearly basis.	
III. Has the bank allocated an adequate number of competent corporate governance staff and appointed a corporate governance officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, assisting directors/supervisors with compliance issues, convention of Board meetings and shareholder meetings, and preparation of Board/shareholder meeting minutes)?		V	Corporate governance affairs of the Bank are handled by individual departments and divisions within the scope of their respective responsibilities. A “Corporate Governance Officer” position was created on May 24, 2019 under the Board of Directors’ approval to further support the corporate governance system. This position is concurrently undertaken by an Executive Vice President who serves as the ultimate supervisor of corporate governance-related affairs and provides assistance to directors on relevant matters.	No deviation was found.

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Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Y	N	Summary Description	
VI. Does the bank have other information that enables a better understanding of its corporate governance practices (including but not limited to employee rights, employee care, investor relations, stakeholders' rights, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of a customer policy, insuring against liabilities of the bank's directors and supervisors, and donation to political parties, stakeholders and charity organizations)?	V		<p>VI.</p> <p>(I) Benefits offered by the Company: preferred rate loan, leave subsidy, training, social gathering for singles, inter-branch table tennis, tennis, bowling, golf, badminton, hiking, talent show, sport/recreational activities, nursing rooms, and three educare centers in our Tainan, Taichung, and Luodong branches.</p> <p>(II) Employee Rights and Care:</p> <p>i. Employee Welfare:</p> <p>(i) Benefits offered by the Company: preferred rate loan, leave subsidy, training, social gathering for singles, inter-branch table tennis, tennis, bowling, golf, badminton, chess and bridge competitions, hiking, talent show, sport/recreational activities, nursing rooms, and three educare centers in our Tainan, Taichung, and Luodong branches.</p> <p>(ii) Benefits arranged by Employee Welfare Committee: group insurance, festive cash, children's education subsidy, employee hospitalization subsidy, and childbirth subsidy for employees and spouse.</p> <p>ii. Retirement system: employee retirement, redundancy and pension are handled according to "Regulations Governing Employee Retirement, Pension and Redundancy for Subordinate Financial and Insurance Institutions of the Ministry of Finance" and "Labor Standards Act." The Bank maintains a registry of employees who are approaching the retirement age, and enforces retirement when age is met.</p> <p>iii. Terms agreed between employer and employees:</p> <p>(i) The Bank actively communicates with the union and employees to address their requests. In addition, meetings are convened to alleviate queries and establish consensus among the workforce.</p> <p>(ii) Pursuant to Article 83 of Labor Standards Act and Regulations for Implementing Labor-Management Meeting, the Bank takes initiative in organizing labor-management meetings as a means to promote harmonic employment relationships and unite employees.</p> <p>iv. Protection of employees' interests:</p> <p>(i) To establish clear rights and responsibilities for both parties, the Bank has formulated the "Guidelines for the Land Bank of Taiwan" in accordance with Article 70 of the "Labor Standards Act". These guidelines are designed to ensure compliance from both the employer and the employees.</p>	No deviation was found.

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Y	N	Summary Description	
			<p>(ii) On November 18, 2019, the Bank successfully concluded the signing of the revised “Collective Agreement Between Land Bank of Taiwan and Land Bank of Taiwan Union” with the corporate labor union. This agreement has been instrumental in stabilizing labor relations, protecting labor rights and interests, and promoting harmonious relations. These achievements have been made possible through effective communication, coordination, and collaboration, as well as a steadfast commitment to the principles of honesty and trust.</p> <p>(iii) “Employee care”: All internal units are reminded each year to take initiative in caring for employees’ needs, and shall assign dedicated personnel to provide counseling for newly recruited or newly transferred employees and help them familiarize and adjust to the new work environment and lifestyle, so that they may fit in to contribute skills and build a promising career within the Bank in the shortest time possible.</p> <p>(III) Investor Relations and Stakeholders' Interests:</p> <ol style="list-style-type: none"> The Ministry of Finance is the Bank's sole shareholder, for which dedicated personnel have been assigned to carry out shareholder service. Directors' academic and career background and concurrent employment in other companies are disclosed in annual reports to serve as reference for stakeholders. The Bank utilizes the Market Observation Post System (MOPS) of the Taiwan Stock Exchange to disclose pertinent financial and business information, as well as release important updates. This serves as a valuable resource for investors and stakeholders. To ensure compliance with “Ethics Directions for Civil Servants,” an “Ethical Incident Registration System” has been created on the Intranet and is being operated properly. <p>(IV) Directors’ continuing education in 2023:</p> <ol style="list-style-type: none"> The Bank organized “Corporate Governance Forum - Inclusive Financial Services and Fair Customer Treatment” on March 10, 2023 and “Corporate Governance Forum - Latest AML and CFT Trends” on April 21, 2023, which delivered 9 hours of keynote speeches in total. 	

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Y	N	Summary Description	
			<p>ii. Chairperson Chuan-Chuan Hsieh participated in the 2-hour “E-Course for Identification of Beneficial Owner” organized by Taiwan Academy of Banking and Finance between June 22 and July 22, 2023, and the 3-hour “Directors’ and Supervisors’ Legal Obligations and Responsibilities in Intellectual Properties - The Link Between IP Management and ESG, ESG and Patents, and Necessity of Green Trademark for Sustainability” organized by The Chinese Commercial & Industrial Coordination Society on November 16, 2023.</p> <p>iii. Managing Director Ying-Ming He participated in the 3-hour “From Environmental Sustainability to Economic Sustainability: The Current State and Future Challenges of Sustainable Finance” organized by Taiwan Project Management Association on November 14, 2023.</p> <p>iv. Managing Director Hsuan-Lien Chu participated in the 2-hour “Sustainable Governance Organization and Framework - GRI and SASB” organized by Taipei Foundation of Finance between October 31 and November 30, 2023 and the “Path to Low-carbon Transformation - Carbon Credit and Carbon Pricing” organized by Taipei Foundation of Finance between October 31 and December 15, 2023.</p> <p>v. Managing Director Yue-Min Chen participated in the 3-hour “Path to Low-carbon Transformation - Carbon Survey” organized by Taipei Foundation of Finance on March 25, 2023, the 3-hour “Path to Low-carbon Transformation - Carbon Credit and Carbon Pricing” organized by Taipei Foundation of Finance on March 27, 2023, and the 6-hour “2023 Cathay Sustainable Finance and Climate Change Summit” organized by Hon Hai Precision Industry Co., Ltd. on July 4, 2023.</p> <p>vi. Managing Director Lirng-Yuahn Hsieh participated in the 3-hour “Cybersecurity Governance Forum - Financial Technology and Cybersecurity Risk Trends” organized by Taiwan Academy of Banking and Finance on September 14, 2023, the 3-hour “Corporate Governance Seminar (165th Session) - Fair Customer Treatment, Inclusive Service, and Financial Exploitation” organized by Taiwan Academy of Banking and Finance on October 5, 2023, and the 3-hour “Implications of Corporate Governance, New Trends, and Case Studies” organized by the Ministry of Finance on November 7, 2023.</p>	

Assess Criteria	Actual Governance		Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Y	N	
			<p>vii. Independent Director Ching-Chong Lai participated in the 3-hour “Financial Workshop on Corporate Governance and Green Energy as an Innovative Business” organized by Taiwan Academy of Banking and Finance on November 23, 2023.</p> <p>viii. Independent Director Fong-Yao Chen participated in the 3-hour “E-Course on AML Trends and Major Penalties” organized by Taiwan Academy of Banking and Finance between September 22 and October 22, 2023, the 3-hour “ESG Action Plan and Strategic Planning for the Board of Directors” organized by Independent Directors’ Association Taiwan on October 19, 2023, and the 0.95-hour “E-Course on 6 Essential Cybersecurity Mindsets for Managers” organized by Taiwan Academy of Banking and Finance between October 20 and November 19, 2023.</p> <p>ix. Director Yeh-Cheng Yang participated in the 3-hour “Cybersecurity Governance and Corporate Resilience for the Financial Industry” organized by Taipei Foundation of Finance on September 8, 2023 and the 3-hour “Sustainable Banking Online Course” organized by Taipei Foundation of Finance between October 19 and November 17, 2023.</p> <p>x. Director Shu-Tuan Wang participated in the 3-hour “ESG Action Plan and Strategic Planning for the Board of Directors” organized by Independent Directors’ Association Taiwan on October 19, 2023.</p> <p>xi. Director Yi-Lin Wu participated in the 3-hour “Sustainable Banking Online Course” organized by Taipei Foundation of Finance between October 19 and November 24, 2023.</p> <p>xii. Director Chung-Hsien Yang participated in the 3-hour “Regional Revitalization and Circular Economy” organized by Taipei Foundation of Finance between November 6 and November 24, 2023.</p> <p>xiii. Director Chien-Hsien Li participated in the 3-hour “Path to Low-carbon Transformation - Carbon Survey” organized by Taipei Foundation of Finance on March 25, 2023 and the 3-hour “Path to Low-carbon Transformation - Carbon Credit and Carbon Pricing” organized by Taipei Foundation of Finance on March 27, 2023.</p>

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Y	N	Summary Description	
			<p>xiv. Worker Director Tsung-Tsan Chen participated in the 8-hour “2023 Workforce Education Promotion Seminar” organized by the Ministry of Labor between June 5 and June 6, 2023, the 1.5-hour “E-Course on Financial Crime Control and Risk Management” organized by Taiwan Academy of Banking and Finance between October 21 and November 20, 2023, the 2-hour “Green and Sustainable Banking: Instruments and Market” organized by Taipei Foundation of Finance on October 30, 2023, and the 3-hour “Regional Revitalization and Circular Economy” organized by Taipei Foundation of Finance on November 6, 2023.</p> <p>xv. Director Hsin-Wen Lin participated in the 42-hour “Compliance and AML/CFT Pre-job Training” organized by Taipei Foundation of Finance between April 20 and April 27, 2023, the 8-hour “2023 Workforce Education Promotion Seminar” organized by the Ministry of Labor between June 5 and June 6, 2023, the 3-hour “Directors’ and Supervisors’ Legal Obligations and Responsibilities in Intellectual Properties - The Link Between IP Management and ESG, ESG and Patents, and Necessity of Green Trademark for Sustainability” organized by Chinese Commercial & Industrial Coordination Society on October 19, 2023, and the 2-hour “Green and Sustainable Banking: Instruments and Market” organized by Taipei Foundation of Finance on October 30, 2023.</p> <p>xvi. Director Chun-Fa Tao participated in the 8-hour “2023 Workforce Education Promotion Seminar” organized by the Ministry of Labor between June 5 and June 6, 2023, the 15-hour “Compliance and AML/CFT On-job Training” organized by Taipei Foundation of Finance between July 18 and July 19, 2023, the 3-hour “Taipei Corporate Governance Forum” organized by FSC on September 4, 2023, and the 1-hour “Intellectual Property and ESG Management Courses - The Link Between IP Management and ESG” organized by Chinese Commercial & Industrial Coordination Society on October 19, 2023.</p> <p>(V) Implementation Status of Risk Management Policy and Risk Assessment Standards:</p> <p>In 2023, the Risk Management Committee held six meetings to review the Bank’s risk management report and resolutions. The Risk Management Department carried out the measurement, monitoring, and reporting of the Bank’s credit risk, market risk, operational risk, and other risks. They also established and revised the risk management regulations.</p>	

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Y	N	Summary Description	
			<p>(VI) Implementation of Customer Policy:</p> <ul style="list-style-type: none"> i. A Customer Care Committee was assembled in December 2019 to enhance protection for customers and financial consumers. The committee convened a total of 5 meetings in 2023; all important motions of the committee are presented to the board of managing directors and enforced in accordance with fair customer treatment principles to ensure enhanced protection for financial consumers. ii. The Bank trained its employees on “Fair Customer Treatment Principles - Theory and Practice”; 3 hours of training course were organized in 2023, and a total of 5,276 employees had completed training. iii. All service announcements are made over the Bank’s portal and are readily accessible by the general public. iv. The Bank offers a broad diversity of service channels. A customer service center has been created on the Bank’s portal to provide 24-hour consultation on services such as mortgage, ATM card, and credit card, whereas a customer service bot has been developed to provide 24-hour non-stop consultation online over multiple channels including the Bank’s portal, Facebook Messenger, personal Internet banking, and the Land Bank of Taiwan APP. A toll-free customer complaint hotline (0800-231590) has also been made available for customers to raise inquiries and convey their needs. v. All fees and standards are compiled into a comprehensive sheet and disclosed in a visible manner at all office locations and on the Bank’s portal for the protection of consumers’ interest. vi. The portal and credit service section have been configured to display “Anti-fraud alerts” to remind customers to exercise caution and protect themselves from fraud. vii. The Bank caters for the rights and convenience of people with visual impairment, and offers them the option to apply for loans either by engaging a “public notary” (in accordance with The Notary Act” or having a “witness” present (which can be spouse, blood relative, other relative, friend or social worker.” viii. To ensure protection of consumers’ interest and compliance with Article 47-1 of the Banking Act, the Bank has specified in its “International Credit Card Terms and Conditions” that credit card revolving interest rate shall not exceed 15% per annum. Furthermore, business units are instructed to ensure that terms and conditions are given to credit card applicants. 	

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Y	N	Summary Description	
			<p>ix. The following actions were taken in 2023 to enforce the Bank's personal information protection policy:</p> <p>(i) The Bank had engaged KPMG to conduct a special audit on personal information for the year 2023. Outcomes of the audit were presented to the Financial Supervisory Commission on April 13, 2023.</p> <p>(ii) hours of personal information protection training were organized in 2023, and a total of 683 people were trained.</p> <p>(iii) The Bank convenes one Personal Data Protection System Promotion Committee meeting each year. The 2023 meeting was held on November 14, 2023, during which a proposal was raised to amend the Bank's "Personal Data Security Control Measures"; this proposal passed the review of the Personal Data Protection System Promotion Committee, and was implemented on November 30, 2023 with the approval of the General Manager.</p> <p>(iv) Business administration units of the Head Office are responsible for the investigation, analysis and improvement of incidents involving breach of personal information security. The Bank received reports concerning violation of personal data in the second and fourth quarters of 2023; details are as follows:</p> <p>A. The Bank mistakenly sent internal report to a third party via e-mail, which resulted in a leak of personal data and constituted a violation against Paragraph 1, Article 27 of the Personal Data Protection Act. The FSC issued an order of correction in accordance with Paragraph 1, Article 61 of the Banking Act on December 11, 2023.</p> <p>B. The Bank received phone call from customer complaining that the Bank had divulged customer's personal data without prior consent. As per investigation, the Bank was replying to the court's inquiry about the owner of an account opened with the Bank, and had replied by furnishing a summary of the customer's deposit transactions. The department responsible for the occurrence has been instructed to take actions to prevent the incident from escalating to the point that impacts the Bank's reputation. The business administration unit has devised a set of "SOP for Replying to Authorized Investigators Involving Retrieval of Customers' Data".</p>	

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Y	N	Summary Description	
			<p>(v) Business administration units of the Head Office are required to conduct drills on malfunction of the e-commerce service system. A total of 6 units had completed the drill in 2023.</p> <p>(vi) Business administration units of the Head Office are required to examine their personal data flow overview charts and personal data file registries once a year, and in 2023, all units had duly replied progress by September 15, 2023.</p> <p>(VII) Insurance against directors' and supervisors' liability: The Bank is 100% state-owned and is neither listed on TWSE nor TPEX. The Bank has not purchased such an insurance considering the limited yields it may provide (and the fact that Bank of Taiwan, too, has not purchased such insurance so far).</p> <p>(VIII) Donation to political parties, stakeholders, and non-profit organizations: No donation was made to a political party or stakeholder. Driven by the motivation to care for the society and fulfill corporate social responsibilities, the Bank participates in charitable events and takes this opportunity to contribute to the society, improve corporate image and enhance the public's approval for the brand. Please see section (6) for more details on sustainable development efforts.</p>	
VII. Please explain the improvements made and measures taken in response to the latest Corporate Governance Evaluation results published by the TWSE Corporate Governance Center (not required if not evaluated): The Bank was not part of the evaluation, hence not required.				

II. Promotion of Sustainable Development

Promotion Item	Implementation		
	Y	N	Summary Description
I. Does the Bank establish an exclusive (or concurrent) governance structure to promote sustainable development and have the senior management appointed by the Board of Directors to be in charge, and what is the supervision status of the Board of Directors?	V		<p>I.</p> <p>(I) The Board meeting held on April 23, 2021 approved the establishment of Sustainable Development Committee. The Committee is led by the Chairperson of the Board, with the General Manager serving as the Vice Chairman. Additionally, the Executive Vice-President, General Auditor, EVP & Chief Compliance Officer, and Corporate Governance Officer are members of the Committee. It comprises six executive groups, namely “sustainable finance”, “customer rights”, “employee care”, “corporate governance”, “environmental sustainability”, and “social participation”. The Vice Chairman appoints a member responsible for overseeing the relevant business as the convener for each group. The Department of Planning serves as the secretary unit, responsible for summarizing the implementation of each group’s duties and coordinating meeting management.</p> <p>(II) In response to FSC’s “Corporate Governance 3.0 - Blueprint for Sustainable Development” and in alignment with the United Nations Sustainable Development Goals (SDGs), the Bank has included “implementing sustainable management” as a strategic objective in its management policy. This objective aims to achieve various sustainable development goals and fulfill the Bank’s corporate social responsibility. To further integrate the concept of sustainable management into our core business and enhance sustainable governance, the Bank develops ESG work items and proposes short-term, medium-term, and long-term goals. These proposals are then submitted to the Sustainable Development Committee and are treated as a part of the Bank’s “Environmental, Social and Corporate Governance (ESG) Promotion Blueprint” for implementation. We also track the progress of implementation and assess its effectiveness on a quarterly basis. Additionally, we provide an annual report to the Board of Directors on the sustainable development goals and the results of their implementation.</p> <p>(III) The Bank’s “2022 CSR Report” was approved by the Sustainable Development Committee and presented to the Seventh Session of the 15th Term of the Board of Directors on June 16, 2023. The report outlined the Bank’s vision, strategies, work items, implementation results, and short-term, medium-term, and long-term goals in sustainable development.</p>
II. Has the bank conducted risk assessment on environmental, social, and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on principles of materiality?	V		<p>II.</p> <p>(I) The Bank adheres to the most recent guidelines published by the Global Reporting Initiative (GRI) in 2021. We also consider both domestic and international sustainability guidelines and industry concerns. Our focus is on identifying sustainability issues that are relevant to the Bank’s operations. To achieve this, we conducted a questionnaire survey involving eight types of stakeholders and senior executives. This survey helped us confirm the ranking of each issue’s impact on the economy, environment, human rights, and our operations. Based on this assessment, we have identified 12 major issues and formulated the following response strategies:</p> <p>i. Environmental Aspect: Climate change strategy: To address the risks and opportunities associated with climate change, the Bank has established a Climate Change Management Team to develop a comprehensive regulation and strategy. The Bank has included climate change risks in its risk management policy and has committed to supporting and integrating the TCFD framework.</p>

Promotion Item	Implementation		
	Y	N	Summary Description
			<p>ii. Social Aspect:</p> <p>(i) Digital finance: In line with the global FinTech development trend, the Bank is actively promoting digital finance and enhancing virtual channel applications. This is aimed at offering convenient and efficient financial services while also reducing over-the-counter transaction costs.</p> <p>(ii) Talent development and cultivation: The Bank regularly develops internal training plans tailored to the specific needs of each management unit. These plans include centralized training, regional lectures, and digital learning. Additionally, the Bank organizes a variety of training courses, such as orientation training for new employees, professional development, and supervisory training. Furthermore, the Bank promptly informs employees about courses offered by external professional training institutions and sends them to domestic professional institutions for training. This helps improve their professional knowledge and enhance the quality of talent within the Bank.</p> <p>(iii) Talent attraction and retention: The Bank prioritizes talent attraction and retention. We achieve this through various measures, including offering stable salaries, implementing employee welfare policies, fostering professional development, and providing a safe and healthy workplace. Our goal is to create a positive and fulfilling work environment that attracts and retains exceptional talent.</p> <p>(iv) Financial inclusion: The Bank offers financial services to financially vulnerable groups, fosters a welcoming financial environment, and supports small and medium-sized enterprises (SMEs) as well as vulnerable groups.</p> <p>(v) Sustainable finance: The Bank offers customers a range of sustainable products and services through its core business. It also establishes policies for sustainable lending and responsible investment to fulfill the financial industry's social responsibility in the financial supply chain.</p> <p>iii. Corporate Governance Aspect:</p> <p>(i) Anti-money laundering and counter-terrorist financing: The Bank implements relevant regulations of the competent authorities and internal rules, and establishes a complete management system structure to prevent money laundering and combat financial terrorism, in accordance with relevant regulations.</p> <p>(ii) Operating performance: The Bank achieves long-term stable operating performance by strengthening its core business development, enhancing investment yields, and improving the efficiency of its own property utilization.</p> <p>(iii) Integrity management: The Bank upholds the principles of "probity", "efficiency", and "integrity" in business promotion and marketing, and implements integrity management.</p> <p>(iv) Corporate governance: The Bank enhances corporate governance by implementing the Corporate Governance Code of Conduct and appointing independent directors and a Corporate Governance Officer.</p> <p>(v) Legal compliance: The Bank adheres to the "Land Bank of Taiwan Implementation Guideline for Legal Compliance System" and oversees management to promptly adjust business rules and regulations in response to changes in the Act. This ensures that the Bank maintains compliance with the Act in its banking operations.</p>

Promotion Item	Implementation		
	Y	N	Summary Description
			<p>(vi) Information security: The Bank is led by the Information Security Officer in promoting information security policies and allocating resources. The Bank has established the “Cyber Security Promotion Team” and developed the “Cyber Security Policy” to strengthen the Bank’s information security and mitigate cyber security risks.</p> <p>(vii) Sustainable finance: The Bank offers customers a range of sustainable products and services through its core business. It also establishes policies for sustainable lending and responsible investment to fulfill the financial industry’s social responsibility in the financial supply chain.</p>
III. Environmental Issues			III.
(I) Has the bank established environmental policies suitable for its industrial characteristics?	V		(I) The Bank has fulfilled its environmental sustainability responsibilities by formulating the “Land Bank of Taiwan Environment Protection Policy”. This policy aligns with industry characteristics and focuses on energy saving and carbon reduction, water saving and waste reduction, as well as green procurement and environmental training.
(II) Is the bank committed to achieving efficient use of energy and using renewable materials that produce less impact on the environment?	V		<p>(II) The Bank’s specific acts for improving energy efficiency are as below:</p> <p>i. Accelerate the replacement of old air conditioning systems: In 2023, we successfully completed 23 replacement cases, including the Yu Li Branch. Moving forward, our goal is to complete a minimum of 12 branches per year, starting from 2024, with the ability to make adjustments as needed.</p> <p>ii. Build rooftop solar power generation systems: A total of four branches including Taichung Branch completed the construction of power systems in 2023, and a cumulative total of ten branches have completed construction to date. The target after 2024 is to complete construction in three business locations per year, with ongoing adjustments.</p> <p>iii. Acquisition of green building label: Yilan Branch has acquired green building label.</p>
(III) Does the bank assess potential risks and opportunities associated with climate change, and undertake countermeasures to climate issues?	V		<p>(III)</p> <p>i. The Bank’s Climate Change Management Task Force held 2 meetings in 2023 to discuss calculation of financed emission, reduction goals for investments/loans, feasibility evaluation for climate-related indicators and goals, differentiated management and response measures for climate risk, and addition of climate-related processes and data fields for the business information system.</p> <p>ii. The Bank actively participates in “Stress Testing Group” (and climate change scenario analysis) meetings of the Bankers Association and is a member of the special project team for “Taiwanese Bank Investment/Financing Best-practice Handbook for Financed Emission (Scope 3) and Related Issues.</p> <p>iii. The Bank has completed the 3 reports below to facilitate identification and evaluation of climate risks:</p> <p>(i) A “Climate Risk Information Report” detailing financed emission of the Bank’s loan and investment portfolio has been completed after taking into consideration the high-carbon emission industries identified by the Ministry of Environment, the EU Carbon Border Adjustment Mechanism (CBAM), and the EU Emission Trading Scheme (ETS) as well as flood data provided by the external consultant.</p>

Promotion Item	Implementation		
	Y	N	Summary Description
(IV) Does the bank maintain statistics on greenhouse gas emission, water usage and total waste volume in the last two years, and implement policies aimed at reducing energy, carbon, greenhouse gas, water, and waste?	V		<p>(ii) A "Climate Change Scenario Analysis Report" has been completed in accordance with the Bankers Association's "Climate Change Scenario Analysis Planning for Domestic Banks".</p> <p>(iii) An "Analysis Report for Greenhouse Gas Emission of Businesses Designated by the Ministry of Environment" has been completed based on the list of 289 businesses surveyed in 2021 that the Ministry of Environment had published over its Mandatory Greenhouse Gas Reporting System in March 2023; the report covers analysis on three aspects: the data published by the Ministry, the Bank's exposure, and financed emission of commercial loans.</p> <p>iv. The Bank arranged a third-party verification for its 2022 TCFD report and was awarded: Level 5-Excellence.</p> <p>v. To raise awareness of climate change issues within the Bank, we regularly invite external consultants and experts to provide educational training. Trainees include employees of Head Office departments and business units.</p> <p>vi. An ESG Reading Club comprising participants from different departments has been assembled to encourage reading and brainstorming of innovative ideas. The reading club held a total of 5 meetings in 2023, during which the participants proposed several climate-related solutions that are feasible for implementation by the Bank.</p> <p>(IV)</p> <p>i. Survey of greenhouse gas emission: The Bank surveyed greenhouse gas emission (Scopes 1 and 2) of all domestic and overseas business locations for 2022 and 2023.</p> <p>ii. Conducting monthly statistics on the total water usage and total waste generated by all domestic operational locations.</p> <p>iii. The Bank's specific acts of energy saving and carbon reduction are as below:</p> <p>(i) Annual utility costs and paper consumption: Set up a 2% reduction from the previous year as the target.</p> <p>(ii) We regularly conduct annual statistics on water, electricity, oil, paper usage, and total waste weight. This allows us to review the achievement rate of our energy-saving and carbon reduction goals. We also promote the implementation of total household waste control and resource recycling classification, and continue to implement reduction measures.</p>
IV. Social Issues			IV.
(I) Has the bank developed its policies and procedures in accordance with laws and the International Bill of Human Rights?	V		<p>(I)</p> <p>i. The Bank has established a set of work rules in accordance with Article 70 of the Labor Standards Act given its industry characteristics, which both the employer and employees are bound to obey.</p> <p>ii. In accordance with Article 83 of the Labor Standards Act and the Regulations for Implementing Labor-Management Meetings, the Bank proactively organizes labor-management meetings to foster positive employment relationships and foster employee unity.</p>

Promotion Item	Implementation		
	Y	N	Summary Description
(II) Has the bank developed and implemented reasonable employee welfare measures (including compensation, leave of absence, and other benefits), and appropriately reflected business performance or outcome in employees' compensations?	V		<p>(II)</p> <ul style="list-style-type: none"> i. To ensure the well-being of all employees, the Bank has established the Employees' Welfare Committee. This committee provides a range of benefits, including life insurance, recreational activities, and subsidies. Additionally, each employee is covered by a comprehensive insurance system. This includes coverage under the Public Employee Insurance, Labor Insurance, National Health Insurance, and full contributions to the pension fund. To further protect our employees, we also have a bankers' blanket bond insurance in place. Furthermore, the Bank is committed to supporting employees during their retirement years. We provide recreational and cultural activities, as well as organize retirement social gatherings, to enhance the quality of life for retirees. We understand the importance of caring for the physical and mental health of our retired employees. ii. To combine the bonus system with the unit operating performance and the extent to which the deviation of each employee's contribution for distributing the annual review bonus and performance bonus, the implementation status is as follows: <ul style="list-style-type: none"> (i) The Bank's "Notes on Performance Bonus Allocation" provides a two-month performance bonus, which consists of a bonus from the annual evaluation and a work bonus equivalent to one month's salary. Work bonus amounting to one month's salary may be granted as incentive depending on employees' pro-activeness, sales/policy target accomplishment, rewards, discipline and attendance records. (ii) The Bank's "Guidelines Regarding the Issuance of Performance Bonuses – Special Bonuses" combines the unit's operating performance, employee's annual evaluation results, and achievement of annual targets: <ul style="list-style-type: none"> A. The annual performance evaluation for the Head Office units, domestic business units, and overseas units is conducted in accordance with the respective guidelines: "Performance Evaluation Guidelines of Head Office Departments", "Operating Performance Reward and Punishment Guidelines of Business Units", and "Operating Performance Reward and Punishment Guidelines of Overseas Branches". Each unit is assigned different "unit performance weights" based on their evaluation ranking. B. After completing their personal annual evaluation, employees are assigned varying "personal evaluation weights" according to their evaluation outcomes. C. The criteria for granting unit bonuses in the performance bonuses are determined by the combination of the "unit performance weight" and the "personal evaluation weight". The system rewards employees based on their performance, effort, and contribution to the Bank throughout the year.

Promotion Item	Implementation		
	Y	N	Summary Description
(III) Does the bank provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	V		<p>(III)</p> <p>i. To ensure a safe and healthy working environment for our employees, the Bank has implemented several policies and plans. These include the “Occupational Safety and Health Policy”, the “Notes on Occupational Safety and Health Management”, the “Occupational Safety and Health Automatic Inspection Plan”, the “Occupational Safety and Health Work Rules”, the “Abnormal Workload Triggered Disease Prevention Plan”, the “Unlawful Assault Prevention Plan in the Performance of Duty”, the “Ergonomic Hazard Prevention Plan”, and the “Maternal Health Protection Plan”. These measures are carried out by different units within the organization to prevent occupational hazards and disasters.</p> <p>ii. The Bank’s units engage an approved operating environment monitoring organization, as sanctioned by the Ministry of Labor, to conduct biannual tests on office carbon dioxide levels. This measure aims to ensure a healthy work environment. Additionally, each unit is equipped with a first aid kit and emergency disposal resources for workplace incidents. Furthermore, an occupational safety and health committee convenes meetings every three months to review, coordinate, and provide recommendations on safety and health matters.</p> <p>iii. Each business unit appoints a supervisor for occupational safety and health affairs, as well as first aid personnel who have received proper qualifications through safety and health education and training. These individuals also undergo regular retraining in accordance with regulations. In 2023, the Company organized a number of seminars on “Long-COVID - Healthy Lung after COVID-19”, “Workplace Interpersonal Relations and Communication”, and “Prevention and Response to Workplace Violation” that aimed to raise employees’ awareness toward occupational safety and health.</p> <p>iv. Provide employees with regular health checks and engage occupational medicine specialists to offer on-site health services throughout the Bank. These services will address both physical and mental health concerns. Additionally, healthcare personnel dedicated to labor health services will be available to provide professional health consultation. These personnel will also provide health education and promotion materials on a monthly and irregular basis, focusing on common abnormalities found in employee health checkups and prevalent diseases. This initiative aims to enhance employee health awareness and promote overall well-being.</p> <p>v. In 2023, there were a total of 38 occupational accidents involving employees, which accounted for 0.66% of the overall workforce. Out of these incidents, 29 were commuting accidents, 5 occurred while performing work-related duties, and 4 were due to another health condition. The Bank has dedicated nurses in place to attend to employees who are injured or become ill while on the job. The nurses will provide individual health education and offer ongoing health follow-ups once the employees return to work.</p> <p>vi. In response to the COVID-19 pandemic, the nursing staff is responsible for attending to the well-being of their colleagues and distributing care packages. Additionally, a workplace-wide influenza vaccination campaign was conducted to safeguard the Bank’s operations and to protect employees from the threat of influenza viruses.</p>

Promotion Item	Implementation		
	Y	N	Summary Description
(IV) Has the bank implemented an effective training program that helps employees develop skills during their career?	V		<p>vii. The Bank did not encounter any fire incident in 2023. Nevertheless, the Bank has implemented a disaster recovery and rescue system and adopted measures and facilities to enable timely response, minimize losses, and ensure availability of emergency loans in the event of disaster. The Bank has established an "Emergency Response Manual for Disasters" that addresses "Proper Responses for Business Units in the Event of Typhoon, Heavy Rain, Flood, Fire, Earthquake, Explosive, or Robbery".</p> <p>(IV) To enhance the professional knowledge and skills of our employees and improve service performance, the Bank annually plans internal training programs based on the specific needs of our management units. These programs include centralized training, regional lectures, and e-learning opportunities within the Bank. In 2023, we have planned a diverse range of training courses, such as new employee orientation, elite training, professional training, and supervisory training. We also ensure that our employees are aware of training courses offered by external professional institutions and promptly send them to these institutions to enhance their professional knowledge. Additionally, we encourage our employees to improve their foreign language skills and participate in on-the-job training programs to enhance their talent. In 2023, we conducted a total of 99 internal centralized training sessions with 25,197 participants. Furthermore, based on our business needs, we sent employees to domestic training institutions for professional training, resulting in a total of 790 sessions and 3,065 participants.</p>
(V) Does the Bank comply with relevant regulations and international standards regarding customer health and safety, right to privacy, marketing and labeling of its products and services, and set up relevant consumer protection policies and complaint procedures?	V		<p>(V) To safeguard the rights and interests of financial consumers and uphold the principle of fair treatment, the Bank has implemented the "Financial Consumer Protection Policy" and "Principles of Fair Customer Service" in compliance with regulatory requirements. The Bank has also incorporated the Financial Consumer Protection Act and its associated regulations into its internal rules and regulations governing banking operations. To ensure the equitable and efficient resolution of disputes between the Bank and its customers, a "Financial Consumer Dispute Handling System" has been established to enhance the complaint handling procedures.</p>
(VI) Has the bank implemented a supplier management policy that regulates suppliers' conduct with respect to environmental protection, occupational safety and health or work rights/human rights issues, and tracked supplier performance on a regular basis?	V		<p>(VI) As a state-owned enterprise, the Bank fully supports the government's initiative toward open and transparent procurement, and adopts the practices outlined in the Government Procurement Act to maximize value, prevent fraud and improve efficiency of its procurement activities. All procurement contracts and policies have been implemented in accordance with the Government Procurement Act.</p>
V. Does the bank prepare sustainability reports or any report of non-financial information based on international reporting standards or guidelines? Are the above mentioned reports supported by assurance or opinion of a third-party certifier?	V		<p>The Bank's "2022 CSR Report" was prepared following the GRI guidelines and Task Force on Climate-related Financial Disclosures (TCFD). It has been certified by SGS Taiwan Ltd., a third-party institution, to meet the requirements of the core options of GRI Standards and the AA1000 Type I medium assurance level. In the future, the Bank will annually produce a Sustainable Report that adheres to internationally recognized standards or guidelines for report preparation. Additionally, the Bank will enlist the services of a third-party to verify these reports.</p>

Promotion Item	Implementation		
	Y	N	Summary Description
VI. If the Bank has established its Sustainable Development Principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe the implementation and any deviations from the Principles: The Bank is not listed on TWSE/TPEX and therefore does not have such principles. However, the Board of Directors has approved the adoption of the "Taiwan Land Bank's Sustainable Development Policy" in order to establish the principles and direction for the Bank's sustainable operation. This policy has been issued according to the Letter and will be implemented accordingly.			
VII. Other information useful to the understanding of the implementation of promoting sustainable development: Below is a summary of charity events that the Bank took part of in 2023:			
(I) "Public welfare trust donation" ceremony: The Bank actively supports public welfare trusts and maintains partnerships with county (city) governments to promote the "Social Welfare Trust for Public Welfare". We extend invitations to trustees of public welfare trusts to visit the Bank and present thank-you trophies to their representatives.			
(II) Scholarship: In 2023, the Bank offered a total of NT\$830,000 in scholarship to 14 schools nationwide.			
(III) Support for United Way: Employees of the Bank have been actively supporting United Way by making discretionary donations since 1994. Their active contributions have enabled care to be extended to far corners of the society.			
(IV) "Guanqian Art Corridor": The Bank has been hosting an open exhibition called "Guanqian Art Corridor" at the Head Office since 2005, in which local artists are invited to showcase their creations that carry "Land" and "Taiwan" as the main theme. In 2023, a total of 8 calligraphy and oil painting artists were invited to participate in the exhibition.			
(V) Environmental Protection Administration, Executive Yuan's "My Hong-Te": Starting in 2021, the Bank has implemented a new initiative to promote the reduction of bottled beverage consumption. As part of this effort, the Bank has made drinking water facilities available at all branches in Taiwan. Customers and visitors are encouraged to bring their own containers to fill with water. The Bank has taken practical measures to support environmental protection and reduce plastic usage, establishing a model for green finance.			
(VI) In response to the earthquake disaster in Turkey, the Bank donated NT\$2.4 million. Deliver the warm love and care from Taiwan to Turkey, providing timely assistance to refugees.			
(VII) The Bank donated NT\$100,000 to the "Public Fund for Education of the Financial Service Industry" of Taiwan Financial Services Roundtable. The fund is being managed to pay tuition aid and support planning of courses related to financial education; it aims to help underprivileged students complete their studies and promotes financial knowledge.			
(VIII) To support the livelihood of farmers and as a participation in the Council of Agriculture's corporate sponsorship campaign, the Bank organized a number of charity events including "Support Atemoya Farmers", "Support Pineapple Farmers", and "Mid-autumn Pomelo Fest", during which it purchased 6.6 metric tons of atemoya, 15 metric tons of pineapple, and 1,920 kg of pomelo and gave them away to VIP customers as well as social welfare organizations at various locations. Through real purchase, we conveyed our support and gratitude to farmers.			
(IX) In a collaboration with National Taiwan Museum, the Bank organized a charity event called "Jurassic Tour" and invited children from Taiwan Fund for Children and Families Taipei Branch to visit the museum. The Bank conducted a themed public welfare activity called "Year-end Support for the Underprivileged" and successfully completed a total of 195 projects aimed at providing care for the underprivileged. These projects were accomplished through the collaborative efforts of both the headquarters and branches. We donated essential items and epidemic prevention supplies based on the specific needs of social welfare organizations and charitable groups. Additionally, we actively participated in blood donation drives and community public welfare activities to demonstrate the Bank's support and concern through tangible actions.			
(X) For the relocation of Xinzhuang Branch, the Bank held an opening ceremony in conjunction with charity activities, and donated part of the budget savings to "Child Welfare League Foundation" and "Children Are Us Foundation", thereby supporting acts of good cause through action.			

III. Fulfillment of Integrity Management Situation

Item	Y	N	Implementation
I. Establishment of Integrity Policies and Solutions			I.
(I) Has the bank established a set of board-approved business integrity policies and stated in its Memorandum or external correspondence about the policies and practices it implements to maintain business integrity? Are the Board of Directors and the senior management committed to fulfilling this commitment?	V		(I) The Bank has established “Ethical Corporate Management Best Practice Principles”, “Ethical Corporate Management Operating Procedures and Conduct Guidelines”, and “Directors’ and Managers’ Ethical Behavior Guidelines” with the approval of the board of directors. These policies outline the issues that directors, the senior management, and employees must take note of when carrying out business activities, and provide basis for compliance. The “Ethical Corporate Management Best Practice Principles” also require directors and the senior management to issue a statement of compliance as a commitment to ethical practices.
(II) Has the bank developed systematic practices for assessing integrity risks? Does the bank perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement prevention against dishonest conduct that includes at least the measures mentioned in Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”?	V		(II) On December 20, 2022, the Bank issued a set of “Land Bank of Taiwan Notes on Assessment of Unethical Conduct Risks” and established systematic practices for assessing risk of unethical conduct. The Bank conducts regular analysis and assessment on business activities that are prone to higher risk of unethical conduct, and produces “unethical conduct risk assessment reports” based on its findings. All business administration units have devised preventions against unethical conducts for factors that present relatively high risk based on the outcomes of assessment, and have duly completed improvements.
(III) Has the bank defined and enforced operating procedures, behavioral guidelines, penalties and grievance systems as part of its preventive measures against dishonest conduct? Are the above measures reviewed and revised on a regular basis?	V		(III) The “Ethical Corporate Management Operating Procedures and Conduct Guidelines of Taiwan Land Bank” were approved by the Board of Directors during its Tenth Session of the 7th Term on August 26, 2022. These guidelines provide specific regulations for the Bank’s personnel to follow in the execution of their duties. They establish operating procedures, conduct guidelines, and disciplinary and appeal systems for violations.
II. Enforcement of Business Integrity			II.
(I) Does the bank evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V		(I) The Bank has implemented the “Ethical Corporate Management Best Practice principles” and the “Ethical Corporate Management Operating Procedures and Conduct Guidelines”. In terms of establishing business relationships, reviewing, evaluating, and contracting procedures, it is necessary to assess the qualifications and integrity of transaction parties in accordance with internal regulations. We must refrain from conducting business with customers and other partners involved in unethical practices. If the other party engages in unethical behavior during commercial activities, the Bank has the right to terminate or rescind the contract without conditions. Furthermore, it is recommended to include these provisions in relevant contract terms when signing agreements with others.

Item	Y	N	Implementation
(II) Does the bank have a unit that enforces business integrity directly under the Board of Directors? Does this unit report its progress (regarding implementation of the business integrity policy and prevention against dishonest conduct) to the Board of Directors on a regular basis (at least once a year)?	V		(II) The Bank's Department of Ethics is a specialized unit that oversees integrity management. It develops operating procedures and conduct guidelines, and ensures the ethical corporate management best practices are implemented. The Department also provides regular reports on integrity management to the Board of Directors, at least annually. The Bank's "2023 Report on the Implementation of Integrity Management" was submitted for approval in the Twentieth Session of the 7th Term of the Board of Directors on March 8, 2024.
(III) Does the bank have any policy that prevents conflicts of interest and channels that facilitate the report of conflicting interests?	V		(III) The Bank is a state-owned bank; its employees are bound to comply with "Act on Recusal of Public Servants Due to Conflicts of Interest" and recuse under applicable circumstances. The Bank also has units of relevant expertise available to offer consultation and recommendation in these situations.
(IV) Has the bank implemented an effective accounting policy and internal control system to maintain business integrity? Has an internal or external audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees' compliance with various preventions against dishonest conduct?	V		(IV) <ul style="list-style-type: none"> i. The Bank has implemented an effective internal control system in accordance with the FSC's "Implementation Rules of the Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries". Each business administration unit is accountable for establishing specific guidelines for implementing internal control systems within their respective areas of responsibility. ii. The Bank has developed the "Land Bank of Taiwan Accounting Policy" in accordance with the Accounting Act, Business Entity Accounting Act, International Financial Reporting Standards, Accounting Policy Template for Banks, and relevant regulatory guidelines. This policy has been approved by the Board of Directors and subsequently submitted to the Ministry of Finance for review and approval by the Director-General of Budget, Accounting and Statistics, Executive Yuan. It is currently available on the Intranet and serves as a comprehensive guide for accounting matters. iii. In accordance with Paragraph 1, Article 28 of the "Implementation Rules of Internal Audit and Internal Control Systems of Financial Holding Companies and Banking Industries", the Bank must enlist the services of certified public accountants (CPAs) to conduct audits on its internal control system. These audits will assess the control environment and primary business risks, provide opinions on the accuracy of the Bank's regulatory reports, evaluate the implementation of the internal control system and compliance officer system, and determine the suitability of the loss provisioning policy. The CPAs will then issue an independent auditor's report in conjunction with the preparation of the annual financial statements. iv. In accordance with Article 18 of the Bank's "Ethical Corporate Management Best Practice Principles", the Department of Auditing has included a special audit project called the "Non-Integrity Risk Assessment Mechanism" in the "Risk-Oriented Internal Audit System Annual Audit Plan". This project evaluates the risk of unethical conduct as outlined in the aforementioned regulations. The department has developed relevant audit plans to verify compliance with the prevention plan, reported the audit results to senior management and the Department of Ethics, and prepared an audit report for submission to the Board of Directors.

Item	Y	N	Implementation
(V) Does the bank organize internal or external training on a regular basis to maintain business integrity?	V		<p>(V)</p> <ul style="list-style-type: none"> i. 10 sessions of internal training were held in 2023, and a total number of 689 people were trained. ii. On October 23, 2023, the Bank organized a course on “Analysis of Fraud Patterns and Criminal Liabilities for Financial Workers”, during which it invited Prosecutor Chun-Chung Cho of Taiwan High Prosecutors Office to deliver a keynote speech aimed at promoting legal discipline and compliance awareness among employees. A total of 197 people attended the course.
III. Whistleblowing System			III.
(I) Does the bank provide incentives and means for employees to report misconduct? Has the bank assigned dedicated personnel to investigate the reported misconduct?	V		<p>(I)</p> <ul style="list-style-type: none"> i. The Bank has adhered to the “Act of the Establishment and Management of the Government Employee Ethics Units and Officers” and its corresponding “Enforcement Rules” by establishing a whistleblower hotline at (02)2371-4572, a physical mailbox at P.O. Box 1541 Taipei Beimen, Taipei City, and an email address at lbged@landbank.com.tw. We have designated dedicated personnel to handle any reported instances of misconduct. ii. The Bank has developed the “Whistleblowing System Implementation Guidelines” in compliance with Article 34-2 of the “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries”. Additionally, the Bank has established a dedicated whistleblower channel, which includes a physical mailbox located at P.O. Box 234 Taipei Nanyang, Taipei City, an email address at LBCompliance@landbank.com.tw, a hotline at (02)2348-3780, and the option to personally visit the Department of Compliance at the Bank. iii. The reported misconduct is handled by the dedicated personnel assigned by the Department of Compliance of the Bank. As per Article 11 of the Bank’s Whistleblowing System Implementation Guidelines, investigation reports that involve cases of reward and punishment must receive approval from the chairman or general manager before being submitted to the Bank’s Personnel Assessment Committee for discussion and disciplinary action.
(II) Has the bank implemented any standard procedures for handling reported misconduct and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation?	V		<p>(II)</p> <ul style="list-style-type: none"> i. The Bank has established “Taiwan Land Bank Whistleblowing System Implementation Guidelines”, which state that individuals who become aware of any of the reported misconduct listed in the implementation guidelines may submit a report. Furthermore, the bank has established standard operating procedures for accepting and investigating reported misconduct, as well as confidentiality regulations to protect the identity of the whistleblower and the information pertaining to the reported misconduct. ii. Investigation procedures for reported misconduct have been established in accordance with the guidelines outlined in the “Ethics Work Manual” published by the Ministry of Justice. Furthermore, the Bank follows Article 10 of “The Anti-Corruption Informant Rewards and Protection Regulation” stipulated by the Executive Yuan for issues concerning confidentiality of reported misconducts

Item	Y	N	Implementation
(III) Has the bank adopted any measures to protect whistleblowers from retaliation for filing reports?	V		<p>(III)</p> <p>i. The Bank has developed the “Whistleblowing System Implementation Guidelines” in compliance with Article 34-2 of the “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries”. These guidelines guarantee the confidentiality of whistleblowers’ identity information and prohibit the disclosure of any identifying details. Furthermore, the Bank ensures that whistleblowers are protected from any form of adverse treatment, such as termination, suspension, demotion, salary reduction, or loss of entitled benefits, as a consequence of their reports.</p> <p>ii. As per Article 12 of “The Anti-Corruption Informant Rewards and Protection Regulations”, the Bank is responsible for ensuring the protection of informants.</p>
IV. Enhanced Information Disclosure Has the bank disclosed its integrity principles and progress on its website and MOPS?	V		Information regarding business integrity has been made available on the Bank’s portal. Furthermore, the Bank has disclosed its “Ethical Corporate Management Best Practice Principles”, the “Ethical Corporate Management Operating Procedures and Conduct Guidelines”, and the applicable regulations on MOPS.
V. If the bank has established ethical corporate management best practice principles in accordance with “Ethical Corporate Management Best Practice Principles for the TWSE/TPEX Listed Companies”, please describe its current practices and any deviations from the Best Practice Principles: None.			
VI. Other important information that facilitates the understanding of implementation of the ethical corporate management best practice principles of the Bank (such as the status of reviewing and amendment to the Bank’s ethical corporate management best practice principles): None.			

Operational Overview

I. Main Business

(I) Deposits

Unit: NTD thousands; %

Item	2023.12.31		2022.12.31		Variation	Variation (%)
	Amount	Percentage (%)	Amount	Percentage (%)		
Demand Deposit	1,052,202,567	35.73	1,117,812,921	38.26	-65,610,354	-5.87
Time Deposit	1,652,417,836	56.11	1,595,404,025	54.60	57,013,811	3.57
Treasury Deposit	240,599,644	8.16	208,749,701	7.14	31,849,943	15.26
Total	2,945,220,047	100.00	2,921,966,647	100.00	23,253,400	0.80

(II) Loans

Unit: NTD thousands; %

Item	2023.12.31		2022.12.31		Variation	Variation (%)
	Amount	Percentage (%)	Amount	Percentage (%)		
Discount	802,551	0.03	953,227	0.04	-150,676	-15.81
Short-Term Loans and Overdrafts	117,188,404	5.16	151,338,836	6.66	-34,150,432	-22.57
Medium-Term Loans	915,433,822	40.29	913,306,214	40.20	2,127,608	0.23
Long-Term Loans	1,238,857,876	54.52	1,206,459,632	53.10	32,398,244	2.69
Total	2,272,282,653	100.00	2,272,057,909	100.00	224,744	0.01

(III) Foreign Exchange Business

Unit: USD thousands; %

Item	2023		2022		Variation	Variation (%)
	Amount	Percentage (%)	Amount	Percentage (%)		
Exports	4,177,577	4.38	6,146,478	5.35	-1,968,901	-32.03
Imports	13,649,973	14.30	22,304,627	19.40	-8,654,654	-38.80
Currency Exchange	77,597,946	81.32	86,499,064	75.25	-8,901,118	-10.29
Total	95,425,496	100.00	114,950,169	100.00	-19,524,673	-16.99

(IV) Trust Services

i. Value of Trust Assets

Unit: NTD thousands; %

Item	2023	2022	Variation	Variation(%)
Securities Investment Trust	61,149,889	60,216,263	933,626	1.55%
Real Estate Investment Trust	232,213,797	226,196,284	6,017,513	2.66%
Asset Securitization	63,435,902	68,001,284	-4,565,382	-6.71%
General Property Trust Service	19,819,660	4,944,314	14,875,346	300.86%
Fund Custodian Service	85,035,006	80,894,917	4,140,089	5.12%
Accessory Services	96,824,770	139,325,225	-42,500,455	-30.50%
Total	558,479,024	579,578,287	-21,099,263	-3.64%

ii. Commission Income From Trust Services

Unit: NTD thousands; %

Item	2023		2022		Variation (%)
	Amount	As a Percentage of Bank-Wide Commission Income (%)	Amount	As a Percentage of Bank-Wide Commission Income (%)	
Real Estate Investment Trust	162,780	4.50	217,898	5.80	-25.30
Asset Securitization	34,627	0.96	37,279	0.99	-7.11
General Property Trust Service	12,221	0.34	11,326	0.30	7.90
Fund Custodian Service	61,665	1.71	65,495	1.74	-5.85
Accessory Services	12,509	0.35	14,083	0.37	-11.18
Total	283,802	7.85	346,081	9.21	-18.00

Note: Bank-wide commission income, including securities brokerage and underwriting services, were reported at NT\$3,614,441,000 at 2023 year-end and NT\$3,759,399,000 at 2022 year-end.

(V) Wealth Management

Unit: NTD thousands; %

Item	2023		2022		Variation (%)
	Amount	As a Percentage of Bank-Wide Commission Income (%)	Amount	As a Percentage of Bank-Wide Commission Income (%)	
Commission Income from Securities Investment Trust	238,000	6.58	219,606	5.84	8.38
Commission Income from Bank Bancassurance (Including Mortgage Life Insurance)	395,124	10.93	459,318	12.22	-13.98
Commission Income from Gold Account Service	2,680	0.07	2,736	0.07	-2.05
Commission Income from Securities Referral	4,360	0.12	4,308	0.11	1.21
Total	640,164	17.71	685,968	18.25	-6.68

Note: Bank-wide commission income, including securities brokerage and underwriting services, were reported at NT\$3,614,441,000 at 2023 year-end and NT\$3,759,399,000 at 2022 year-end.

(VI) Digital Banking

i. Number of Digital Banking Transactions

Item	2023 Number of Account Transfers	2022 Number of Account Transfers	Variation of Transaction Count	Variation (%)
Internet Banking	7,119,834	6,718,560	401,274	5.97
Mobile Banking	7,036,235	5,328,767	1,707,468	32.04
Enterprise Banking	3,681,902	3,333,688	348,214	10.44

Note: To enable comparison, the number of fund transfers completed over Internet banking in 2023 and 2022 exclude mobile banking transactions.

ii. Commission Income From Digital Banking Service

Unit: NTD thousands; %

Item	2023		2022		Variation (%)
	Amount	As a Percentage of Bank-wide Commission income (%)	Amount	As a Percentage of Bank-wide Commission income (%)	
Commission Income	126,849	3.51	127,739	3.4	-0.7

Note: Bank-wide commission income, including securities brokerage and underwriting services, were reported at NT\$3,614,441,000 at 2023 year-end and NT\$3,759,399,000 at 2022 year-end.

(VII) Securities Service

i. Securities Brokerage Volume

Unit: NTD thousands; %

Item	2023	2022	Variation	Variation(%)
Securities Brokerage Volume	458,057,096	444,084,740	13,972,356	3.15

ii. Commission Income From Securities Brokerage and Underwriting

Unit: NTD thousands; %

Item	2023		2022		Variation (%)
	Amount	As a Percentage of Bank-Wide Commission Income (%)	Amount	As a Percentage of Bank-Wide Commission Income (%)	
Securities Brokerage and Underwriting	274,785	7.60	271,934	7.23	1.05

Note: Bank-wide commission income, including securities brokerage and underwriting services, were reported at NT\$3,614,441,000 at 2023 year-end and NT\$3,759,399,000 at 2022 year-end.

(VIII) Investments

i. Securities Investment

Unit: NTD thousands; %

Item	2023.12.31	2022.12.31	Variation	Variation (%)
Government Bonds	160,758,069	148,192,881	12,565,188	8.48
Corporate Bonds	28,346,822	21,766,716	6,580,106	30.23
Shares (Short-Term Investments)	9,820,002	7,985,783	1,834,219	22.97

ii. Trading of Short-Term Bills

Unit: NTD thousands; %

Item	2023	2022	Variation	Variation (%)
Amount of Outright Purchases Undertaken	621,641,037	307,843,702	313,797,335	101.93
Amount of Outright Sales Undertaken	1,231,189	0	1,231,189	
Amount of Repurchase Agreements Undertaken	0	0	0	0.00

iii. Proprietary Trading of Government Bonds

Unit: NTD thousands; %

Item	2023	2022	Variation	Variation (%)
Amount of Proprietary Trading - Government Bond Outright Purchases/Sales	921,594	6,261,473	-5,339,879	-85.28
Amount of Proprietary Trading - Government Bond Repurchase/Resale Agreements	68,939,934	77,300,325	-8,360,391	-10.82
Balance of Proprietary Trading - Government Bonds	25,502,002	24,288,093	1,213,909	5.00

(IX) Credit Card Business

Unit: cards, NTD thousands

Item		2023	2022	Variation	Variation(%)
Card Issuance	Outstanding Cards	323,193	356,026	-32,833	-9.22
	Active Cards	146,961	152,010	-5,049	-3.32
	Amount Charged	10,174,805	9,401,152	773,653	8.23
	Revolving Credit Balance	337,497	352,639	-15,142	-4.29
Transaction Acquisition	Amount Transacted through Offline Merchants, Online Merchants and ATM	31,135,861	26,116,066	5,019,795	19.22

(X) Insurance Agency

i. Insurance Agency Volume

Unit: NTD thousands; %

Item	2023	2022	Variation	Variation(%)
Insurance Premium Revenue of Life Insurance	5,896,982	7,020,485	-1,123,503	-16.00
Insurance Premium Revenue of Property Insurance	571,306	549,047	22,259	4.05
Insurance Premium Revenue in Total	6,468,288	7,569,532	-1,101,244	-14.55

ii. Commission income From Insurance Agency Service

Unit: NTD thousands; %

Item	2023		2022		Variation (%)
	Amount	As a Percentage of Bank-wide Commission income (%)	Amount	As a Percentage of Bank-wide Commission income (%)	
Commission Income from Life Insurance	72,370	2.00	87,262	2.32	-17.07
Commission Income from Property Insurance	11,496	0.32	11,299	0.30	1.74
Commission Income from Insurance Agency Services in Total	83,866	2.32	98,561	2.62	-14.91

Note: Bank-wide commission income, including securities brokerage and underwriting services, were reported at NT\$3,614,441,000 at 2023 year-end and NT\$3,759,399,000 at 2022 year-end.

(XI) Commission Income by Service Category as a Percentage of Net Revenue and Changes

Unit: NTD thousands; %

Item	2023		2022	
	Amount	As a Percentage of Net Revenue (%)	Amount	As a Percentage of Net Revenue (%)
Net Income of Interest	31,188,922	88.56	33,079,647	99.14
Net Service Fee Income	2,365,580	6.72	2,595,357	7.78
Gains on Financial Assets or Liabilities Measured at Fair Value through Profit or Loss	1,191,976	3.38	1,768,852	5.30
Realized Gain on Financial Assets at Fair Value through other Comprehensive Income, Net	823,815	2.34	434,193	1.30
Loss on Disposal of Investment in Debt Instruments Measured at Amortized Cost	-286	0.00	0	0.00
Foreign Exchange (Losses) Gain	1,198,101	3.40	-2,822,991	-8.46
Reversal of Loss on Assets (Impairment of Loss on Assets)	429	0.00	-5,500	-0.02
Net Gain on Disposal of Property	0	0.00	948	0.00
Other Miscellaneous Loss	-1,548,894	-4.40	-1,682,567	-5.04
Total Net Income	35,219,643	100.00	33,367,939	100.00

Note: 2022 figures have been restated by the CPA based on certified figures of the National Audit Office, whereas the 2023 figures are audited.

II. Market Analysis

(I) Market Analysis

The Bank provides a comprehensive range of commercial services, and is the only bank in Taiwan that specializes in real estate-backed credit. It offers corporate banking, personal banking, trust, wealth management, foreign currency and e-banking services, and operates an extensive service network comprising 149 offices (including Department of Business) in Taiwan and 8 overseas offices including Los Angeles Branch, Singapore Branch, Hong Kong Branch, Shanghai Branch, New York Branch, Tianjin Branch, Wuhan Branch, and Kuala Lumpur Representative Office. As a support to the government's new southbound expansion policy, the Bank applied and was granted the approval to establish additional branch in Australia (Brisbane) plus representative offices in The Philippines (Manila) and Indonesia (Jakarta). They signified a progressive expansion of the Bank's network and services in Asia Pacific and a step toward becoming a reputable international financial institution.

(II) Future Market Supply, Demand, and Growth

i. Continuous Growth of Deposit and Loan Businesses

The Bank receives deposits from various sources, including private enterprises, individuals, state-owned enterprises, government agencies, non-profit organizations, and financial institutions. These deposits provide a certain level of stability. While the

Bank continues to actively attract deposits from individuals, it places a greater emphasis on managing deposits from private enterprises. This is achieved by lending funds to private enterprises, which in turn creates more demand deposits and contributes to the steady growth of the Bank's overall deposits. The loan market is expected to experience consistent growth, in line with government policies regarding loans to small and medium-sized enterprises, three major investment programs in Taiwan, and loans to six core strategic industries.

ii. Potential of Urban Regeneration and Green Banking

The government's policies on urban renewal and the reconstruction of old and dangerous buildings, along with regulatory incentives, are expected to drive growth in these areas. Additionally, the emerging global trend of green banking, which involves financing green energy production, offers significant potential.

(III) Competitive Advantage

i. Strong Professional Foundation

The Bank is the sole state-owned bank in Taiwan that focuses on providing credit backed by real estate. In addition to its vast experience in this field, the Bank has successfully broadened its range of services to include real estate trusts and real estate securitization, offering comprehensive financial solutions. Presently, the Bank continues to lead the market in land financing, construction financing, housing loans, real estate trusts, and real estate securitization.

ii. Business Diversity

The Bank is a prominent provider of real estate finance in Taiwan. It also utilizes its knowledge in overseas property acquisition and real estate development projects for citizens. In light of Taiwan's aging population and declining birth rate, the Bank has partnered with the government to encourage loans for the elderly and expedited reconstruction of hazardous and outdated buildings. Additionally, the Bank has actively engaged in the urban renewal sector. The Bank is currently engaged in the development of various businesses, including consumer finance, corporate finance, wealth management, and trusts. Additionally, the Bank aims to provide customers with a wide range of services by promoting SME loans, three major investment programs in Taiwan, and loans to six core strategic industries.

iii. Promotion of service digitalization

In accordance with government policies and the growth of digital FinTech, the Bank has undertaken several projects to plan and regularly holds meetings regarding digital finance. These meetings serve to monitor and control the progress of various projects and gain a better understanding of the new trends in FinTech as recognized by the relevant authorities and industry. This is in response to the challenges posed by the FinTech wave. Currently, the Bank has implemented big data applications, social network marketing, digital talent training, intelligent services, online loan applications, optimization of internet and mobile banking applications, mobile payments, and integration with the MyData platform to enhance the convenience of online

application services. It also offers online insurance services such as auto insurance and comprehensive travel insurance. The Bank actively seeks opportunities for cross-industry alliances and has partnered with the Taiwan Depository & Clearing Corporation to establish the second phase of the “Consumer Information Inquiry” service for open banking. Furthermore, the Bank has formed partnerships with various electronic payment institutions, including iPass Money, JKOPAY, icash Pay, Orange Pay, PXPAY Plus, Easy Wallet, O’Pay, and +Pay to provide account-linked payment services. It will continue to actively develop strategic alliances with electronic payment institutions to offer customers a range of new mobile spending options. Additionally, the Bank has implemented Robotic Process Automation (RPA) to streamline manual operations and improve operational performance. It will also continue to strengthen its digital financial infrastructure and enhance cyber security monitoring to ensure the security of customer information and transactions.

(IV) Favorable and Unfavorable Factors to the Development Perspective and Countermeasures

i. Favorable Factors

- (i) The Bank is the only bank in Taiwan that specializes in real estate-backed credit. It plays an important role in the government’s housing and land development policies, and contributes significantly to home purchase of the general public. The Bank has built a strong and distinctive brand image among consumers, and currently leads peers in land development financing, construction financing, mortgage, and consumer loans.
- (ii) According to Article 72-2 of the Banking Act, “The sum of residential housing loans and construction loans granted by a commercial bank shall not exceed 30% of the sum of deposits received and bank debentures issued at the time of lending.” Being the only bank that specializes in real estate-backed credit in Taiwan, the Bank is not subject to the above restrictions and therefore has more room to grow real estate lending.
- (iii) The increasing complexity of financial technologies, the growing popularity of mobile payment services, the installation of multi-functional automated machines, and the emergence of online-only banks will enhance the financial ecosystem and create additional business opportunities and growth potential for the banking industry.
- (iv) The Bank will effectively integrate financial services into people’s lives and offer comprehensive cashflow solutions. The Bank will also collaborate with various industries to leverage the cross-industry advantages offered by digital-only banks. This collaboration will open up new business opportunities and attract new customer segments.
- (v) Owing to effective pandemic control and the fact that the Central Bank of Taiwan has kept up with the Fed’s rate hikes in the fight against global inflation, interest rate differences have not widened whereas demand for capital stayed consistent in the private sector to keep growth of Taiwan’s economy relatively strong. Combined

with the introduction of new technologies, products, and applications, demand and purchase orders for semiconductors and electronics persisted, which in turn increased Taiwan's export trade performance and brought profit opportunities to banks.

ii. Unfavorable Factors

- (i) While the pandemic has dissipated and international trade activities are gradually returning to normal, worldwide inflationary pressure induced by the Russia-Ukraine war have forced major central banks to switch from expansionary to contractionary monetary policy. Given the USA's exacerbated chip ban on China, the ongoing Israel-Hamas conflict, the desynchronized recovery of major economies (particularly USA, EU, and China), and persistent interference of geopolitics on the global financial market, Taiwanese banks are still presented with high levels of investment and lending risks in both domestic and overseas markets, which makes it more challenging to profit.
- (ii) In an attempt to prevent overheating of the real estate industry, the authority has implemented a multitude of control measures and amended regulations such as The Equalization of Land Rights Act; all of which may impact growth of real estate-backed credit.
- (iii) In recent years, mainland China has been impacted by the COVID-19 pandemic and the trade conflict between the United States and China. These factors have prompted the restructuring of corporate supply chains and shifts in global development strategies. Consequently, Taiwanese businesses have become less inclined to invest in mainland China, thereby impacting the expected profitability of the banking industry.

iii. Response Strategies

- (i) In order to diversify our business and consistently attract high-quality clients, as well as actively promote loans to small and medium-sized enterprises (SMEs), with the aim of expanding our sources of profit revenue.
- (ii) Carefully select high-quality customers and construction projects, and thoroughly evaluate the feasibility of the customer's construction project, including financial plans and sales plans. This evaluation should consider factors such as location conditions, product form, and marketability. Ensure compliance with relevant quality control measures set by regulatory authorities and internal banks. Additionally, implement post-loan tracking of customer fund flows and repayment status to promptly address any abnormal situations.
- (iii) We actively promote non-real estate credit services, such as collaborating with government policies to expand loans for SMEs and green financing, in order to drive business growth. Our focus is on improving the initiation fees for proprietary fund services and expanding credit card operations (issuing and acquiring businesses). Additionally, we are seeking opportunities in managing bank operations related to policy loans and promoting wealth management services, such as funds and

insurance, to generate service fee income. Our goal is to enhance financial operational performance and improve the overall profitability structure of the Bank.

- (iv) Implement a risk-based internal audit system to prioritize areas with significant risks and increase audit intensity. This approach is considered more efficient for conducting audits. The Bank will continue recruiting professional talents and developing a complete detection, reporting and processing system in accordance with external regulatory requirements, while at the same time enhance compliance education and raise compliance awareness among employees for the protection of the Bank and its customers. Furthermore, enhancements will be made to the Bank's information service and security protection in line with information security trends and FinTech risk management requirements for proper balance between customer service and risk management.
- (v) We aim to expand our presence in overseas markets, cultivate a pool of talented individuals from abroad, actively engage in international syndicated loans, and consistently seek out local target customers. Our goal is to offer a comprehensive range of cross-border banking services to strengthen our relationships.

III. Overview of Financial Product Research and Business Development

(I) Major Financial Products, Newly Established Business Units and Their Scale and Profit/Loss in the Last Two Years

i. Major Financial Products and Scale as of the End of 2023:

- (i) Construction loans: Based on the Central Bank's announcement, the domestic construction loans' outstanding balance reached NT\$3.22576 trillion by the end of 2023. Our bank's outstanding balance stood at NT\$506.211 billion, representing a market share of 15.69%.
- (ii) SME loans: According to the announcement by the FSC, the total outstanding balance of SME Loans (including collections) held by domestic banks at the end of 2023 is NT\$9.766426 trillion. The Bank's outstanding balance is NT\$616.789 billion, representing a market share of 6.32%.
- (iii) Loans to six core strategic industries: Based on the FSC's announcement, domestic banks granted a combined total of NT\$7.234834 trillion in loans to the six core strategic industries by the conclusion of 2023. The Bank's contribution amounted to NT\$380.787 billion, representing a market share of 5.26%.
- (iv) Syndicated loan: According to syndicated loan statistics from Refinitiv (formerly Thomson Reuters Basis Point), the Bank ranked 7th as the Mandated Lead Arranger and 9th as the Bookrunner in the domestic syndicated loan market at the end of 2023.

- (v) Urban regeneration: As of the end of 2023, the Bank had been approved to grant urban regeneration loans up to NT\$185.08 billion and had NT\$52.023 billion of balance outstanding; meanwhile, the Bank had been approved by city governments to finance reconstruction of old/dangerous buildings up to NT\$55.796 billion and had NT\$31.548 billion of balance outstanding. The Bank tops the 8 state-owned banks in the sum of loans granted for urban regeneration and reconstruction of old/dangerous buildings.
 - (vi) Housing loans business: According to the announcement by the FSC, the total outstanding balance of housing loans from domestic financial institutions as of December 2023 is NT\$10.2969 trillion. The Bank's outstanding balance is NT\$970.1 billion, representing a market share of 9.42% and maintaining its position as the industry leader.
 - (vii) Real estate trust: According to the 2023 4th quarter report of the Trust Association, the Bank held a 14.89% market share in real estate trust, a 100% market share in financial asset securitization, and a 54.88% market share in real estate investment trust; all of which represent industry-leading position.
- ii. Newly established business departments in the last two years: None.



Financial Overview and Risk Management

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Financial Overview and Risk Management

I. Summary Balance Sheet and Statement of Comprehensive Income for the Last Five (5) Years

(I) Summary Balance Sheets and Statements of Comprehensive Income

Summary Standalone Balance Sheets

Unit: NTD thousands

Item \ Year		Financial Information for the Last 5 Years (Note)				
		2023	2022	2021	2020	2019
Total Cash, Cash Equivalents, Due from Central Bank and Call Loans to Banks		198,441,013	250,178,195	265,884,052	184,159,613	222,953,062
Total Financial Assets at Fair Value Through Profit or Loss		2,832,098	2,930,855	4,557,150	3,899,451	4,437,143
Total Financial Assets at Fair Value Through Other Comprehensive Income		126,919,267	112,658,840	94,277,009	114,068,569	114,603,444
Investment in Debt Instruments Measured at Amortized Income		733,239,001	700,368,671	749,877,368	660,807,717	597,723,140
Securities purchased under resell agreement, net		808,416	679,308	2,033,693	1,145,103	6,218,350
Receivables, net		13,344,755	10,030,035	8,541,961	8,851,799	8,613,679
Total Current Tax Assets		0	64,295	19,358	0	20,993
Discounts and Loan, net		2,254,354,740	2,270,707,903	2,213,981,336	2,079,869,366	1,986,505,361
Investment Accounted for Using Equity Method, net		0	0	0	0	40,000
Other Financial Assets, Net		34,750	36,020	36,604	37,294	38,764
Property and Equipment, Net		22,106,678	22,286,918	22,293,358	22,543,030	22,516,593
Right-of-use Assets, Net		1,174,094	1,090,387	1,029,873	945,186	1,136,090
Investment Property, Net		23,459,470	23,379,128	23,657,897	23,738,479	23,937,743
Intangible Assets, Net		869,805	865,372	798,093	914,924	857,311
Total Deferred Tax Assets		2,428,902	2,111,728	2,159,996	2,293,784	2,392,843
Other Assets, net		11,149,523	11,864,744	13,559,407	11,457,337	10,714,152
Total Assets	Before Distribution	3,392,212,512	3,410,252,399	3,403,707,155	3,114,731,652	3,002,708,668
	After Distribution	3,391,162,512	3,409,252,399	3,402,707,155	3,114,731,652	3,002,708,668
Total Deposits From The Central Bank and Banks		422,832,516	487,882,269	332,250,440	347,507,303	313,577,959
Total Due To The Central Bank and Banks		1,139,255	1,279,741	21,013,312	10,591,582	1,723,767
Total Financial Liabilities at Fair Value Through Profit or Loss		9,172,729	8,359,299	6,853,168	8,942,683	11,468,186

Item	Year	Financial Information for the Last 5 Years (Note)				
		2023	2022	2021	2020	2019
Total Notes and Bonds Issued Under Repurchase Agreement		3,098,726	5,722,701	12,828,488	18,634,499	7,399,137
Total Payables		32,845,421	24,459,216	24,692,162	22,180,920	21,235,773
Total Current Tax Liabilities		1,501,747	1,358,071	817,659	857,677	1,185,886
Total Deposits and Remittances		2,618,369,369	2,594,137,351	2,725,796,242	2,453,872,938	2,396,048,680
Total Bank Debentures		60,236,240	60,233,679	61,836,475	46,294,550	53,293,705
Total Other Financial Liabilities		57,944	71,571	75,950	86,637	95,094
Total Provisions		22,404,308	21,792,888	22,249,483	20,662,942	18,953,270
Lease Liability		1,193,409	1,110,691	1,040,132	948,767	1,134,259
Total Deferred Income Tax Liabilities		6,912,315	6,909,824	6,907,923	6,914,019	6,914,019
Total Other Liabilities		1,342,924	1,298,089	1,398,458	1,782,351	1,448,542
Total Liabilities	Before Distribution	3,181,106,903	3,214,615,390	3,217,759,892	2,939,276,868	2,834,478,277
	After Distribution	3,181,106,903	3,214,615,390	3,217,759,892	2,939,276,868	2,834,478,277
Common Stock	Before Distribution	86,200,000	86,200,000	86,200,000	73,200,000	73,200,000
	After Distribution	86,200,000	86,200,000	86,200,000	73,200,000	73,200,000
Total Capital Surplus		21,748,869	21,748,869	21,748,869	21,748,869	21,748,869
Retained Earnings	Before Distribution	92,209,398	79,782,427	69,128,536	72,596,350	64,809,375
	After Distribution	91,159,398	78,782,427	68,128,536	72,596,350	64,809,375
Total Other Equity Earnings		10,947,342	7,905,713	8,869,858	7,909,565	8,472,147
Total Equity	Before Distribution	211,105,609	195,637,009	185,947,263	175,454,784	168,230,391
	After Distribution	210,055,609	194,637,009	184,947,263	175,454,784	168,230,391

Note: The CPAs restated the 2019-2022 figures using the certified figures from the National Audit Office, while the 2023 figures are audited.

Summary Standalone Statements of Comprehensive Income

Unit: NTD thousands

Item \ Year	Financial Information for the Last 5 Years (Note)				
	2023	2022	2021	2020	2019
Total Interest Income	77,173,383	55,095,108	41,288,142	42,617,177	51,461,783
Less: Total Interest Expenses	45,984,461	22,015,461	11,874,323	16,205,670	23,350,609
Net Income of Interest	31,188,922	33,079,647	29,413,819	26,411,507	28,111,174
Net Income of Non-Interest	4,030,721	288,292	2,337,389	2,908,379	3,117,577
Net Non-interest Income	35,219,643	33,367,939	31,751,208	29,319,886	31,228,751
Total Bad Debts Expense and Guarantee Liability Provision	803,083	2,263,254	2,734,172	2,659,125	2,907,339
Operating Expenses	17,373,281	16,278,170	15,778,119	15,547,863	15,302,374
Profit from Continuing Operations Before Tax	17,043,279	14,826,515	13,238,917	11,112,898	13,019,038
Less: Income Tax Expenses	3,872,259	3,288,717	2,762,664	2,404,893	2,952,442
Current Net Income from Continuing Operations	13,171,020	11,537,798	10,476,253	8,708,005	10,066,596
Gains/Losses from Discontinued Operations	0	0	0	0	0
Profit	13,171,020	11,537,798	10,476,253	8,708,005	10,066,596
Other Comprehensive Income	3,297,580	-848,052	16,226	-1,483,612	937,935
Other Comprehensive Income - Current (Net, After Tax)	3,297,580	-848,052	16,226	-1,483,612	937,935
Total Current Comprehensive Income	16,468,600	10,689,746	10,492,479	7,224,393	11,004,531
Current Profit (loss) Attributable to Parent Company Shareholders	13,171,020	11,537,798	10,476,253	8,708,005	10,066,596
Current Profit (loss) Attributable to Non-controlling Shareholders	0	0	0	0	0
Current Comprehensive Income Attributable to Parent Company Shareholders	16,468,600	10,689,746	10,492,479	7,224,393	11,004,531
Current Comprehensive Income Attributable to Non-controlling Shareholders	0	0	0	0	0
Basic Earnings Per Share (NTD) (Note 2)	1.53	1.34	1.22	1.01	1.17

Note 1: The CPAs restated the 2019-2022 figures using the certified figures from the National Audit Office, while the 2023 figures are audited.

Note 2: On November 30, 2021, the Bank raised its share capital to NT\$86.2 billion and made retrospective adjustments to the earnings per share (EPS) in previous years.

II. Financial Analysis for the Last Five (5) Years

Standalone Financial Analysis

Analysis		Year	Financial Analysis for the Last 5 Years				
			2023	2022	2021	2020	2019
Operating Efficiency	Loan-to-Deposit Ratio		87.65	89.06	82.59	86.17	84.23
	Overdue Loan Ratio		0.11	0.10	0.12	0.15	0.18
	Interest Expenses as a % of Yearly Average Deposit Balance		1.33	0.65	0.38	0.53	0.75
	Interest Revenue as a % of Yearly Average Loan Balance		2.59	1.97	1.63	1.71	2.05
	Total Asset Turnover (times)		1.04	0.98	0.97	0.96	1.04
	Revenue per Employee		6,104.98	5,801.10	5,504.72	5,095.57	5,396.36
	Net Profit per Employee		2,283.07	2,005.88	1,816.27	1,513.38	1,739.52
Profitability	Return on Tier 1 Capital (%)		7.80	7.20	6.82	6.03	7.89
	Return on Assets (%)		0.39	0.34	0.32	0.28	0.34
	Return on Equity (%)		6.51	6.08	5.81	5.07	6.19
	Net Profit Margin (%)		37.40	34.58	32.99	29.70	32.24
	Earnings per Share (NTD)		1.53	1.34	1.22	1.01	1.17
Financial Position	Debt to Assets Ratio		93.79	94.27	94.54	94.35	94.38
	Property, Plants and Equipment to Equity Ratio		10.52	11.45	12.05	12.85	13.38
Growth Rate	Asset Growth Rate		-0.53	0.19	9.25	3.73	-0.08
	Profit Growth Rate		14.95	11.99	19.13	-14.64	6.70
Cash Flow	Cash Flow Ratio		-37.04	2.53	47.54	-30.95	-26.67
	Cash Flow Adequacy Ratio		-1,136.33	-488.41	153.39	-2,276.98	49.59
	Cash Flow Reinvestment Ratio		9,829.44	-1,343.03	-11,883.31	5,963.50	18,612.67
Liquidity Reserve Ratio			26.45	26.14	26.08	25.73	27.34
Outstanding Secured Loans to Stakeholders (NTD thousands)			20,601,427	21,256,011	15,495,716	45,657,760	11,860,020
Outstanding Secured Loans to Stakeholders as a Percentage of Total Loan Balance (%)			0.96	0.99	0.74	2.32	0.63
Business Scale	Market Share of Assets		3.23	3.42	3.63	3.52	3.62
	Market Share of Equity		2.40	2.59	2.17	2.17	2.30
	Market Share of Deposits		4.57	4.78	5.36	5.17	5.52
	Market Share of Loans		5.84	6.17	6.46	6.53	6.63

Analysis of Financial Ratio Changes in the Past Two Years (Changes of 20% or More):

The rise in the ratio of interest expenses to the average annual deposit balance in 2023, as compared to 2022, was primarily driven by the increase in interest expenses on deposits during the same period.

The ratio of interest revenue to the yearly average loan balance increased in 2023 compared to 2022, primarily due to the higher interest revenue generated from loans in 2023 as compared to 2022.

Asset growth in 2023 was lower than 2022 mainly due to a reduction of deposits at CBC, interbank lending, and net discount and loans in 2023.

Profit growth rate in 2023 was higher compared to 2022 mainly because the Bank reported net gain on exchange in 2023 compared to net loss on exchange in 2022.

The decrease in the cash flow ratio in 2023, compared to 2022, is primarily attributed to net cash outflow from operating activities in 2023, as opposed to net cash inflow in 2022.

The decrease in the cash flow adequacy ratio in 2023, compared to 2022, is primarily attributed to net cash outflow from operating activities in 2023. This has resulted in an average net cash outflow from operating activities over the past five years. Furthermore, the increase in the cash flow satisfaction ratio in 2023, compared to 2022, is mainly due to the increase in net cash outflow from operating activities in 2023.

Note 1: 2019-2022 figures were restated by CPAs based on certified figures of the National Audit Office, whereas the 2023 figures are audited.

Note 2: Formulas of Financial Ratios:

1. Operating Efficiency
 - (1) Loan to Deposit Ratio = total loans/total deposits
 - (2) Overdue Loan Ratio = total overdue loans/total loans
 - (3) Interest Expense as a % of Yearly Average Deposit Balance = total interest expense on deposits/yearly average deposit balance
 - (4) Interest Revenue as a % of Yearly Average Loan Balance = total interest revenue from loans/yearly average loan balance
 - (5) Total Asset Turnover = net income/average total assets
 - (6) Revenue per Employee = net revenue/total employees
 - (7) Net Profit per Employee = net income/total employees
2. Profitability
 - (1) Return on Tier 1 Capital = profit before tax/average tier 1 capital
 - (2) Return on Assets = net income/average total assets
 - (3) Return on Equity = net income/average shareholders' equity
 - (4) Net Profit Margin = net income/net revenue
 - (5) Earnings per Share = (net income attributable to parent company shareholders - preferred share dividends)/weighted average outstanding shares
3. Financial Structure
 - (1) Debt to Asset Ratio = total liabilities/total assets
 - (2) Property, Plants and Equipment to Equity Ratio = net property, plant and equipment/shareholders' equity
4. Growth
 - (1) Asset Growth Rate = (current year total assets - previous year total assets)/previous year total assets
 - (2) Profit Growth Rate = (current year pre tax profit - previous year Profit before tax)/previous year Profit before tax
5. Cash Flow
 - (1) Cash Flow Ratio = net cash flow from operating activities/(interbank borrowing and overdraft + commercial papers payable + financial liability at fair value through profit and loss + repurchase agreements + accruals payable within one year)
 - (2) Cash Flow Adequacy Ratio = net cash flow from operating activities for the last 5 years/(capital expenditures + cash dividends) for the last 5 years
 - (3) Cash Flow Reinvestment Ratio = net cash flow from operating activities/net cash flow from investing activities
6. Liquidity Reserve Ratio = liquid assets mandated by the Central Bank/mandatory liquidity reserves
7. Business Scale
 - (1) Market Share of Assets = total assets/total assets of all financial institutions eligible to perform deposit and loan-related activities
 - (2) Market Share of Net Worth = net worth/total net worth of all financial institutions eligible to perform deposit and loan-related activities
 - (3) Market Share of Deposits = total deposits/total deposits of all financial institutions eligible to perform deposit and loan-related activities
 - (4) Market Share of Loans = total loans/total loans of all financial institutions eligible to perform deposit and loan-related activities

Note 3: Total liabilities are net of provision for guarantee, loss provision for bill trading and provision for accidental loss.

Note 4: Financial institutions eligible to perform deposit and loan-related activities include local banks, Taiwanese branches of Mainland banks, Taiwanese branches of foreign banks, credit cooperative associations, and credit departments of farmers/fishermen associations.

Note 5: The Bank increased its share capital to NT\$86.2 billion on November 30, 2021 and retrospective adjustments were made to the EPS in previous years.

Capital Adequacy

Unit: NTD thousands

Analysis \ Year (Note 1)			Capital Adequacy Ratio for the Previous 5 Years (Note 2)				
			2023	2022	2021	2020	2019
Capital	Common Share Equity		199,789,903	185,214,173	174,968,126	163,781,292	148,770,884
	Tier 1 Non-common Share Equity		26,000,000	26,000,000	26,000,000	23,500,000	26,656,700
	Tier 2 Capital		37,374,053	40,409,102	35,941,302	39,563,919	40,159,744
	Equity Capital		263,163,956	251,623,275	236,909,428	226,845,211	215,587,328
Risk Weighted Assets	Credit Risk	Standard Approach	1,739,312,918	1,806,426,697	1,718,430,284	1,678,232,260	1,613,839,876
		Internal Ratings Based Approach					
		Asset Securitization					
	Operational Risks	Basic Indicator Approach					
		Standardized Approach/ Alternative Standardized Approach	60,954,118	57,508,329	55,075,223	53,293,052	52,002,585
		Advanced Measurement Approach					
	Market Risk	Standard Approach	39,116,935	35,952,595	31,149,417	27,960,577	25,450,118
		Internal Model Approach					
	Total Risk Weighted Assets		1,839,383,971	1,899,887,621	1,804,654,924	1,759,485,889	1,691,292,579
	Capital Adequacy Ratio			14.31	13.24	13.13	12.89
Tier 1 Capital as a % of Risky Assets			12.28	11.12	11.14	10.64	10.37
Common Share Equity as a % of Risky Assets			10.86	9.75	9.70	9.31	8.80
Leverage Ratio			6.44	5.99	5.70	5.81	5.64

Reasons for Changes in Capital Adequacy in the Last 2 Years (unnecessary if the variation was less than 20%)

Note 1: Figures between 2019 and 2023 were audited by CPAs.

Note 2: Formulas of financial ratios or values:

1. Capital = common share equity + tier 1 non-common share equity + tier 2 capital
2. Total Risk Weighted Assets = credit risk weighted assets + required capital for (operational risk + market risk) × 12.5
3. Capital Adequacy Ratio = capital/total risk weighted assets
4. Tier 1 Capital as a % of Risk-weighted Assets = (common share equity + other tier 1 capital that is not common share equity)/total risk-weighted assets
5. Common Share Equity as a % of Risk-weighted Assets = common share equity/total risk-weighted assets
6. Leverage Ratio = net tier 1 capital/total risk exposure

III. Audit Committee's Report on the Review of the Latest Financial Statement

Land Bank of Taiwan Audit Committee's Review Report

The Company's 2023 Business Report (January 1 to December 31, 2023), the Financial Statements (including the balance sheet, comprehensive income statement of profit and loss, equity changes and cash flow statements) were audited by CPAs Chen Chun-Kuang and Yu Chi-Lung. The above statements and reports were reviewed in the Eighteenth Session of the 3rd Term of the Audit Committee on February 29, 2023, and no irregularities were found. The review report was issued in accordance with Article 14-4 of the Securities and Exchange Act.

Audit Committee

Independent Director: Chen, Yue-Min
(Convener)

February 29, 2023

IV. Financial Statements of Recent Years

Independent Auditors' Report

To the Board of Directors of Land Bank of Taiwan Co., Ltd.:

Opinion

We have audited the financial statements of Land Bank of Taiwan Co., Ltd. ("the Company"), which comprise the balance sheet as of December 31, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years ended December 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Securities Firms and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Jin-Guan-Yin-Fa-Zi Letter No.10802731571 and Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the Norm of Professional Ethics for Certified Public Accountant, and we have fulfilled our other ethical responsibilities in accordance with these requirements.. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Emphasis of Matter

As mentioned in Note 4(b) and Note 12(b), financial statements of the Bank are subjected to the amounts approved by the National Audit Office. The Bank's financial statements for 2022 have been examined by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan and the National Audit Office, and adjustments from this examination have been recognized accordingly in the financial statements. The relevant financial statements have been re-written in accordance with the instructions. There is no amendment of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. The assessment of loan impairment

Please refer to Note 4(e) and (k) for the related accounting policy on loan impairment, Note 5(a) for the assessment on loan impairment of accounting assumptions and estimation uncertainty, and Note 6(h) and (ak) for the disclosure of the assessment on loan impairment.

How to address this matter in our audit

The main activity of the Bank is providing loan services. The Bank undertakes credit risk when a customer is not able to perform the repayment on schedule while providing loan services. Therefore, the assessment on loan impairment of accounting assumptions and estimation uncertainty were included as our key audit matters.

Our principal audit procedures included:

Our principal audit procedures included (i) analyzing the balance and structure of the loans and changes in bad debts to identify significant changes and understand their reasons. (ii) understanding whether the methods and assumptions adopted by the management to assess the expected credit losses of loans and receivables are appropriate, and sampling the calculation of relevant accrual parameters. (iii) inspecting whether the amount of impairment was calculated in accordance with the provisions “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” via sampling. (iv) to check whether the value of credit collateral is regularly assessed and updated on a sample basis, and to make appropriate groups according to the characteristics of the creditor's rights. (v) assessing whether the items related to assessment on impairment allowance has been fairly disclosed in the financial report.

2. Valuation for fair value of financial assets

Please refer to Note 4(e) for the related accounting policy in the valuation for fair value of financial assets, Note 5(b) for the assessment on fair value of financial assets of accounting assumptions and estimation uncertainty and Note 6(aj) for the for the disclosure of the fair value of financial assets.

How to address this matter in our audit

Directly open market quotations are not applicable to some of the Bank's financial instruments. These instruments are evaluated by using observable input parameters; and the setting of some parameters involves the subjective judgment of the management. Since the amount of financial instrument is significant, the valuation for fair value of financial assets on accounting assumptions and estimation uncertainty were included as our key audit matters.

Our principal audit procedures included:

Our principal audit procedures included (i) testing the design and implementation of the internal control operation cycle. (ii) analyzing and evaluating the balance and structure of financial instruments. (iii) inspecting the evaluation parameters and access for obtaining the fair value of financial instruments. (iv) Issuing external investment confirmations to assess its existence, correctness and rights.

3. The assessment on the expected credit loss of financial instrument

Please refer to Note 4(e) for the related accounting policy of expected credit loss of financial instrument, Note 5(b) for the assessment on financial instrument impairment of accounting assumptions and estimation uncertainty, and Note 6(ak) for the disclosure on the assessment for financial instrument impairment.

How to address this matter in our audit

The assessments of expected credit loss of the financial assets at value through other comprehensive income and at amortized cost are calculated based on the market quotations by the management of the Bank. The valuation of expected credit loss involves accounting assumptions and estimation uncertainty, and was therefore, included as our key audit matters.

Our principal audit procedures included:

Our principal audit procedures included (i) reviewing the operating practices on the expected credit loss. (ii) understanding the calculation process and assessing the fairness of the management's assessment on the expected credit loss of financial assets, including the definitions of important quotations, methodologies and references. (iii) testing and performing calculation of the expected credit loss to assess its correctness. (iv) assessing the appropriateness of the overall recognition of the expected credit loss.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Securities Firms and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chen, Chun-Kuang and Yu, Chi-Lung.

KPMG

Taipei, Taiwan (Republic of China)
March 8, 2024

Notes to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)

LAND BANK OF TAIWAN CO., LTD.

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2023		December 31, 2022			December 31, 2023		December 31, 2022	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets					Liabilities and Equity				
11000 Total cash and cash equivalents (note 6(a))	\$ 28,925,562	1	36,461,814	1	Current liabilities:				
11500 Total due from the central bank and call loans to banks (note 6(b))	169,515,451	5	213,716,381	6	Total deposits from the central bank and banks (notes 6(c) and (ak))	\$ 422,832,516	13	487,882,269	14
12000 Total financial assets at fair value through profit or loss (notes 6(c) and (aj))	2,832,098	-	2,930,855	-	Total due to the central bank and banks (note 6(ak))	1,139,255	-	1,279,741	-
12100 Total financial assets at fair value through other comprehensive income (notes 6(d), (ae), (aj), (ak) and 8)	126,919,267	4	112,658,840	3	Total financial liabilities at fair value through profit or loss (notes 6(c), (aj) and (ak))	9,172,729	-	8,359,299	-
12200 Investment in debt instruments measured at amortized cost (notes 6(c), (ae), (aj), (ak) and 8)	733,239,001	22	700,368,671	21	Total notes and bonds issued under repurchase agreement (notes 6(f) and (ak))	3,098,726	-	5,722,701	-
12500 Securities purchased under resell agreements, net (note 6(f))	808,416	-	679,308	-	Total payables (notes 6(p) and (ak))	32,845,421	1	24,459,216	1
13000 Receivables, net (notes 6(g), (ak) and 7)	13,344,755	-	10,030,035	-	Total current tax liabilities	1,501,747	-	1,358,071	-
13200 Total current tax assets	-	-	64,295	-	Total deposits and remittances (notes 6(c), (ak) and 7)	2,618,369,369	77	2,594,137,351	76
13500 Discounts and loans, net (notes 6(h), (ak) and 7)	2,254,354,740	66	2,270,707,903	67	Total bank debentures (notes 6(r), (aj) and (ak))	60,236,240	2	60,233,679	2
15500 Other financial assets, net (notes 6(i), (aj) and (ak))	34,750	-	36,020	-	Total other financial liabilities (notes 6(s) and (aj))	57,944	-	71,571	-
18500 Property and equipment, net (note 6(j))	22,106,678	1	22,286,918	1	Total provisions (note 6(t))	22,404,308	1	21,792,888	1
18600 Right-of-use Assets, net (note 6(k))	1,174,094	-	1,090,387	-	Lease liability (notes 6(v), (aj), (ak) and (am))	1,193,409	-	1,110,691	-
18700 Investment property, net (note 6(l))	23,459,470	1	23,379,128	1	Total deferred income tax liabilities (note 6(w))	6,912,315	-	6,909,824	-
19000 Intangible assets, net (note 6(m))	869,805	-	865,372	-	Total other liabilities (note 6(x))	1,342,924	-	1,298,089	-
19300 Total deferred tax assets (note 6(w))	2,428,902	-	2,111,728	-	Total liabilities	3,181,106,903	94	3,214,615,390	94
19500 Other assets, net (notes 6(n) and 8)	11,149,523	-	11,864,744	-	Equity attributable to owners of parent: (note 6(y))				
					Common stock	86,200,000	3	86,200,000	3
					Total capital surplus	21,748,869	1	21,748,869	1
					Legal reserve	49,277,807	1	45,249,637	1
					Special reserve	36,437,017	1	24,066,386	1
					Total unappropriated earnings	5,444,574	-	9,466,404	-
					Total other equity interest	91,159,398	2	78,782,427	2
					Total equity	10,947,342	-	7,905,713	-
					Total liabilities and equity	210,055,609	6	194,637,009	6
Total assets	\$ 3,391,162,512	100	\$ 3,409,252,399	100		\$ 3,391,162,512	100	\$ 3,409,252,399	100

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

LAND BANK OF TAIWAN CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2023		2022		Change
		Amount	%	Amount	%	%
Interest incomes:						
41000	Total interest income	\$ 77,173,383	219	55,095,108	165	40
51000	Less: Total interest expenses	<u>45,984,461</u>	<u>130</u>	<u>22,015,461</u>	<u>66</u>	109
	Net income of interest (note 6(aa))	31,188,922	89	33,079,647	99	(6)
Net non-interest income						
49100	Net service fee income (note 6(ab))	2,365,580	7	2,595,357	8	(9)
49200	Gains on financial assets or liabilities measured at fair value through profit or loss (notes 6(c) and (ac))	1,191,976	3	1,768,852	5	(33)
49310	Realized gain on financial assets at fair value through other comprehensive income, net (note 6(ad))	823,815	2	434,193	1	90
53601	Losses on disposal of investment in debt instruments measured at amortized cost	(286)	-	-	-	(100)
49600	Foreign exchange (losses) gain	1,198,101	3	(2,822,991)	(8)	142
49700	Reversal of (loss on assets) impairment of loss on assets (note 6(ae))	429	-	(5,500)	-	108
49863	Net gain on disposal of property	-	-	948	-	(100)
49899	Other miscellaneous loss (note 6(af))	<u>(1,548,894)</u>	<u>(4)</u>	<u>(1,682,567)</u>	<u>(5)</u>	8
		<u>35,219,643</u>	<u>100</u>	<u>33,367,939</u>	<u>100</u>	6
58200	Total bad debts expense and guarantee liability provision (note 6(h))	<u>803,083</u>	<u>2</u>	<u>2,263,254</u>	<u>7</u>	(65)
Operating Expenses:						
58500	Total employee benefits expenses (note 6(ag))	9,910,200	28	9,504,231	28	4
59000	Total depreciation and amortization expense (note 6(ah))	1,523,120	5	1,493,978	4	2
59500	Total other general and administrative expense (note 6(ai))	<u>5,939,961</u>	<u>17</u>	<u>5,279,961</u>	<u>15</u>	13
		<u>17,373,281</u>	<u>50</u>	<u>16,278,170</u>	<u>47</u>	7
Profit from continuing operations before tax		17,043,279	48	14,826,515	46	15
61003	Less: Income tax expenses	<u>3,872,259</u>	<u>11</u>	<u>3,288,717</u>	<u>10</u>	18
Profit		<u>13,171,020</u>	<u>37</u>	<u>11,537,798</u>	<u>36</u>	14
65000	Other comprehensive income:					
65200	Components of other comprehensive income that will not be reclassified to profit or loss					
65201	Gains (losses) on remeasurements of defined benefit plans	(438,973)	(1)	546,573	2	(180)
65204	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	2,775,013	8	(601,958)	(2)	561
65220	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-
		<u>2,336,040</u>	<u>7</u>	<u>(55,385)</u>	-	4,318
65300	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
65301	Exchange differences on translation of foreign financial statements (note 6(y))	(33,746)	-	2,692,236	8	(101)
65308	Unrealized gains from investments in debt instruments measured at fair value through other comprehensive income	995,286	3	(3,484,903)	(10)	129
65320	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	<u>961,540</u>	<u>3</u>	<u>(792,667)</u>	<u>(2)</u>	221
65000	Other comprehensive income	<u>3,297,580</u>	<u>10</u>	<u>(848,052)</u>	<u>(2)</u>	489
Total comprehensive income		<u>\$ 16,468,600</u>	<u>47</u>	<u>10,689,746</u>	<u>34</u>	54
Basic earnings per share (note 6(z))		<u>\$ 1.53</u>		<u>1.34</u>		

See accompanying notes to financial statements.

**For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)**

Disposal of investments in equity instruments designated at fair value through other comprehensive income

Disposal of special reserves transferred from land

Financial Overview and Risk Management

(English Translation of Financial Statements Originally Issued in Chinese)

LAND BANK OF TAIWAN CO., LTD.
Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	\$ 17,043,279	14,826,515
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,254,388	1,245,520
Amortization expense	305,238	288,876
Provision for bad debt expense	803,083	2,263,254
Interest expense	45,984,461	22,015,461
Interest income	(77,173,383)	(55,095,108)
Dividend income	(768,855)	(1,034,151)
Net change in provisions for guarantee liabilities	9	121
Net change in other provisions	46	1,026
Losses on disposal of property and equipment	8,004	4
Net gain on disposal of property	-	(948)
Reversal of impairment of loss on assets	(429)	-
Impairment loss on assets	-	5,500
Other adjustments to reconcile profit	21,177	39,441
Total adjustments to reconcile loss	(29,566,261)	(30,271,004)
Changes in operating assets and liabilities:		
Increase in due from the central bank and call loans to banks	(760,629)	(394,045)
Decrease in financial assets at fair value through profit or loss	98,757	1,626,295
Increase in financial assets at fair value through other comprehensive income	(10,489,860)	(22,484,465)
(Increase) decrease in investments in debt instruments measured at amortised cost	(32,870,170)	49,504,184
(Increase) decrease in receivables	(1,749,384)	1,153,584
(Increase) decrease in discounts and loans	15,565,967	(59,165,985)
Decrease in other financial assets	26,652	3,069
Decrease in other assets	188,530	1,013,002
Total changes in operating assets	(29,990,137)	(28,744,361)
Total changes in operating liabilities		
Increase (decrease) in deposits from the central bank and banks	(65,049,753)	155,631,829
Increase in financial liabilities at fair value through profit or loss	813,430	1,506,131
Decrease in notes and bonds issued under repurchase agreement	(2,623,975)	(7,105,787)
Increase (decrease) in payable	3,785,306	(3,021,036)
Increase (decrease) in deposits and remittances	24,232,018	(131,658,891)
Increase in provisions for employee benefits	184,151	156,332
Increase in other liabilities	54,697	88,148
Total changes in operating liabilities	(38,604,126)	15,596,726
Total adjustments	(98,160,524)	(43,418,639)
Cash outflow generated from operations	(81,117,245)	(28,592,124)
Interest received	75,592,520	52,465,183
Dividends received	768,855	1,034,151
Interest paid	(41,367,472)	(19,213,070)
Income taxes paid	(3,978,971)	(2,728,216)
Net Cash flows used in (from) operating activities	(50,102,313)	2,965,924
Cash flows from (used in) investing activities:		
Acquisition of property and equipment	(717,737)	(547,752)
Decrease in refundable deposits	526,691	681,661
Acquisition of intangible assets	(309,782)	(355,148)
Acquisition of investment properties	(8,889)	(980)
Proceeds from disposal of investment properties	-	1,380
Net cash flows used in investing activities	(509,717)	(220,839)
Cash flows from (used in) financing activities:		
Decrease in due to the central bank and banks	(140,486)	(19,733,571)
Proceeds from issuing bank notes payable	-	8,694,545
Repayments of bank notes payable	-	(10,300,000)
Decrease in guarantee deposits received	(9,862)	(188,517)
Payment of lease liabilities	(475,319)	(454,502)
Decrease in other financial liabilities	(13,627)	(4,379)
Cash dividends paid	(1,050,000)	(1,000,000)
Net cash flows used in financing activities	(1,689,294)	(22,986,424)
Effect of exchange rate changes on cash and cash equivalents	(52,366)	2,786,989
Net decrease in cash and cash equivalents	(52,353,690)	(17,454,350)
Cash and cash equivalents at beginning of period	153,742,866	171,197,216
Cash and cash equivalents at end of period	\$ 101,389,176	\$ 153,742,866
Composition of cash and cash equivalents:		
Cash and cash equivalents reported in the statement of financial position	\$ 28,925,562	36,461,814
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	71,655,198	116,601,744
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	808,416	679,308
Cash and cash equivalents at end of period	\$ 101,389,176	\$ 153,742,866

(English Translation of Financial Statements Originally Issued in Chinese)

LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Land Bank Of Taiwan Co., Ltd. (the “Bank”) is a wholly-owned government bank of the Republic of China (“R.O.C.”). The government of the R.O.C decided to take over the Nippon Kangyo Bank’s Taipei branch along with other branches in Hsinchu, Taichung, Tainan and Kaohsiung to facilitate the implementation of such land policies as land-rights equalization and the land-to-tiller program. On September 1, 1946, these branches were reorganized and formed the Bank. According to the Banking Law, the Bank obtained the qualification of the legal person in May 1985. With the downsizing of the Taiwan Provincial Government on December 21, 1998, the Bank was transferred to the jurisdiction of the central government. On June 9, 2003, the Land Bank of Taiwan was approved by the Ministry of Finance, R.O.C. to change its organization to a limited Bank – Land Bank of Taiwan Co., Ltd., effective July 1, 2003. On May 21, 2004, it was further approved by authority to be a public Bank. The Bank is engaged mainly in the following operations:

- (a) Accepting deposits and handling remittances;
- (b) Issued credit debentures;
- (c) Extending loans and discounts;
- (d) Other related financial operations authorized by the Banking Law.

The Bank's head office oversees all the affairs of the banks, the Banks also has many domestic branches and overseas branches to expand various banking service. As of December 31, 2023, the bank's head office has a Department of Business, Department of Finance, Department of International Banking (including International Finance Business), Department of Trusts and Department of Securities, as well as 149 domestic branches, 7 overseas branches, and 1 overseas office.

(2) Approval date and procedures of the financial statements:

These financial statements were authorized for issuance by the Bank's BoD on March 8, 2024.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

The Company has initially adopted the new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”
- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”
- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies:

- (a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Securities Firms, the related laws, and International Financial Reporting Standards, International Accounting Standards, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

- (b) Basis of preparation

- (i) Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;

(Continued)

LAND BANK OF TAIWAN CO., LTD.**Notes to the Financial Statements**

- 2) Financial assets at fair value through other comprehensive income;
- 3) The defined benefit liability is recognized as the present value of the defined benefit obligation, less, the net value of pension plan assets after adjusting the unrecognized actuarial gains and losses and unrecognized past service costs;
- 4) Parts of the properties and investment properties are recognized as deemed costs using the ROC Generally Accepted Accounting Principles (ROC GAAP) revaluations.

(ii) Functional and presentation currency

The functional currency of each Bank entities is determined based on the primary economic environment in which the entities operate. The Bank's financial statements are presented in New Taiwan Dollar, which is the Bank's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(iii) General accounting affairs

The Bank is wholly-owned government Bank, and its accounting practices mainly follow the Budget Act, Financial Statement Act, and Uniform Regulations of Accounting System for Financial Institutions by the Ministry of Finance. The annual financial statements are audited by the Ministry of Audit to ensure that the Bank complies with the budget approved by the Legislative Yuan. The Bank's financial statements have been finalized after such an audit.

The accounts of the Bank as of and for the year ended December 31, 2022, have been examined by the Ministry of Audit, Control Yuan of R.O.C., and adjustments from this examination have been recognized in the accompanying financial statements for 2022, which have been restated. Please refer to note 12(b).

(iv) Basis of Preparation

The accompanying financial statements include the accounts of the head office, the OBU, and all domestic and overseas branches. All inter-branch and inter-office accounts and transactions have been eliminated.

(c) Foreign currency**(i) Foreign currency**

Transactions in foreign currencies are translated to the respective functional currencies of Bank entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

(Continued)

LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

- 1) Non-Monetary Equity Instruments at Fair Value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to the Banks' the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Banks' the functional currency at exchange rates at the transaction dates. Foreign currency differences are recognized in other comprehensive income.

(d) Cash and Cash Equivalents

Cash and cash equivalents in the statements of financial position comprise cash on hand, demand deposits, checking deposits, unrestricted time deposits that are readily convertible to known amounts of cash without impairing the principal, and highly liquid investments that are subject to an insignificant risk of changes in value. Due from the Central Bank, call loans to banks, and notes and bonds purchased under resell agreements which meet the definition in the International Accounting Standard 7 ("IAS 7"), are included as components of cash and cash equivalents for the purpose of stating the cash flows.

(e) Financial Instruments

Financial assets and financial liabilities are initially recognized when the Bank become a party to the contractual provisions of the instruments. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting.

(i) Financial assets

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Bank shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable, which is presented as accounts receivable. On initial recognition, the Bank may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets in this category are

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

Financial assets classified as FVOCI include the following:

- a) A debt investment is measured at FVOCI if it meets both of the following conditions:
 - it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
 - its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- b) On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Bank's right to receive payment is established.

3) Financial assets measured at amortized cost

A financial assets is measured at amortized cost if it meets both of the following conditions:

- a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

Overdue loans represent outstanding loans whose principal or interest payments are more than three months past due and are not extended, or whose principal or interest payments are not past due but for which the Bank is engaged in litigation or have disposed of the collateral.

The overdue receivables are classified as delinquent receivables when they are overdue for more than six months. When the principal and the related interest receivable are transferred to delinquent receivables, interests accrual are ceased internally but continue to accrue externally and are recorded in the memo account. Interest received after the interest accrual is ceased and is recognized as revenue.

4) Repo and reverse repo transactions with notes and bonds

Repo and reverse repo transactions with notes and bonds are treated as financing transactions based on its transaction in practice. Interest revenue and expense are recognized on an accrual basis on the transaction date (when the notes and bonds are sold and purchased) and the agreed repurchased and resell date. Investments on repo and reverse repo transactions with notes and bonds are recognized on the date it is sold and purchased.

5) Impairment of financial assets

Investments in debt instruments measured at fair value through other comprehensive gains or losses and financial assets measured at amortized cost are assessed for impairment and allowance losses are recognized at each reporting date, except that investments in debt instruments measured at fair value through other comprehensive income, where the allowance loss should be recognized in other comprehensive income, and should not reduce the carrying amount of financial assets on the balance sheet.

When the Bank assesses the impairment, it is not based on the evidence that the financial asset is credit impaired or actually defaulted on the reporting date, but on the change in the credit risk of the financial instrument since the original recognition, and if the credit risk does not increase significantly, the allowance loss of the financial instrument will be measured according to the amount of the expected credit loss in 12 months on the reporting date; and conversely, the allowance loss of the financial instrument will be measured by the amount of the expected credit loss over the duration of the financial instrument.

a) Determine whether there is a significant increase in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since the original recognition on each reporting date, the Bank is taking into account the change in the risk of default during the expected life of the financial instrument, rather than the change in the amount of expected credit loss, and considers reasonable and corroborating information that shows a significant increase in credit risk since the original recognition (that is, information that could have been obtained without excessive costs or investments).

(Continued)

LAND BANK OF TAIWAN CO., LTD.**Notes to the Financial Statements**

In addition, if the Bank determines that the credit risk of a financial instrument is low as at the date of reporting, it will assume that the credit risk of the financial instrument has not increased significantly since its original recognition. If the contractual cash flows of a financial asset have been renegotiated or modified and the financial asset has not been derecognized, the Bank should assess whether its credit risk has increased significantly by comparing the following:

- the risk of default on the date of reporting (subject to the amended contract terms);
- risk of default at the time of original recognition (based on the terms of the original unmodified contract).

b) Measurement of expected credit losses

The Bank calculates the difference between all contractual cash flows expected to be received over the expected life of the financial instrument and all contractual cash flows expected to be received after taking into account all contract terms of the financial instrument (including the sale of collateral held or other credit enhancements, etc.). Credit risk losses are measured based on the amount discounted by the original effective interest rate in the following ways:

- an unbiased and probability-weighted amount based on the evaluation of each possible outcome;
- time value of money; and
- reasonable and corroborating information relating to past events, current conditions and projections of future economic conditions (available at the date of the report without excessive cost or investment). The amount of expected credit loss (or reversal) adjusted to the amount required to be recognized in accordance with the above measurement method is recognized in profit or loss as a loss or benefit.

(ii) Financial liabilities

The financial liabilities held by the Bank include financial liabilities measured at fair value through profit or loss and other financial liabilities.

1) Financial liabilities at fair value through profit or loss

A financial liability classified in this category includes held-for-trading and financial liabilities measured at fair value through profit or loss. Held-for-trading financial instruments are acquired principally for the purpose of selling or repurchasing in the short term. Derivative instruments are classified as financial instrument, except for derivative instruments that are designated as effective hedging instrument. This type of financial liability is measured at fair value at the time of initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, financial liabilities measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using the trade-date accounting.

(Continued)

LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

2) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss (which comprise of due from banks, deposits, accounts payable and other payables) are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method.

(iii) Derecognition of financial assets and liabilities

1) Derecognition of financial assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Bank enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

2) Derecognition of financial liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iv) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(v) Interest Rate Benchmark Reform—the Phase 2 amendments (effective January 1, 2021)

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, then the Bank will update the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

—the change is necessary as a direct consequence of the reform; and

(Continued)

LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

–the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Bank first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Thereafter, the Bank will apply policies on accounting for modifications to the additional changes.

(f) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost of property and equipment includes the acquisition price and expenditure that directly attributable to bringing the asset to the location and condition necessary for it to be capable of reaching its expected operations, initial estimate costs of dismantling and removing the item and restoring the site on which it is located.

When property and equipments comprised of different components, it is more appropriate to separately depreciate each component with a cost that is significant in relation to the total cost of the item using different depreciation rate and methods and considered each component (significant component) as individual item.

The difference between the net disposal proceeds and the carrying amount of the item shall be recognized as net profit or loss of property transactions.

(ii) Reclassification to investment property

When there is a change in use, the Bank treats the owner occupied property as investment property; the property shall be reclassified to investment property at carrying amount from then on.

(iii) Subsequent cost

Subsequent expenditures are only capitalized when their future economic benefits are likely to flow into the bank.

(iv) Depreciation

Except for land, each significant part of an item of property and equipment is depreciated separately, unless, the useful life and the depreciation method of an item of property and equipment are the same as the useful life and depreciation method of another significant part of that same item. Leasehold improvements are depreciated based on its useful lives, as well as the shorter of lease terms by using the straight-line methods. The Bank will assess the remaining useful lives, depreciation methods, residual value and changes in remaining useful lives. The depreciation methods and residual value are accounted for as a change in an accounting estimates and are adjusted using deferral method.

(Continued)

LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

The estimated useful lives of property and equipment are as follows:

- (i) Buildings: 10 to 65 years
- (ii) Machinery and equipment: 3 to 25 years
- (iii) Transportation equipment: 3 to 25 years
- (iv) Miscellaneous equipment: 3 to 25 years
- (v) Land improvements: 5 to 15 years
- (vi) Leasehold improvements: The asset is depreciated over the shorter of the lease term and its useful life.
- (vii) Air conditioning engineering: 8 years
- (viii) Escalator engineering: 15 years
- (ix) Renovation project: 10 years
- (g) Investment in Real Estate

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and measured at cost, less, accumulated depreciation and accumulated impairment loss subsequently. Subsequent to initial recognition, depreciation charge of investment property, except for land, is calculated using the depreciable amount on a straight-line basis over its useful lives of 10~65 years. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, and any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalized borrowing costs.

When the use of a property changes such that it is reclassified as plant and equipment, its fair value on the date of reclassification becomes its cost for subsequent accounting.

(h) Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(Continued)

LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Bank uses its incremental borrowing rate as the discount rate. Generally, the Bank uses its three-year Time Deposit Floating Rate and Federal Funds Rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is a change in the assessment of the underlying asset purchase option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Bank accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Bank presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

(Continued)

LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

The Bank has elected not to recognize right-of-use assets and lease liabilities for short-term leases of leased assets that have a lease term of 12 months or less or leases of low-value assets. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Bank acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(i) Intangible Assets

The Bank's intangible assets are initially recognized at cost. Subsequently, the intangible assets shall be carried at the costs, less, accumulated amortization and accumulated impairment losses. The depreciable amount is determined by the original cost, less, its residual value. Amortization is recognized as an expense on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The useful lives of intangible assets are as follows:

Computer software: 3~10 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates and adjusted by using deferral methods.

(j) Impairment of non-financial assets

The Bank assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Bank shall estimate the recoverable amount of that asset and an impairment loss is recognized if the recoverable amount of an asset is less than its carrying value. The accumulated impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if the impairment loss is no longer exists or may have decreased. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount, as a reversal of a previously recognized impairment loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount, less depreciation and amortization in prior years.

(k) Provision for bad debts and provision for guarantee liabilities

The ending balance of allowance for bad debts and guarantee liability provision on all credit assets in the balance sheets and off-balance sheets is in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans, with considerations of the status of loan collaterals and the length of time overdue. The Bank classifies credit assets into normal credit assets, assets that require special mention, assets that are substandard and assets that are doubtful. The allowance for doubtful debt for each credit assets are 1%, 2%, 10%, 50% and 100%, respectively. The allowance for doubtful debt on credit card receivables is in accordance with the Regulations Governing Institutions Engaging in Credit Card

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LAND BANK OF TAIWAN CO., LTD.**Notes to the Financial Statements**

Business. The abovementioned regulations are the minimum standards on allowance for doubtful debts for credit assets in the balance sheets and off-balance sheets.

In addition, the Bank adopts the assessment of IFRS 9, which conforms to the definition of impairment loss in loans and receivables.

(l) Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The discounted amortization is recognized as interest expense.

(m) Interest income and interest expense

Except for financial assets and liabilities reported at fair value through profit or loss, all interests of bearing financial assets and interest-bearing financial liabilities are accrued using the effective interest rate method and are accounted for as interest revenue and interest expense in profit or loss. The effective interest rate refers to the interest rate used to discount the estimated future cash paid or received for the expected duration and the shorter of period, which is equivalent to the carrying amount of financial assets or liabilities. To calculate the effective interest rate, the Bank considers all the conditions in the contracts of financial instruments to estimate cash flows, except for future credit loss. The abovementioned calculation includes all expenses, transaction costs and other discounts or premiums that are received from and paid to the counterparty and which belong to parts of effective interest rates. Transaction costs include incremental costs that are attributable to acquisition, issuance or disposal of financial assets or financial liabilities.

(n) Commission fee revenue and expenses

Commission fee revenue and expenses are recognized when loans or other services are provided. Service fees on significant projects are recognized on project completion. Commission revenue and fees relating to subsequent loan services are amortized through service periods or included in the effective interest rate for loans and receivables. Whether to adjust the agreed interest rate of loans and receivables to its effective interest rate, the Bank should first consider the materiality of this effect. If it is insignificant, the Bank should use the original amount of loans and receivables for measurement.

(o) Employee benefit**(i) Short term employee benefit**

When an employee has rendered service to an entity during an accounting period, the Bank shall recognize the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(Continued)

LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

(ii) Definite benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on bonds (market yields of high quality corporate bonds or government bonds) that have maturity dates approximating the terms of the Bank's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The net obligation of the enterprise is actuarially calculated annually by a qualified actuary using the projected unit benefit method. When the calculation is in favour of the Bank, the recognized assets are limited to the total present value of the economic benefits that can be obtained by way of future refunds from the plan or reduction in future allocations to the plan. The calculation of the present value of economic benefits should take into account any minimum funding requirements applicable to any of the Bank's schemes. A benefit is economically beneficial to the Bank if it can be realized during the plan period or when the plan liabilities are liquidated.

Remeasurements of the net defined benefit liability or asset comprise: a) actuarial gains and losses; b) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). The remeasurements of the net defined benefit liability or asset are recognized in other comprehensive income. The Bank and its subsidiary have elected to transfer the amount arising from remeasurement to retained earnings.

(iii) Defined contribution benefit

In accordance with the labor pension systems, the Bank has contributed 6% of salaries to individual pension accounts managed by the Bureau of Labor Insurance and recognized as employee benefit expenses for that period.

(iv) Preferential interest deposits

The Bank provides their employees the preferential interest deposits, including that for current employees and retired employees. The difference between the preferential interest rate and the market rate belongs to the employee benefit.

In accordance with the Regulations Governing the Preparation of Financial Reports by the Public Banks, for the preferential interest deposits paid for current employees, the Bank shall calculate the interest monthly on accrual basis. The different amount of the preferential interest rate and market interest rate is recognized under the preferential interest account in the comprehensive Income statement. When the employees retired, the Bank shall calculate the excess interest using actuarial method by adopting the IAS 19. However the actuarial assumptions shall follow the government's related regulations.

(p) Income Tax

Income tax expenses include both current taxes and deferred taxes. Except for expenses that are related to other comprehensive income directly or expenses recognized in equity and other related expenses, all current and deferred taxes shall be recognized in profit or loss.

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LAND BANK OF TAIWAN CO., LTD.**Notes to the Financial Statements**

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements at the reporting date and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and loss carry forward to the extent that it is probable to receive income tax in the future. Deferred income tax assets and liabilities are offset if they are related to income taxes levied by the same tax authorities or different tax authorities but intend to offset using the net settlement of current income tax liabilities and assets or the simultaneous realization in income tax liabilities and assets.

Current taxes and deferred tax for the year are calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as the tax adjustments related to prior years.

The Bank reviews the carrying amount of deferred tax assets at each reporting date. The carrying value of deferred tax asset is reduced if it is unlikely that there is sufficient income tax provided to profits realized in parts or entire deferred tax assets. If it is likely that there is sufficient income tax provided, the amount that is originally reduced in deferred tax asset is reversed within the range in which the profit is realized.

(q) Earnings per Share

The Bank discloses the Bank's basic earnings per share attributable to ordinary equity holders of the Bank. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Bank divided by the weighted-average number of ordinary shares outstanding.

(r) Operating Segments Information

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continued to monitor the accounting assumptions, estimates and judgments. Management recognized the changes in the accounting estimates during the period, and the impact of the changes in the accounting estimates in the next period.

The Bank is likely to be facing economic uncertainty, such as inflation. Those events may have a significant impact in the next financial year on the following accounting estimates, which depend on the future forecasts.

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

Determining the book value of the assets and the liabilities as the following that have significant effect on amounts recognized in the financial statements are influenced by accounting assumptions and judgments.

(a) Impairment loss on loans

The Bank reviews loan portfolio to assess expected credit loss periodically. In determining an expected credit loss should be recorded as the amount of 12-month ECL or lifetime ECL, the Bank makes judgments as to whether there has been significant increase in credit risk since initial recognition of the asset. When assessing ECL, the Bank takes Loss Given Default (LGD) into the consideration of Probability of Default (PD) of its clients, and multiplies it by Exposure of Default. The influence of time value of money must also be considered when estimating 12-month ECL and lifetime ECL. The Bank reviews its experience and forward-looking estimation to decide the assumptions and input value for ECL calculation on every report date.

(b) Fair value and expected credit loss of financial instruments

(i) Fair value of financial instruments

The fair value of non-active market or non-quoted financial instruments is determined using valuation techniques. Such fair value is based on observable data of similar financial instruments or valuation model. If there are no observable market parameters, the fair value of financial instruments is evaluated based on appropriate assumptions. If fair value is determined by the valuation model, the model is calibrated to ensure that all output data and the results are reflected in the actual market price. This valuation model use only observable data as much as possible. As for credit risk (self-owned and the contractual parties), the managements shall estimate its correlations and its fluctuations.

Please refer to note 6(ak) for the analysis of financial product sensitivity.

(ii) Expected credit loss of financial instruments

The Bank should recognized the 12-month ECL of its financial instruments classified as at amortized cost or FVOCI at initial recognition, whether there is objective evidence of impairment. When the credit risk increases or there is objective evidence of impairment, the Bank increases the lifetime ECL. The Bank reviews its historical experience and forward-looking estimation to decide the assumptions and input values for impairment assessment on every report date.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	\$ 9,104,348	18,792,798
Checks for clearing	11,517,102	10,879,589
Due from banks	8,304,112	6,789,427
	<u>\$ 28,925,562</u>	<u>36,461,814</u>

(Continued)

LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

The balance details of cash and cash equivalents in cash flow statement are as follow:

	December 31, 2023	December 31, 2022
Cash and cash equivalents in the statement of financial position	\$ 28,925,562	36,461,814
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	71,655,198	116,601,744
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	808,416	679,308
Total	<u>\$ 101,389,176</u>	<u>153,742,866</u>

(b) Due from the Central Bank and call loans to banks

	December 31, 2023	December 31, 2022
Reserves for deposits - a/c B	\$ 71,915,382	71,154,753
Reserves for deposits - a/c A	31,320,800	33,293,656
Deposits in the Central Bank	26,000,000	26,000,000
Less: Accumulated impairment loss - Deposits in the Central Bank (note 6(ae) and (ak))	(166)	(167)
Deposits in the authorities in the oversea	1,138,336	1,178,538
Call loans to banks	39,196,062	82,129,550
Less: Allowance for doubtful accounts (note 6(h))	(54,963)	(39,949)
	<u>\$ 169,515,451</u>	<u>213,716,381</u>

As required by law, the reserves for deposits in the Central Bank are calculated by applying the prescribed rates to the average monthly balances of various types of deposit accounts. The use of reserves for deposits - a/c B is restricted by the Central Bank.

Deposit in the Central Bank of the Republic of China and call loans to banks were not pledged as reserves at December 31, 2023 and 2022.

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

(c) Financial assets and liabilities at fair value through profit or loss

(i) Financial assets measured at fair value through profit or loss were as follows:

	December 31, 2023	December 31, 2022
Mandatorily measured at fair value through profit or loss:		
Corporate bonds	\$ 5,922	2,975
Beneficiary certificates	240,401	15,794
Ordinary share/ Preference share	1,572,908	674,825
Commercial papers	199,633	139,826
Options	3,524	2,643
Forward exchange contracts	19,924	17,705
Foreign-currency swap contracts	789,620	2,076,921
Futures margin	166	166
Total	\$ 2,832,098	2,930,855

(ii) Financial liabilities at fair value through profit or loss were as follows:

	December 31, 2023	December 31, 2022
Designated as financial liabilities at FVTPL:		
Financial bonds	\$ 5,718,605	5,519,699
Financial liability held for trading:		
Options	3,745	2,894
Forward exchange contracts	7,291	9,899
Foreign-currency swap contracts	2,820,259	2,174,861
Asset Swap (note 6(ak))	622,829	651,946
Subtotal	3,454,124	2,839,600
Total	\$ 9,172,729	8,359,299

(iii) The contracts amount of derivative financial instruments is summarized as follows:

	December 31, 2023	December 31, 2022
Options	\$ 223,498	431,010
Forward exchange contracts	1,066,264	2,416,846
Foreign-currency swap contracts	129,836,637	147,450,759
Asset Swap (note 6(ak))	6,141,000	6,145,000

(Continued)

LAND BANK OF TAIWAN CO., LTD.**Notes to the Financial Statements**

- (iv) Net Gain or loss on financial assets (liabilities) at fair value through profit or loss were as follows:

	2023	2022
Financial assets at fair value through profit or loss	\$ 2,716,662	(34,889)
Financial liabilities at fair value through profit or loss	(1,524,686)	1,289,836
Total	<u>\$ 1,191,976</u>	<u>1,254,947</u>

- (v) Financial asset at fair value through profit and loss were not pledged at December 31, 2023, and 2022.
- (vi) The main purpose of the bank's derivative financial products is to avoid the risk of the exchange rate and the interest rate.
- (d) Financial assets at fair value through other comprehensive income (FVOCI)

	December 31, 2023	December 31, 2022
Debt instruments at FVOCI:		
Government bonds	\$ 73,078,160	58,641,188
Corporate bonds	3,762,782	4,466,245
Financial institution bonds	23,131,534	26,718,617
Negotiable certificates of deposit	1,844,793	767,399
Subtotal	<u>101,817,269</u>	<u>90,593,449</u>
Equity instruments at FVOCI:		
Listed common shares- domestic company	17,908,959	14,325,821
Unlisted common shares- domestic company	7,193,039	7,739,570
Subtotal	<u>25,101,998</u>	<u>22,065,391</u>
Total	<u>\$ 126,919,267</u>	<u>112,658,840</u>

- (i) Debt investments as FVOCI

The Bank held the debt instruments for contractual cash flows and disposal of financial assets, and reported in Financial assets at fair value through other comprehensive income.

The loss allowance of debt instruments at FVOCI were as follows:

	December 31, 2023	December 31, 2022
Debt instruments at FVOCI (note 6(ac) and (ak))	\$ 1,745	2,011

The loss allowance of financial assets at FVOCI are reclassified from "Other equity- loss allowance for financial assets at FVOCI" to loss, without impacts to the carrying amounts of financial assets at FVOCI so far. For the changes of loss allowance, please refer to note 6(ak).

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

(ii) Equity investment at FVOCI

The Bank held the equity investment for long-term strategic investment instead of trade purpose, and therefore, designated them as at fair value through other comprehensive income.

The dividend income generated from equity investments held at FVOCI (equity instruments), and the gains or losses from selling equity investments held at FVOCI (equity instruments) resulting from adjusting investment positions, were as follows:

	December 31, 2023	December 31, 2022
Dividend income	\$ 750,141	902,518
Gains (Losses) arising from disposal	694,924	(430,480)

The Bank has transferred the disposal gains (losses) from other equity to retain earnings.

(iii) For the detail of financial assets at FVOCI was pledged to other parties as collateral for business reserves and guarantees as of December 31, 2023 and 2022, please refer to note 8.

(e) Debt investment at amortized cost

	December 31, 2023	December 31, 2022
Government bonds	\$ 176,558,467	165,210,616
Corporate bonds	35,606,436	26,757,251
Financial institution bonds	45,946,885	30,990,569
Treasury Affairs	1,506,143	483,331
Commercial papers	103,007,261	44,948,153
Domestic negotiable certificates of deposit	370,622,102	431,987,221
Subtotal	733,247,294	700,377,141
Less: Loss allowance (note 6(ae) and (ak))	(8,293)	(8,470)
Total	<u>\$ 733,239,001</u>	<u>700,368,671</u>

(i) The Bank has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

(ii) For the years ended December 31, 2023, the disposal loss from disposing debt investment measured at amortized cost was \$286.

(iii) For the information of credit risk, please refer to note 6 (ak).

(iv) For the detail of debt investment measured at amortized cost was pledged to other parties as collateral for business reserves and guarantees as of December 31, 2023 and 2022, please refer to note 8.

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

(f) Notes and bonds issued under repurchase/resell agreement

Securities sold under repurchase agreements, and their buyback amounts using determined price were as follows:

December 31, 2023				
Items	Bond Book Value	Securities Purchased Under Resell Agreement (Note Issued Under Repurchase Agreement)	Designated Resell (Repurchase) Price	Designated resell (repurchase) Date
Resell agreement:				
Commercial papers	\$ <u>810,900</u>	<u>808,416</u>	<u>809,190</u>	Resell gradually before January 24, 2024
Repurchase agreement:				
Government bonds	\$ <u>2,905,400</u>	<u>(3,098,726)</u>	<u>(3,101,805)</u>	Repurchase gradually before June 18, 2024
December 31, 2022				
Items	Bond Book Value	Securities Purchased Under Resell Agreement (Note Issued Under Repurchase Agreement)	Designated Resell (Repurchase) Price	Designated resell (repurchase) Date
Resell agreement:				
Commercial papers	\$ <u>681,000</u>	<u>679,308</u>	<u>679,740</u>	Resell gradually before January 16, 2022
Repurchase agreement:				
Government bonds	\$ <u>5,602,800</u>	<u>(5,722,701)</u>	<u>(5,726,621)</u>	Repurchase gradually before June 20, 2022

(g) Receivables, net

	December 31, 2023	December 31, 2022
Accounts receivable	\$ 1,721,291	1,654,458
Client's Position - Debit	2,101,948	1,009,624
Earned income receivable	14,737	15,291
Interest receivable	7,850,494	6,269,631
Receivables from acceptance bills	722,606	625,086
Other receivables	<u>1,004,209</u>	<u>510,948</u>
Total	13,415,285	10,085,038
Less: Allowance for doubtful accounts (note 6(h))	<u>(70,530)</u>	<u>(55,003)</u>
Net	<u>\$ 13,344,755</u>	<u>10,030,035</u>

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

(h) Discounts and loans, net

	December 31, 2023	December 31, 2022
Import and export bills negotiated	\$ 87,514	390,635
Margin loans receivables	1,337,587	1,089,522
Discounted bills	957,755	588,729
Overdrafts	7,809	9,730
Secured overdrafts	283,582	398,566
Short-term loans	75,711,624	96,130,936
Short-term secured loans	29,231,490	33,734,251
Medium-term loans	379,870,215	356,044,558
Medium-term secured loans	534,431,939	588,643,534
Long-term loans	27,298,824	24,451,472
Long-term secured loans	1,243,392,938	1,206,608,520
Overdue loans	<u>2,188,319</u>	<u>2,208,243</u>
Total	2,294,799,596	2,310,298,696
Less: allowance for uncollectible accounts - discounts and loans	(40,454,184)	(39,598,628)
Add: Adjustment for discounts and premiums	<u>9,328</u>	<u>7,835</u>
Net	<u><u>\$ 2,254,354,740</u></u>	<u><u>2,270,707,903</u></u>

(i) As of December 31, 2023 and 2022, the balances of loans for which accrual of interest was discontinued and receivables were \$2,203,732 and \$2,223,962 respectively. The unrecognized interest revenues on these loans were \$57,077 and \$43,812 for the years ended December 31, 2023 and 2022, respectively.

(ii) The changes in allowance for doubtful accounts on call loans to Bank, receivables (including other financial assets) and loans were as follows:

	2023	2022
Call loans to banks:		
Beginning balance	\$ 39,949	40,083
Provision (reversal of provision)	15,043	(3,709)
Effects of changes in exchange rates	<u>(29)</u>	<u>3,575</u>
Ending balance	<u><u>\$ 54,963</u></u>	<u><u>39,949</u></u>

(Continued)

LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

	2023	2022
Receivables (including other financial assets):		
Beginning balance	\$ 115,072	124,592
Reversal of provision	(9,436)	(14,019)
Write off	(23,662)	(20,756)
Recoveries	50,788	25,454
Effects of changes in exchange rates	(419)	(199)
Ending balance	<u><u>\$ 132,343</u></u>	<u><u>115,072</u></u>
Loans:		
Beginning balance	\$ 39,598,628	37,303,700
Provision	809,235	2,348,483
Write off	(850,000)	(797,932)
Recoveries	918,360	653,442
Effects of changes in exchange rates	(22,039)	90,935
Ending balance	<u><u>\$ 40,454,184</u></u>	<u><u>39,598,628</u></u>

(iii) Allowance for doubtful accounts in related accounts are as follows:

	December 31, 2023	December 31, 2022
Call loans to banks (note 6(b))	\$ 54,963	39,949
Receivables (note 6(g))	70,530	55,003
Discounts and loans	40,454,184	39,598,628
Other financial assets (note 6 (i))	61,813	60,069
Total	<u><u>\$ 40,641,490</u></u>	<u><u>39,753,649</u></u>

(iv) The summary of the provision for loan losses and credit related losses in comprehensive income statement for the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Provision (reversal of provision) for losses on call loans to banks	\$ 15,043	(3,709)
Provision for receivables, loans and other financial assets	799,799	2,334,464
Reversal of provision of loan commitments	(5,156)	(3,079)
Provision (reversal of provision) for losses on guarantees	5,237	(62,294)
Provision for other	(11,840)	(2,128)
Total	<u><u>\$ 803,083</u></u>	<u><u>2,263,254</u></u>

(Continued)

LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

(v) The analysis of impairment for financial assets is disclosed in note 6(ak).

(i) Other financial assets, net

	December 31, 2023	December 31, 2022
Advance	\$ 81,150	80,370
Overdue receivable from non-loan	15,413	15,719
Less: allowance for bad debt - other financial assets (note 6(g))	(61,813)	(60,069)
Total	<u><u>\$ 34,750</u></u>	<u><u>36,020</u></u>

(j) Property and Equipment, net

(i) The cost, the accumulated depreciation, and the accumulated impairment of property and equipment were as follows:

December 31, 2023				
Asset	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	\$ 14,558,840	-	(1,026)	14,557,814
Land improvements	11,748	(11,748)	-	-
Buildings	12,481,265	(7,107,331)	-	5,373,934
Machinery and computer equipment	2,923,037	(1,706,016)	-	1,217,021
Transportation equipment	395,181	(268,905)	-	126,276
Miscellaneous equipment	851,963	(589,888)	-	262,075
Leasehold improvements	126,409	(70,026)	-	56,383
Construction in progress	74,998	-	-	74,998
Machinery on order	438,177	-	-	438,177
Total	<u><u>\$ 31,861,618</u></u>	<u><u>(9,753,914)</u></u>	<u><u>(1,026)</u></u>	<u><u>22,106,678</u></u>

December 31, 2022				
Asset	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	\$ 14,630,136	-	(1,026)	14,629,110
Land improvements	11,748	(11,748)	-	-
Buildings	12,474,795	(6,926,682)	-	5,548,113
Machinery and computer equipment	2,870,596	(1,632,604)	-	1,237,992
Transportation equipment	387,575	(285,267)	-	102,308
Miscellaneous equipment	828,347	(581,563)	-	246,784
Leasehold improvements	133,096	(78,019)	-	55,077
Construction in progress	51,726	-	-	51,726
Machinery on order	415,808	-	-	415,808
Total	<u><u>\$ 31,803,827</u></u>	<u><u>(9,515,883)</u></u>	<u><u>(1,026)</u></u>	<u><u>22,286,918</u></u>

(Continued)

LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

(ii) The change of property and equipment were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Others</u>	<u>Total</u>
Cost:				
Balance at January 1, 2023	\$ 14,630,136	12,474,795	4,698,896	31,803,827
Additions	-	116,296	601,441	717,737
Write-offs	-	-	(464,235)	(464,235)
Reclassification	(86,052)	(1,589)	(12,723)	(100,364)
Exchange rate changes and others	14,756	(108,237)	(1,866)	(95,347)
Balance at December 31, 2023	<u>\$ 14,558,840</u>	<u>12,481,265</u>	<u>4,821,513</u>	<u>31,861,618</u>
Balance at January 1, 2022	\$ 14,476,776	12,295,542	4,668,886	31,441,204
Additions	-	94,784	452,968	547,752
Write-offs	-	-	(427,217)	(427,217)
Reclassification	160,733	84,469	(4,982)	240,220
Exchange rate changes and others	(7,373)	-	9,241	1,868
Balance at December 31, 2022	<u>\$ 14,630,136</u>	<u>12,474,795</u>	<u>4,698,896</u>	<u>31,803,827</u>
Depreciation and Amortization:				
Balance at January 1, 2023	\$ 1,026	6,926,682	2,589,201	9,516,909
Depreciation	-	247,012	514,692	761,704
Disposals	-	-	(456,231)	(456,231)
Reclassification	-	8,299	-	8,299
Exchange rate changes and others	-	(74,662)	(1,079)	(75,741)
Balance at December 31, 2023	<u>\$ 1,026</u>	<u>7,107,331</u>	<u>2,646,583</u>	<u>9,754,940</u>
Balance at January 1, 2022	\$ 1,026	6,652,388	2,494,432	9,147,846
Depreciation	-	240,040	515,867	755,907
Disposals	-	-	(427,213)	(427,213)
Reclassification	-	34,254	-	34,254
Exchange rate changes and others	-	-	6,115	6,115
Balance at December 31, 2022	<u>\$ 1,026</u>	<u>6,926,682</u>	<u>2,589,201</u>	<u>9,516,909</u>
Carrying amounts:				
December 31, 2023	<u>\$ 14,557,814</u>	<u>5,373,934</u>	<u>2,174,930</u>	<u>22,106,678</u>
December 31, 2022	<u>\$ 14,629,110</u>	<u>5,548,113</u>	<u>2,109,695</u>	<u>22,286,918</u>

(iii) Property and equipment were not pledged at December 31, 2023 and 2022.

(iv) The Bank had no sale-leaseback at December 31, 2023 and 2022.

(Continued)

LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

(k) Right-of-use assets

The Bank leases many assets including land and buildings, machinery and equipment. Information about leases for which the Bank as a lessee was presented below:

	Land	Buildings	Machinery and equipment	Total
Cost:				
Balance at January 1, 2023	\$ 7,867	2,073,286	3,629	2,084,782
Additions	668	542,848	874	544,390
Deduction	(868)	(510,522)	(1,216)	(512,606)
Write-off	-	(24,165)	-	(24,165)
Effects of exchange rate change	-	(4,200)	(54)	(4,254)
Balance at December 31, 2023	<u>\$ 7,667</u>	<u>2,077,247</u>	<u>3,233</u>	<u>2,088,147</u>
Balance at January 1, 2022	\$ 7,695	1,936,969	3,181	1,947,845
Additions	5,835	492,236	1,388	499,459
Deduction	(5,663)	(340,775)	(648)	(347,086)
Write-off	-	(43,097)	(498)	(43,595)
Effects of exchange rate change	-	27,953	206	28,159
Balance at December 31, 2022	<u>\$ 7,867</u>	<u>2,073,286</u>	<u>3,629</u>	<u>2,084,782</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2023	\$ 2,269	990,414	1,712	994,395
Depreciation	2,540	452,886	752	456,178
Deduction	(868)	(510,522)	(1,216)	(512,606)
Write-off	-	(22,504)	-	(22,504)
Effects of exchange rate change	-	(1,408)	(2)	(1,410)
Balance at December 31, 2023	<u>\$ 3,941</u>	<u>908,866</u>	<u>1,246</u>	<u>914,053</u>
Balance at January 1, 2022	\$ 5,395	910,694	1,883	917,972
Depreciation	2,537	445,706	952	449,195
Deduction	(5,663)	(340,775)	(648)	(347,086)
Write-off	-	(29,985)	(498)	(30,483)
Effects of exchange rate change	-	4,774	23	4,797
Balance at December 31, 2022	<u>\$ 2,269</u>	<u>990,414</u>	<u>1,712</u>	<u>994,395</u>
Carrying amounts:				
Balance at December 31, 2023	<u>\$ 3,726</u>	<u>1,168,381</u>	<u>1,987</u>	<u>1,174,094</u>
Balance at December 31, 2022	<u>\$ 5,598</u>	<u>1,082,872</u>	<u>1,917</u>	<u>1,090,387</u>

(Continued)

LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

(l) Investment Property, net

- (i) The cost, the accumulated depreciation, and the accumulated impairment of investment property were as follows:

December 31, 2023				
Assets	Cost	Accumulated Depreciation	Accumulated impairment	Carrying amounts
Land	\$ 22,541,228	-	(99,393)	22,441,835
Buildings	1,857,267	(839,632)	-	1,017,635
Total	<u>\$ 24,398,495</u>	<u>(839,632)</u>	<u>(99,393)</u>	<u>23,459,470</u>

December 31, 2022				
Assets	Cost	Accumulated Depreciation	Accumulated impairment	Carrying amounts
Land	\$ 22,455,880	-	(99,393)	22,356,487
Buildings	1,834,066	(811,425)	-	1,022,641
Total	<u>\$ 24,289,946</u>	<u>(811,425)</u>	<u>(99,393)</u>	<u>23,379,128</u>

- (ii) The changes of investment property were as follows:

	Land	Buildings	Total
Cost:			
Balance at January 1, 2023	\$ 22,455,880	1,834,066	24,289,946
Additions	-	8,889	8,889
Reclassification	86,052	14,312	100,364
Others	(704)	-	(704)
Balance at December 31, 2023	<u>\$ 22,541,228</u>	<u>1,857,267</u>	<u>24,398,495</u>
Balance at January 1, 2022	\$ 22,673,220	1,889,331	24,562,551
Additions	-	980	980
Disposals	(432)	-	(432)
Reclassification	(216,908)	(56,245)	(273,153)
Balance at December 31, 2022	<u>\$ 22,455,880</u>	<u>1,834,066</u>	<u>24,289,946</u>
Depreciation and Amortization:			
Balance at January 1, 2023	\$ 99,393	811,425	910,818
Depreciation	-	36,506	36,506
Reclassification	-	(8,299)	(8,299)
Balance at December 31, 2023	<u>\$ 99,393</u>	<u>839,632</u>	<u>939,025</u>
Balance at January 1, 2022	\$ 99,393	805,261	904,654
Depreciation	-	40,418	40,418
Reclassification	-	(34,254)	(34,254)
Balance at December 31, 2022	<u>\$ 99,393</u>	<u>811,425</u>	<u>910,818</u>

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

	Land	Buildings	Total
Carrying amounts:			
December 31, 2023	\$ <u>22,441,835</u>	<u>1,017,635</u>	<u>23,459,470</u>
December 31, 2022	\$ <u>22,356,487</u>	<u>1,022,641</u>	<u>23,379,128</u>

- (iii) The investment property of the Bank is revalued every half year, starting from 2013. Buildings are revalued by professional valuer of each branch and land is assessed based on the land value set by the Department of Land Administration, M.O.I. As of December 31, 2023 and 2022, the fair values of investment properties are \$47,358,586 and \$44,812,368, respectively.
- (iv) The rental revenues of investment property for the years ended 2023 and 2022 were \$310,026 and \$252,655, respectively.
- (v) The depreciation expenses of investment property for the years ended 2023 and 2022 were \$36,506 and \$40,418, respectively.
- (vi) Investment property were not pledged at December 31, 2023 and 2022.
- (m) Intangibles assets

December 31, 2023				
Assets	Cost	Accumulated Amortization	Accumulated Impairment loss	Carrying amounts
Computer Software	\$ <u>3,868,106</u>	<u>(2,998,301)</u>	<u>-</u>	<u>869,805</u>
December 31, 2022				
Assets	Cost	Accumulated Amortization	Accumulated Impairment loss	Carrying amounts
Computer Software	\$ <u>3,558,597</u>	<u>(2,693,225)</u>	<u>-</u>	<u>865,372</u>

The changes in intangible assets were as follows:

	Computer Software
Costs:	
Balance at January 1, 2023	\$ 3,558,597
Additions	309,782
Effects of changes in exchange rates	(273)
Balance at December 31, 2023	\$ <u>3,868,106</u>
Balance at January 1, 2022	\$ 3,199,673
Additions	355,148
Effects of changes in exchange rates	3,776
Balance at December 31, 2022	\$ <u>3,558,597</u>

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

	Computer Software	
Accumulated Amortization:		
Balance at January 1, 2023	\$ 2,693,225	
Amortization	305,238	
Effects of changes in exchange rates	(162)	
Balance at December 31, 2023	<u><u>\$ 2,998,301</u></u>	
Balance at January 1, 2022	\$ 2,401,580	
Amortization	288,876	
Effects of changes in exchange rates	2,769	
Balance at December 31, 2022	<u><u>\$ 2,693,225</u></u>	
Carrying amounts:		
December 31, 2023	<u><u>\$ 869,805</u></u>	
December 31, 2022	<u><u>\$ 865,372</u></u>	
(n) Other assets, net		
	December 31, 2023	December 31, 2022
Prepayment	\$ 10,038,165	10,161,758
Refundable deposits	778,523	1,305,214
Operating bond	33,158	31,405
Temporary payments and suspense accounts	28,529	96,094
Project funds	271,148	270,273
Total	<u><u>\$ 11,149,523</u></u>	<u><u>11,864,744</u></u>
For the details of other assets pledged in reserves of business as of December 31, 2023 and 2022, please refer to note 8.		
(o) Due to the Central Bank and other banks		
	December 31, 2023	December 31, 2022
Due to the Central Bank	\$ 525,391	614,682
Due to other banks	4,035,800	5,553,745
Due to Taiwan Post Co., Ltd.	295,282,553	378,438,553
Overdrafts from banks	786,056	415,495
Call loans from banks	122,202,716	102,859,794
Total	<u><u>\$ 422,832,516</u></u>	<u><u>487,882,269</u></u>

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

(p) Payable

	December 31, 2023	December 31, 2022
Accounts payable	\$ 200,931	134,824
Brokering transactions credit balance	2,110,231	1,011,127
Accrued expenses	2,599,799	2,489,811
Accrued interest	10,279,800	5,678,901
Acceptances	867,734	803,329
Collection received on behalf of customers	1,053,420	970,944
Deposits received from securities borrowers	54,000	121,638
Guaranteed price deposits received from securities borrowers	58,503	104,727
Checks for clearing	11,628,009	11,235,324
Payable of compensation to land prices	89,092	89,436
Payable of short-term compensated absences	841,200	842,116
Other payables-automated clearing house	1,882,100	74,914
Other payables	<u>1,180,602</u>	<u>902,125</u>
Total	<u><u>\$ 32,845,421</u></u>	<u><u>24,459,216</u></u>

(q) Deposits and remittances

	December 31, 2023	December 31, 2022
Check deposits	\$ 27,438,857	30,557,769
Government deposits	256,770,700	224,823,581
Demand deposits	454,148,601	491,374,715
Time deposits	674,885,481	666,860,442
Savings deposits	1,205,042,394	1,180,488,590
Remittances outstanding and Remittances under custody	<u>83,336</u>	<u>32,254</u>
Total	<u><u>\$ 2,618,369,369</u></u>	<u><u>2,594,137,351</u></u>

(r) Bank debentures

	December 31, 2023	December 31, 2022
Senior secured bank debentures	\$ 15,550,000	15,550,000
Subordinated bank debentures	44,700,000	44,700,000
Less: unamortized issuance costs	<u>(13,760)</u>	<u>(16,321)</u>
Total	<u><u>\$ 60,236,240</u></u>	<u><u>60,233,679</u></u>

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

Details are as follows:

Bonds	Terms of Transaction			Bond Issued		
	Issue date	Maturity date	Interest Rate	Type	Amount	
					December 31, 2023	December 31, 2022
Land Bank of Taiwan 1st Subordinated Financial Debentures Issue in 2014	2014/12/25	2024/12/25	interest rate1.98%	unsecured subordinated financial debentures	7,500,000	7,500,000
Land Bank of Taiwan 1st Subordinated Financial Debentures Issue in 2015	2015/12/22	2025/12/22	interest rate1.70%	unsecured subordinated financial debentures	5,000,000	5,000,000
Land Bank of Taiwan 1st Perpetual Non-cumulative Subordinated Financial Debentures Issue in 2017	2017/06/29	-	interest rate2.95%	unsecured subordinated financial debentures	4,500,000	4,500,000
Land Bank of Taiwan 107-01 Unsecured USD Callable Bond (note)	2018/05/11	2048/05/11	-	unsecured senior financial debentures	-	-
Land Bank of Taiwan 1st Perpetual Non-cumulative Subordinated Financial Debentures Issue in 2019	2019/11/28	-	interest rate1.58%	unsecured subordinated financial debentures	11,500,000	11,500,000
Land Bank of Taiwan 1st Perpetual Non-cumulative Subordinated Financial Debentures Issue in 2020	2021/11/05	-	interest rate1.35%	unsecured subordinated financial debentures	10,000,000	10,000,000
Land Bank of Taiwan 1st issue of Senior Unsecured Financial Debentures in 2021	2021/07/23	2026/07/23	interest rate0.39%	unsecured senior financial debentures	1,000,000	1,000,000
Land Bank of Taiwan 2nd Senior Unsecured Financial Debenture-Series A Issued in 2021	2021/08/31	2026/08/31	interest rate0.43%	unsecured senior financial debentures	2,100,000	2,100,000
Land Bank of Taiwan 2nd Senior Unsecured Financial Debenture-Series B Issued in 2021	2021/08/31	2028/08/31	interest rate0.50%	unsecured senior financial debentures	4,500,000	4,500,000
Land Bank of Taiwan 2nd Senior Unsecured Financial Debenture-Series C Issued in 2021	2021/08/31	2031/08/31	interest rate0.55%	unsecured senior financial debentures	2,400,000	2,400,000
Land Bank of Taiwan 3rd issue of Senior Unsecured Financial Debentures-A in 2021	2021/12/16	2024/12/16	interest rate0.48%	unsecured senior financial debentures	550,000	550,000
Land Bank of Taiwan 3rd issue of Senior Unsecured Financial Debentures-B in 2021	2021/12/16	2026/12/16	interest rate0.55%	unsecured senior financial debentures	2,500,000	2,500,000
Land Bank of Taiwan 1st Subordinated Financial Debentures Issue in 2022	2022/05/24	2032/05/24	interest rate1.50%	unsecured subordinated financial debentures	3,200,000	3,200,000
Land Bank of Taiwan 2nd issue of Senior Unsecured Financial Debentures in 2022	2022/08/23	2027/08/23	interest rate1.50%	unsecured senior financial debentures	1,600,000	1,600,000
Land Bank of Taiwan 3rd issue of Senior Unsecured Financial Debentures in 2022	2022/08/25	2025/08/25	interest rate1.40%	unsecured senior financial debentures	900,000	900,000
Land Bank of Taiwan 4th Subordinated Financial Debentures Issue in 2022	2022/12/14	2029/12/14	interest rate2.30%	unsecured subordinated financial debentures	3,000,000	3,000,000
Total					\$ 60,250,000	60,250,000

note: the Bank issued US\$200,000 to avoid interest rate risk, and entered into an asset exchange contract to eliminate and reduce the measurement or recognition inconsistencies arising from the use of derivative instruments and financial liabilities recognized for their benefits and losses based on different underlying measurements. Please refer to Note 6(c) for the principal financial liabilities that are designated at fair value through profit or loss.

(s) Other financial liabilities

	December 31, 2023	December 31, 2022
Cumulative earnings on appropriated loan fund	<u>\$ 57,944</u>	<u>71,571</u>

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

(t) Provision

	December 31, 2023	December 31, 2022
Employee benefit(Note 6(v))	\$ 21,746,903	21,123,779
Reserve for loan commitment(Note 6(ak))	25,996	31,118
Reserve for guarantee liabilities(Note 6(ak))	621,616	616,370
Reserve for other(Note 6(ak))	9,793	21,621
Total	<u>\$ 22,404,308</u>	<u>21,792,888</u>

(u) Employee benefit

(i) Defined Contribution Plan:

The Bank sets aside 6% of the employee's monthly wages to the Labor Pension personal account of the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The Bank sets aside a fixed amount to the Bureau of Labor Insurance without the payment of additional legal or constructive obligations. The retirement procedures for locally hired employees of overseas branches are conducted in accordance with local legal regulations.

The Bank's pension expenses under defined contribution pension plan were as \$3,130 and \$2,756 for the years ended 2023 and 2022, respectively. Payment was made to the Bureau of the Labor Insurance.

(ii) Provision for employee benefit:

The Bank's employee benefits were as follows:

	December 31, 2023	December 31, 2022
Defined benefit plans	\$ 14,427,068	14,220,065
Employee benefit savings account	7,311,558	6,894,625
Three important festivals bonus	8,277	9,089
Total	<u>\$ 21,746,903</u>	<u>21,123,779</u>

1) Defined benefit plans:

The Bank sets pension and severance pay to its employees that have retention year prior to December 31, 1981 and salaries between January 1, 1982 and April 31, 1997 in compliance with the Regulations Governing the pension and severance pay on personnel of Government-owned Financial Insurance Business. In accordance with the Regulations Governing the pension and severance pay on personnel of Government-owned Financial Insurance Business, the Bank will contribute 4%~8.5% of salaries and the employees will contribute an additional 3% of the salaries to the employees' personal accounts. Employees served after May 1, 1997 adopt the Labor Standard Act, where the Bank will contribute 8% of the monthly salaries to its employees' pension accounts.

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LAND BANK OF TAIWAN CO., LTD.**Notes to the Financial Statements**

In order to increase its pension fund, beginning from May 2017, the Bank raised the contribution rate from 8% to 10%, and the excess of 8% of the salaries would be contributed by the Bank's head office. Since 2017, the pension fund is contributed by the head office and each business unit, at 10% of salaries.

Employees who are employed after May 1, 1997 adopts the Labor Standard Act, and contribute pension funds based on this Act. Employees adopt Management Affairs of Executive Yuan Act prior to the adoption of the Labor Standard Act, where both acts are considered as defined contribution plan which contribute 8% of the salaries to pension account in Bank of Taiwan.

The present value of defined benefit obligations and the fair value adjustments of the plan assets for the Bank were as follows:

a) Composition of plan assets

	December 31, 2023	December 31, 2022
Total present value of obligations	\$ 15,782,564	15,509,070
Fair value of plan assets	<u>(1,355,496)</u>	<u>(1,289,005)</u>
Recognized liabilities for defined benefit obligations	<u>\$ 14,427,068</u>	<u>14,220,065</u>

i) Composition of plan assets

The retirement fund of the Bank's Employee Retirement Fund Management Committee account balance amounted to \$911,221 at the end of reporting period.

The Banks allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Bank of Taiwan labor pension reserve account balance amounted to \$444,275 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

ii) Movements in the present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended 2023 and 2022 were as follows:

	2023	2022
Defined benefit obligations on January 1	\$ 15,509,070	15,925,286
Current service costs and interests	909,416	869,079
Remeasurement of net defined benefit liabilities		
— Changes in financial assumption	-	(1,095,034)
— Experience adjustment	445,093	583,549
Benefits paid by the plan	(1,081,015)	(773,810)
Defined benefit obligations on December 31	<u>\$ 15,782,564</u>	<u>15,509,070</u>

iii) Movements in the present value of the plan assets

The movements in the present value of defined benefit plan assets for the years ended 2023 and 2022 were as follows:

	2023	2022
Fair value of plan assets on January 1	\$ 1,289,005	877,325
Interest revenue	18,469	7,406
Remeasurement of net defined benefit liabilities (assets)		
— Expected returns on plan assets(exclude current interest)	6,192	34,610
Contributions made	1,106,031	1,130,989
Benefits paid by the plan	(1,064,201)	(761,325)
Fair value of plan assets on December 31	<u>\$ 1,355,496</u>	<u>1,289,005</u>

iv) Expense recognized in profit or loss

Expense recognized in profit or loss for the years ended 2023 and 2022 were as follows:

	2023	2022
Current service costs and net interest	<u>\$ 890,947</u>	<u>861,673</u>

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

	2023	2022
Accumulated balance at January 1	\$ 3,752,855	4,298,950
Recognition	438,901	(546,095)
Accumulated balance at December 31	<u>\$ 4,191,756</u>	<u>3,752,855</u>
	December 31, 2023	December 31, 2022
Discount rate	1.250 %	1.250 %
Expected return on plan assets	1.250 %	1.250 %
Future salary increases	2.000 %	2.000 %

The expected allocation payment made by the Bank to the defined benefit plans for the one year period after the reporting date was \$1,128,152.

The weighted average duration of the defined benefit plan is 5.5 to 17.4 years.

v) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Bank uses judgments and estimations to determine the actuarial assumptions, including the employee turnover rates and the future salary changes as of the reporting date. Any changes in the actuarial assumptions may significantly impact on the amount of the defined benefit obligations.

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Impact of defined benefit obligations	
	Add 0.25%	Less 0.25%
December 31, 2023		
Discount rate	\$ (582,356)	610,754
December 31, 2022		
Discount rate	(536,504)	595,101

b) Employee benefit savings account

The present value of defined benefit obligations and the fair value adjustments of the employee benefit savings account plan assets for the Bank were as follows:

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

i) Movements in the present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended 2023 and 2022 were as follows:

	2023	2022
Defined benefit obligations on January 1	\$ 6,894,625	6,455,485
Current service cost and interest cost	1,767,954	1,783,034
Remeasurement of net defined benefit liabilities (assets)		
— Experience adjustment	(116,414)	(36,627)
Benefits paid by the plan	(1,234,607)	(1,307,267)
Defined benefit obligations on December 31	<u><u>\$ 7,311,558</u></u>	<u><u>6,894,625</u></u>

ii) Expense recognized in profit or loss

Expense recognized in profit or loss for the years ended 2023 and 2022 were as follows:

	2023	2022
Current service cost and interest cost	\$ 1,767,954	1,783,034
Remeasurement of net defined benefit liabilities (assets)	(116,414)	(36,627)
	<u><u>\$ 1,651,540</u></u>	<u><u>1,746,407</u></u>

iii) Actuarial assumptions

The main actuarial assumptions in financial reporting ending date were as follow:

	December 31, 2023	December 31, 2022
Discount rate	4.00 %	4.00 %
Expected rate of return on funds deposited	1.250 %	1.250 %
Probability of preferential deposit system changing (cancellation)	50.00 %	50.00 %
Pension preferential deposit withdraw ratio	1.00 %	1.00 %
Future salary increases	2.00 %	2.00 %

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

The weighted average duration of the defined benefit plan is 9.5~11.4 years.

iv) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Bank uses judgments and estimations to determine the actuarial assumptions, including the employee turnover rates and the future salary changes as of the reporting date. Any changes in the actuarial assumptions may significantly impact on the amount of the defined benefit obligations.

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Impact of defined benefit obligations	
	Add 0.25%	Less 0.25%
December 31, 2023		
Discount rate	\$ (139,395)	144,872
December 31, 2022		
Discount rate	(138,436)	143,892

The above sensitivity analysis is based on the static risk structure of discount rate. The calculation methodology of sensitivity analysis is the same as the net defined benefit obligations of the balance sheet. The method and the assumption of the current sensitivity analysis is the same as the previous period.

c) Three important festivals bonus

i) Movements in the present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended 2023 and 2022 were as follows:

	2023	2022
Defined benefit obligations on January 1	\$ 9,089	10,574
Current service costs and interests	107	74
Remeasurment of net defined benefit liabilities (assets)		
— Changes in financial assumption	-	(876)
— Experience adjustment	72	398
Benefits paid by the plan	(991)	(1,081)
Defined benefit obligations on December 31	<u>\$ 8,277</u>	<u>9,089</u>

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

ii) Expense recognized in profit or loss

Expense recognized in profit or loss for the years ended 2023 and 2022 were as follows:

	2023	2022
Current service costs and interests costs	\$ <u>107</u>	\$ <u>74</u>

iii) The remeasurements of net defined benefit liabilities (assets) recognized as other comprehensive income are as follows:

	2023	2022
Accumulated balance at January 1	\$ 32,932	33,410
Recognition	<u>72</u>	<u>(478)</u>
Accumulated balance at December 31	\$ <u>33,004</u>	<u>32,932</u>

iv) Actuarial assumptions

	December 31, 2023	December 31, 2022
Discount rate	1.250 %	1.250 %
Future salary increase	2.000 %	2.000 %

v) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Bank uses judgments and estimations to determine the actuarial assumptions, including the employee turnover rates and the future salary changes as of the reporting date. Any changes in the actuarial assumptions may significantly impact on the amount of the defined benefit obligations.

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Impact of defined benefit obligations	
	Add 0.25%	Less 0.25%
December 31, 2023		
Discount rate	\$ (97)	99
December 31, 2022		
Discount rate	(111)	114

The above sensitivity analysis is based on the static risk structure of discount rate. The calculation methodology of sensitivity analysis is the same as the net defined benefit obligations of the balance sheet. The method and the assumption of the current sensitivity analysis is the same as the previous period.

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

(v) Lease liabilities

The lease liabilities of the Bank were as follows:

	December 31, 2023	December 31, 2022
Lease liabilities	\$ <u>1,193,409</u>	<u>1,110,691</u>

The amounts recognized in profit or loss were as follows:

	2023	2022
Interest on lease liabilities	\$ <u>13,529</u>	<u>11,642</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>9,334</u>	<u>8,273</u>
Expenses relating to short-term leases	\$ <u>8,830</u>	<u>9,215</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>7,294</u>	<u>7,276</u>

The amounts recognized in the statement of cash flows for the Bank was as follows:

	2023	2022
Total cash outflow for leases	\$ <u>475,319</u>	<u>454,502</u>

(i) Real estate leases

As of December 31, 2023 and 2022, the Bank leases land and buildings for its office space. The leases of office space typically run for 3 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for additional rent payments that are based on changes in local price indices.

Some leases of office buildings contain extension options exercisable by the Bank. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(ii) Other leases

The Bank leases vehicles and equipment, with lease terms of 2 to 5 years.

(Continued)

LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

(w) Income Tax Expenses

(i) The components of the income tax expenses were as follows:

	2023	2022
Current income tax expense		
Current period	\$ 3,664,416	2,954,980
Overseas branches' income tax expense	<u>522,526</u>	<u>283,567</u>
	<u>4,186,942</u>	<u>3,238,547</u>
Deferred income tax expense		
Recognition and reversal of temporary differences	(333,213)	86,595
Overseas branches' income tax expense	<u>18,530</u>	<u>(36,425)</u>
	<u>(314,683)</u>	<u>50,170</u>
Income tax expense	<u>\$ 3,872,259</u>	<u>3,288,717</u>

The income tax expenses computed at the statutory tax rate that were reconciled with the income tax expense were as follows:

	2023	2022
Net income before income tax	<u>\$ 17,043,279</u>	<u>14,826,515</u>
Income tax expense before income tax at statutory rate 20%	\$ 3,408,656	2,965,303
Overseas branches' income tax expense	541,056	247,142
Tax-exempt gains and other	<u>(77,453)</u>	<u>76,272</u>
Income tax expense	<u>\$ 3,872,259</u>	<u>3,288,717</u>

(ii) Deferred income tax assets and liabilities

1) Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2023 and 2022 were as follows:

a) Deferred Tax Assets:

	Defined benefit plans	Allowance for bad debts	Others	Total
Balance at January 1, 2023	\$ 1,805,919	-	305,809	2,111,728
Recognized in profit or loss	<u>(44,126)</u>	<u>-</u>	<u>361,300</u>	<u>317,174</u>
December 31, 2023	<u>\$ 1,761,793</u>	<u>-</u>	<u>667,109</u>	<u>2,428,902</u>
Balance at January 1, 2022	\$ 1,865,096	136,362	158,538	2,159,996
Recognized in profit or loss	<u>(59,177)</u>	<u>(136,362)</u>	<u>147,271</u>	<u>(48,268)</u>
December 31, 2022	<u>\$ 1,805,919</u>	<u>-</u>	<u>305,809</u>	<u>2,111,728</u>

(Continued)

LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

b) Deferred Tax Liabilities:

	Reserve for land value increment tax	Others	Total
Balance at January 1, 2023	\$ 6,907,529	2,295	6,909,824
Recognized in profit or loss	(114)	2,605	2,491
December 31, 2023	<u>\$ 6,907,415</u>	<u>4,900</u>	<u>6,912,315</u>
Balance at January 1, 2022	\$ 6,907,644	279	6,907,923
Recognized in profit or loss	(115)	2,016	1,901
December 31, 2022	<u>\$ 6,907,529</u>	<u>2,295</u>	<u>6,909,824</u>

2) Unrecognized deferred income tax assets

As of December 31, 2023 and 2022 the Unrecognized deferred income tax assets were \$4,820,712 and \$4,533,856, respectively.

(iii) The income tax returns for the year 2022 have been assessed by the Tax Authorities.

(x) Other Liabilities

	December 31, 2023	December 31, 2022
Revenue received in advance	\$ 497,363	477,168
Guarantee deposits	685,789	695,651
Temporary receipts and suspense accounts	106,463	87,032
Deferred revenue	53,309	38,196
Others	-	42
Total	<u>\$ 1,342,924</u>	<u>1,298,089</u>

(y) Stockholders' Equity

(i) Capital stock

On December 31, 2023 and 2022, authorized and outstanding capital were \$86,200,000 and \$10.

The Ministry of Finance is the single shareholder of the Bank. According to the Bank Act and the Bank's articles of incorporation, any resolution to be made during the shareholders' meeting shall be decided and approved by the Bank's BoD.

(Continued)

LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

(ii) Capital reserve

According to the ROC Bank Act, the Bank shall use the capital reserve first to cover a deficit (or loss), and then, it may raise its capital or distribute cash dividends by using the capital reserve of the premium derived from the issuance of new shares received by the Bank. According to the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers,” the combined amount of any portions capitalized in any one year may not exceed 10% of issued common stock, and this shall not be executed in the registration year approved by the Ministry of Economics Affairs, which is to raise the Bank’s capital.

At July 1, 2003, the former Land Bank of Taiwan, approved by the Ministry of Finance, R.O.C., changed its organization to a limited Bank-Land Bank of Taiwan, Co, Ltd. According to the regulations, the legal reserve, special reserve and capital reserve of the former Bank, which amounted to \$46,748,869 was transferred to the capital reserve-premium of the Land Bank of Taiwan Co., Ltd. at that day.

On November 6, 2009, the BoD resolved to transfer capital surplus in the amount of \$25,000,000 to common capital stock. After this transition, the capital reserve of premium amounted to \$21,748,869.

(iii) Retained earnings and appropriation of earnings

1) Legal reserve

Under the ROC Bank Act, the Bank must retain its earnings as legal reserve until such retention equals the amount of the total capital. According to the ROC Bank Act, the Bank may, in pursuant to a resolution by a shareholders’ meeting, capitalize the amount of its reserve that exceeds 25% of the share capital by issuing new shares or by distributing a cash dividend when it incurs no loss. In addition, under the ROC Banks Act, the Bank shall retain 30% of its after-tax earnings as the legal reserve before distributing them. Before the amount of legal reserves reaches the amount of the total capital, the maximum amount of distributing earnings in cash shall not exceed 15% of the total capital. Also, according to the amendment of the ROC Banking Act article 50 item 2, the legal reserve after distribution has to exceed 75% of total capital in order to meet with the criterion of a bank in a sound financial condition. This restriction is not applied if the amount of legal reserves equals the amount of the total capital, or if the Bank is in a sound financial condition and when it complies the ROC Bank Act.

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

2) Special reserve

a) The special reserves are summarized as follows:

	December 31, 2023	December 31, 2022
Provision for the purpose of strengthening the self-owned capital	\$ 29,391,326	17,020,433
Reserve for losses on trading securities and default losses transferred to special reserve	246,298	246,298
First-time application of IFRS for provision of special reserve	6,914,954	6,914,954
Reversal of the disposed land to special reserve	(115,561)	(115,299)
	<u>\$ 36,437,017</u>	<u>24,066,386</u>

b) Reserve for losses on trading securities and default losses

In compliance with the Jin Guan Zheng Quan Zi No.0990073857 issued by Securities and Futures Bureau of the FSC dated January 11, 2011, regarding the revision of the Article 11 and Article 12 of the “Regulations Governing Securities Firms”, the reserve for losses on trading securities and the reserve for default losses are hereby deleted. According to the Jin Guan Zheng Quan Zi No.1030053861 issued on February 12, 2015, and No.11202709871 issued on April 24, 2023, as of the end of December 2010, the amount of reserve for losses on trading securities and default losses shall be transferred to the special reserve. The special reserve may be used to offset the accumulated deficit. Or, when the special reserve have reached one-half of the paid-in capital, up to 50% of the special reserve may be transferred to capital stock. Or, the amount transfer from the reserve for losses on trading securities to special reserve may be used to offset the special reserve transferred from the net decrease in other equity for the current period. The Bank transferred the reserve for losses on trading securities and default losses to the special reserve amounting to \$246,298 thousand as a result of the amendment of the above mentioned Act.

The Bank reclassified the reserve for losses on trading securities and the reserve for default losses amounting to \$246,298 to special reserve according to the abovementioned modification of regulations.

c) First-time adoption of IFRS for provision of special reserve and reversal of the disposed land to special reserve

In compliance with the Jin Guan Zheng Fa Zi No. 11202709871 issued by FSC dated on April 6, 2012, the Bank elected not to apply IFRS 1 in recognizing reserve for assets revaluation and credit balance of cumulative translation adjustments under the stockholders' equity. In addition, the Bank reclassified the above accounts amounts to retained earnings, which was also the special reserve's

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

provision amounts the Bank could recognized. However, due to the first adoption of IFRSs, if gain on retained earnings is less than the provision on the date of transition; the Bank can only increase the provision for retained earnings which is generated from the adoption IFRSs on the date of transition. Subsequently, the Bank can reverse the distribution surplus in proportion to the original provision for special reserve when using, disposing or reclassifying relating assets.

In accordance with IFRS 1 as agreed by the FSC, the Bank elected to apply the exemptions and reclassify the reserve for assets revaluation of \$7,870,779 under stockholders' equity to unappropriated earnings on January 1, 2012. In addition, adjustments for IFRS 1, examined by MOA, used December 31, 2012 as the basis for calculation, where the unappropriated earnings as a results of this adjustment increased by \$6,914,954. The incremental unappropriated earning is contributed to special reserve.

For the year ended December 31, 2023 and 2022, the Bank disposed a part of the abovementioned assets so as to reverse the distribution surplus in proportion to the original provision for special reserve decreased by \$262 and \$117, respectively.

In accordance with the letter No. 1010201047A issued by Executive Yuan on September 17, 2012, the increase in retained earnings as a result of first adoption of IFRS in government-owned enterprises is recorded as adjustments in the initial adoption of IFRS. The originally accumulated losses should not be deducted and presented in special reserve. However, according to letter No. 1110500879 issued by Directorate General of Budget, Accounting and Statistics, Executive Yuan on August 31, 2012, the Bank transferred the net increase in retained earnings resulting from the adoption of IFRSs from "Adjustments for the first-time adoption of International Financial Reporting Standards" to "Special reserve" on December 31, 2012. In the future, the Bank will distribute dividends based on the reversion rate calculated in accordance with the regulations of Financial Supervisory Commission when using, disposing, or reclassifying, relevant assets.

3) Appropriation of earnings

Annual net income, after making up prior years' losses, if any, shall be distributed in the following order:

- a) 30% as legal reserve and 20% to 40% as special reserve,
- b) Dividend, and extra-bonus to shareholders,
- c) Retained earnings.

The Bank is a wholly-owned government Bank of R.O.C. According to the Budget Act, its earnings have been appropriated to the government in the corresponding year.

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

The total available for distribution surplus is \$22,893,637, including undistributed surplus of \$9,466,404 as of December 31, 2022, net income after tax \$13,171,020 and transfer in other comprehensive income \$255,951 (determined loss of the welfare plan \$438,973 and the gain of equity instruments measured at fair value through other comprehensive gains of \$694,924), and special reserve on disposal of land \$262 of 2022. The Bank distributed as follows: Recognized the provision of statutory surplus reserve of \$4,028,170, the special surplus reserve of \$12,370,893, the dividends distribution of \$1,050,000, and left an undistributed surplus of \$5,444,574 as of December 31, 2023.

(iv) Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gains or losses on financial assets at FVOCI	Total
Balance as of January 1, 2023	\$ (304,997)	8,210,710	7,905,713
Exchange differences on translation of foreign financial statements	(33,746)	-	(33,746)
Unrealized gains or losses on financial assets at FVOCI	-	3,770,299	3,770,299
Disposal of equity instrument at FVOCI	-	(694,924)	(694,924)
Balance as of December 31, 2023	<u>\$ (338,743)</u>	<u>11,286,085</u>	<u>10,947,342</u>
Balance as of January 1, 2022	\$ (2,997,233)	11,867,091	8,869,858
Exchange differences on translation of foreign financial statements	2,692,236	-	2,692,236
Unrealized gains or losses on financial assets at FVOCI	-	(4,086,861)	(4,086,861)
Disposal of equity instrument at FVOCI	-	430,480	430,480
Balance as of December 31, 2022	<u>\$ (304,997)</u>	<u>8,210,710</u>	<u>7,905,713</u>

(z) Earnings per share

Basic earnings per share (New Taiwan dollars):

	2023	2022
Net income	<u>\$ 13,171,020</u>	<u>11,537,798</u>
Weighted-average number of shares outstanding (thousand shares)	<u>8,620,000</u>	<u>8,620,000</u>
Basic earnings per share (New Taiwan dollars)	<u>\$ 1.53</u>	<u>1.34</u>

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

(aa) Net interest

	2023	2022
Interest revenue:		
Discounts and loans	\$ 58,901,061	44,663,162
Due from the banks and call loans to banks	3,952,702	2,334,538
Bonds and notes	13,832,452	7,615,227
Others	<u>487,168</u>	<u>482,181</u>
Subtotal	<u>77,173,383</u>	<u>55,095,108</u>
Interest expenses:		
Deposits	(39,039,049)	(18,928,439)
Due to the Central Bank and call loans from banks	(5,951,718)	(2,071,595)
Bonds and notes	(959,518)	(990,816)
Others	<u>(34,176)</u>	<u>(24,611)</u>
Subtotal	<u>(45,984,461)</u>	<u>(22,015,461)</u>
Total	<u><u>\$ 31,188,922</u></u>	<u><u>33,079,647</u></u>

(ab) Service fees income, net

	2023	2022
Service fees income:		
Agency of housing loans	\$ 62,723	74,779
Agency of insurance	421,835	464,261
Guarantee	310,508	364,967
Syndicated Loans	501,270	583,277
Trust	453,756	493,622
Credit card	542,418	452,622
Start-up	214,118	187,511
Custodian	141,161	144,843
Others	<u>694,100</u>	<u>671,616</u>
Subtotal	<u>3,341,889</u>	<u>3,437,498</u>
Service fees:		
Credit card	(576,279)	(466,210)
Interbank	(167,273)	(170,568)
Foreign exchange	(80,110)	(71,781)
Trust	(18,056)	(21,672)
Others	<u>(134,591)</u>	<u>(111,910)</u>
Subtotal	<u>(976,309)</u>	<u>(842,141)</u>
Total	<u><u>\$ 2,365,580</u></u>	<u><u>2,595,357</u></u>

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

(ac) Net Gain on financial assets and liabilities measured at fair value through profit or loss

	2023	2022
Realized gains (losses) on financial assets and liabilities at fair value through profit or loss:		
Government bonds	\$ 18,547	23,014
Corporate bonds	6,928	(5,750)
Financial debentures	-	1,286
Beneficiary certificate	6,426	(78,195)
Ordinary share/ Preference share	62,272	(970,939)
Option	(2,629)	(3,056)
Forward exchange contracts	33,779	355,118
Foreign-currency swap contracts	3,501,648	1,947,880
Interest rate swap contracts	-	(9,512)
Asset swap	(76,435)	203,345
Subtotal	<u>3,550,536</u>	<u>1,463,191</u>
Revaluation gains (losses) on financial assets liabilities at fair value through profit or loss:		
Government bonds	(1)	(771)
Corporate bonds	591	7,936
Beneficiary certificate	17,377	(6,187)
Ordinary share/Preference share	20,786	(65,785)
Forward exchange contracts	4,826	32,069
Foreign-currency swap contracts	(1,932,701)	514,067
Interest rate swap contracts	-	9,436
Asset swap	29,117	(1,101,409)
Senior secured bank debentures	(202,906)	1,066,610
Other	(393)	(690)
Subtotal	<u>(2,063,304)</u>	<u>455,276</u>
Interest revenue on financial assets at FVTPL	11,618	18,783
Dividend income from financial assets at FVTPL	18,714	131,633
Interest expense on financial liabilities at FVTPL	<u>(325,588)</u>	<u>(300,031)</u>
Total	<u>\$ 1,191,976</u>	<u>1,768,852</u>

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

(ad) Realized gains on financial assets at FVOCI

	2023	2022
Dividend income	\$ 750,141	902,518
Gains (Losses) on disposal of financial assets at FVOCI:		
Government bonds	69,260	(278,753)
Corporate bonds	-	(192,066)
Financial debentures	4,414	2,494
Subtotal	73,674	(468,325)
Total	\$ 823,815	434,193

(ae) Reversal of loss on assets (impairment of loss on assets)

Accumulated impairment of Deposits in Central Bank, Debt instrument at FVOCI and Financial assets measured at amortized cost were as follows:

	2023	2022
Beginning balance	\$ 10,648	5,137
Provision (reversal of provision) for possible losses and doubtful accounts	(429)	5,500
Effects of changes in exchange rates and others	(15)	11
Ending balance	\$ 10,204	10,648

Accumulated impairment of ending balance were as follows:

	December 31, 2023	December 31, 2022
Deposits in Central Bank (note 6(b) and (ak))	\$ 166	167
Debt instrument at FVOCI (note 6(d) and (ak))	1,745	2,011
Financial assets measured at amortized cost (note 6(h) and (ak))	8,293	8,470
Ending balance	\$ 10,204	10,648

(af) Other miscellaneous loss

	2023	2022
Brokerage	\$ 208,726	204,860
Lease	176,068	107,092
Interest Employee benefit savings account	(1,940,038)	(2,043,274)
Depreciation of investment property	(36,506)	(40,418)
Others	42,856	89,173
Total	\$ (1,548,894)	(1,682,567)

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

(ag) Employee benefits expenses

	2023	2022
Salaries	\$ 8,446,796	8,135,631
Labor and health insurance	376,669	366,623
Pension	896,032	866,100
Director's remuneration	2,944	2,996
Others	187,759	132,881
Total	\$ 9,910,200	9,504,231

(ah) Depreciation and amortization expenses

	2023	2022
Depreciation- Property and Equipment	\$ 761,704	755,907
Depreciation- Right-of-use asset	456,178	449,195
Amortization	305,238	288,876
Total	\$ 1,523,120	1,493,978

(ai) Other general and administrative expenses

	2023	2022
Taxes	\$ 3,244,394	2,639,427
Rental	231,814	187,358
Insurance	502,561	498,041
Professional service	235,700	241,103
Postage and phone	201,505	197,291
Marketing	200,311	222,939
Utilities	133,610	124,431
Repair and maintenance	196,648	193,726
Outsourcing	172,637	174,237
Donation	124,398	137,776
Others	696,383	663,632
Total	\$ 5,939,961	5,279,961

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

(aj) Fair value and hierarchy information of financial instruments

(i) Fair value information of financial instruments

Due to the relatively short period of time between the original and the expected realization, the carrying values of the short-term financial instruments approximate their fair values; and they include cash and cash equivalents, the one due from Central Bank and call loans to banks, Securities bought under resell agreements, receivables, refundable deposits, the one due to Central Bank and call loans from banks, funds borrowed from Central Bank and other banks, securities sold under repurchase agreements, payables, other financial liabilities and guarantee deposits received. Besides the above financial assets and liabilities, the other carrying amounts and estimated fair values on December 31, 2023 and 2022 are as follows:

	December 31, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:	3,117,379,856	3,113,298,864	3,086,702,289	3,080,379,729
Derivative financial assets at FVTPL, net	813,234	813,234	2,097,435	2,097,435
Non-derivative financial assets at FVTPL, net	2,018,864	2,018,864	833,420	833,420
Financial assets at FVOCI	126,919,267	126,919,267	112,658,840	112,658,840
Financial assets at amortized cost	733,239,001	729,158,009	700,368,671	694,046,111
Discounts and loans	2,254,354,740	2,254,354,740	2,270,707,903	2,270,707,903
Other financial assets	34,750	34,750	36,020	36,020
Financial Liabilities:	70,660,322	70,660,322	69,775,240	69,775,240
Derivative financial liabilities at FVTPL	3,454,124	3,454,124	2,839,600	2,839,600
Non-derivative financial liabilities at FVTPL, net	5,718,605	5,718,605	5,519,699	5,519,699
Bank debentures	60,236,240	60,236,240	60,233,679	60,233,679
Other financial liabilities	57,944	57,944	71,571	71,571
Lease liability	1,193,409	1,193,409	1,110,691	1,110,691

(ii) The methodologies and assumptions used by the Bank to estimate the above fair value of financial instruments are summarized as following:

- 1) Quoted market price, if available, are utilized as the fair value of the financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, and investments in debt instruments measured at amortized cost. If no quoted market prices exist for certain of the financial instruments, the fair value of such instruments is derived based on pricing models. The estimates and assumptions used by the Bank in applying its pricing models are consistent with those used by market participants in pricing the financial instruments.
- 2) Discounts and loans are interest-bearing financial assets, the book value is equivalent to the current fair value.
- 3) The value of debt securities with no active market and financial assets carried at cost are determined by pricing models. A pricing model incorporates all factors that market participants would consider in setting a price. If fair value of equity security could not reliable measurement, fair value is equal to carrying value.

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

- 4) Bank debentures refer to the convertible corporate bonds and financial bonds issued by the Bank and its subsidiary. It is reasonable to use the discounted present values of the expected future cash flow to estimate their fair values. The present values are almost equal to the carrying amounts.
- 5) Other financial liabilities are interest-bearing financial liabilities with floating interest rates, the book value is approximate to the current fair value.
- 6) If there is a quoted market price in an active market, the quoted market price of derivative financial instruments is regarded as fair value. Otherwise, if the market for a derivative financial instrument is not active, the Bank assesses fair value by using pricing models.
- 7) Lease liabilities are measured at the present value of outstanding lease payments at the inception date of the lease, and the discount rate approximates the market rate of interest. It is reasonable to use the discounted present values of the expected future cash flows to estimate their fair values. The present values are approximately equal to the carrying amounts.

(iii) Determination of fair value and fair value hierarchy:

Financial instruments measured at fair value	December 31, 2023			
	Total	Level 1 (Note 1)	Level 2 (Note 2)	Level 3 (Note 3)
<u>Non-derivative financial instruments</u>				
Assets:				
Financial assets at fair value through profit or loss:				
Bonds	\$ 5,922	-	5,922	-
Stocks	1,572,908	1,572,908	-	-
Others	440,034	-	440,034	-
Subtotal	2,018,864	1,572,908	445,956	-
Financial assets at fair value through other comprehensive income:				
Bonds	101,817,269	-	101,817,269	-
Stocks	25,101,998	17,908,959	-	7,193,039
Subtotal	126,919,267	17,908,959	101,817,269	7,193,039
Liabilities:				
Designation as at fair value through profit or loss	5,718,605	-	5,718,605	-

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

December 31, 2023				
Financial instruments measured at fair value	Total	Level 1 (Note 1)	Level 2 (Note 2)	Level 3 (Note 3)
<u>Derivative financial instruments</u>				
Assets:				
Financial assets at fair value through profit or loss	\$ 813,234	-	813,234	-
Liabilities:				
Financial liabilities at fair value through profit or loss	3,454,124	-	3,454,124	-
December 31, 2022				
Financial instruments measured at fair value	Total	Level 1 (Note 1)	Level 2 (Note 2)	Level 3 (Note 3)
<u>Non-derivative financial instruments</u>				
Assets:				
Financial assets at fair value through profit or loss:				
Bonds	\$ 2,975	-	2,975	-
Stocks	674,825	674,825	-	-
Others	155,620	-	155,620	-
Subtotal	833,420	674,825	158,595	-
Financial assets at fair value through other:				
Bonds	90,593,449	-	90,593,449	-
Bonds	22,065,391	14,325,821	-	7,739,570
Subtotal	112,658,840	14,325,821	90,593,449	7,739,570
Liabilities:				
Designation as at fair value through profit or loss	5,519,699	-	5,519,699	-
<u>Derivative financial instruments</u>				
Assets:				
Financial assets at fair value through profit or loss	\$ 2,097,435	-	2,097,435	-
Liabilities:				
Financial liabilities at fair value through profit or loss	2,839,600	-	2,839,600	-

Note 1: Fair value measurement for a financial instrument classified in Level 1 is determined as the quoted price for an identical financial instrument in an active market. The definition of active market includes all of the following conditions:

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LAND BANK OF TAIWAN CO., LTD.**Notes to the Financial Statements**

- 1) The products traded in the market are homogeneous;
- 2) willing parties are available anytime in the market;
- 3) price information is available for the public.

Note 2: Fair value measurement for a financial instrument classified in Level 2 is determined as the observable price other than quoted price in an active market including an observable input obtained in an active market, either directly (i.e., as prices) or indirectly (i.e., derived from prices). Examples of observable price are as follows:

- 1) The quoted price for an identical financial instrument in an active market; this means the fair value from the market transaction prices for an identical financial instrument should be determined by its characteristics and terms of transaction. The fair value of a financial instrument has to be adjusted according to the observable market price of the identical financial instrument. The reasons for adjustments include time lag of the market transaction prices for an identical financial instrument, wherein the quoted price does not represent the fair value at the measurement date. It also includes the difference in transaction terms for financial instruments, transaction prices involving related parties, and the relationship between the observable transaction prices of identical financial instruments and the market price of held financial instruments.
- 2) The quoted market price of the same or identical financial instruments in an inactive market.
- 3) The fair value is estimated on the basis of the results of a valuation technique, and the market inputs (i.e., interest rate, yield curve, and volatility rate) used were based on data obtainable from the market. An observable input can be derived from market data and reflects the expectation of market participants when it is used in evaluating the prices of financial instruments.
- 4) A majority of inputs derived from observable market data, or the input correlation can be tested based on observable market data.

Note 3: Input for a fair value measurement for a financial instrument classified in Level 3 is not based on obtainable data from the market. An unobservable input, such as volatility for a share option derived from the share's historical price, does not generally represent current market expectations about future volatility.

- (iv) For the years 2023 and 2022, the gains from changes in fair value of the Bank's financial instruments, for instance, derivative financial instruments that are determined using the valuation techniques amounting to losses \$1,899,164 and gains \$545,144, respectively are recognized as profit or loss for that period.
- (v) As of December 31, 2023 and 2022, there was no transfer of financial instruments between Level 1 and Level 2. As of December 31, 2023 and 2022, there were no transfer to Level 3.

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(vi) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Equity instrument without public quotation
January 1, 2023	\$ 7,739,570
Recognized as other comprehensive income	(546,531)
December 31, 2023	<u>\$ 7,193,039</u>
January 1, 2022	\$ 7,755,182
Recognized as other comprehensive income	(15,612)
December 31, 2022	<u>\$ 7,739,570</u>

For the years ended December 31, 2023 and 2022, total gains and losses that were presented in unrealized gains and losses from financial assets at fair value through other comprehensive income were as follows:

	2023	2022
Total gains and losses recognized		
In other comprehensive income, and presented in unrealized gains and losses from financial assets at FVOCI	\$ (546,531)	(15,612)

(vii) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Bank's financial instruments that use Level 3 inputs to measure fair value are financial assets measured at fair value through other comprehensive income - equity instruments. The Bank used evaluation method to estimate the fair values of the equity instrument without an active market. Significant unobservable inputs were considered in the fair value estimation process, and were independent to one another.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at FVOCI— equity instrument without an active market	Comparable listed company approach	Lack of marketability discount (6.39%~35.40% as of December 31, 2023 and 8.65%~35.12% as of December 31, 2022)	The estimated fair value would decreased if the lack of market liquidity discount was higher;

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Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
	Discount cash flow approach	<ul style="list-style-type: none"> Discount rate (10.75%~12.39% as of December 31, 2023 and 11.17%~12.89% as of December 31, 2022) Sustainable growth rate (0%~1.53% as of December 31, 2023 and 0%~1.49% as of December 31, 2022) 	<ul style="list-style-type: none"> The estimated fair value would decreased if the discount rate was higher; The estimated fair value would increased if the sustainable growth rate was higher;
	Net asset value approach	<ul style="list-style-type: none"> Lack of marketability discount (20.43% as of December 31, 2023 and 20.62% as of December 31, 2022) 	<ul style="list-style-type: none"> The estimated fair value would decreased if the lack of marketability discount was higher

(viii) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Bank's assessment for fair values of financial instruments was reasonable, whereas different evaluation models and assumptions may lead to different results of evaluation. For fair value measurement in Level 3, changing one or more of the assumptions would have the following effects:

	Input	Variation	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2023						
Financial assets at FVOCI	Non-public transaction equity discount	±2.5%	-	-	211,701	212,522
	Discount rate	±1%	-	-	17,869	13,899
	Sustainable growth rate	±0.1%	-	-	-	-
December 31, 2022						
Financial assets at FVOCI	Non-public transaction equity discount	±2.5%	-	-	236,488	235,855
	Discount rate	±1%	-	-	15,871	12,499
	Sustainable growth rate	±0.1%	-	-	-	-

The Bank's favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

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Notes to the Financial Statements

(ix) Evaluation process of fair value measurement in Level 3

The Bank uses unobservable inputs to measure its fair value in Level 3. The sources of the inputs included using the market liquidity discount rate of the comparable listed company approach, the discount cash flow rate of discount cash flow approach, and sustainable growth rate of discount cash flow approach.

(ak) Financial risk management

(i) Overview

The main risks in which the Bank is exposed to include credit risks, market risks (including interest rate risks, exchange rate risk and risks on equity securities), and liquidity risks in on- and off- balance sheet items. To build an independent effective risk management system, the Bank has set regulations such as Risk Management Policies and Procedures, Key Elements of Risk Management, Key Elements of Market Risk Management and Key Elements of Liquidity Risk Management to assess and control the ability of the Bank in sustaining risks, status of risks sustained, strategies to cope with the risks and the conformity with the risk management procedures.

(ii) Risk management structure

The Bank's risk management structure includes the BoD, risk management committee, internal audit department, risk management department, executive of each business unit, all treasury departments, and all operating units.

The Bank defined the duties of each risk management using three-lines of defence model:

1) First line of defense (Risk production or bearing units):

- a) Each business units and treasury department are responsible for compliance with risk principles, policies and limit established by the Bank.
- b) All department executives in the head office should identify, assess and control the risk of existing and new businesses or financial instruments, establish and implement regulations and systems on risk management in all business units and conduct self-assessment on risk indices of all business units.

2) Second line of defense (Risk Controlling Units): The Risk Controlling Unit plays an independent and dedicated role, and is responsible for assessing, overseeing, controlling, reviewing and reporting the overall operating risks in the Bank.

3) Third line of defense (Internal Audit): Internal audit is responsible for auditing the design and implementation of risk management systems, providing independent assessment, reviewing the set-up process of the entire risk management model, the appropriateness, reliability and status of compliance act of the risk management information systems.

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LAND BANK OF TAIWAN CO., LTD.**Notes to the Financial Statements****(iii) Credit risk****1) Sources and definition of credit risk**

Credit risk is the risk of financial loss to the Bank if a customer or counterparty fails to meet its contractual obligations. Credit risk arises from balance sheet and off- balance sheet items. The sources of credit risk balance sheet mainly comes from discounts and loans, credit card businesses, due from and call loans to Bank, debt investments and derivative instruments, while the source of credit risk exposure from off-balance sheet items include letters of credit and loan commitments.

2) Management policy of credit risk

To ensure the credit risk is in a tolerable range, the Bank should analyze in details the products provided and its business operations to identify the existing and embedded credit risks. Prior to the release of new products and businesses, the Bank should examine and verify the related credit risk in compliance with the regulations on operations. For a more complex credit business, such as accounts receivable without resources, credit derivative instrument, the Bank should establish risk control systems based on the standards and operations of the related business management.

In addition, the assessment and provision loss of the asset quality in the OBU should be in compliance with the regulations of the Financial Supervisory Institute and the standards and operations of the related business management

a) Due from the Central Banks and call loans to banks

The Bank will assess the creditworthiness and the domestic and international credit rating of the financial institutions before entering into transactions with the counterparty, and set credit risk limits based on the level of creditworthiness.

b) Debt investments and financial derivatives instruments

In managing the credit risk of debt investment, the Bank identified its credit risk through the assessment of external institute on the credit rating, credit quality, geographical status and risk of counterparty of debt investment.

When the Bank trades derivative instruments with other bank, limits are granted based on the world ranking, capital adequacy ratio, credit ratings and other factors. When derivative instruments are traded with other counterparties, the Bank will only trade with counterparties if the credit rating of the counterparties has reached certain level.

3) Risk measurement - loans and receivables

The Bank classified its financial assets into Stage 1, Stage 2, and Stage 3, based on the credit risk assessment, and calculated the expected loss of credit assets with factors including the decided probability of default, loss given default, exposure at default and forward-looking factors adjustments.

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Notes to the Financial Statements

a) Probability of default (PD)

Probability of default (PD) is the likelihood of a default over a particular time horizon. PD includes at least the historical data from the year 2010 to the present. The number of defaulted households in each subsequent year is divided by the number of normal credits at the beginning of each year, and the probability of default in each subsequent year is calculated. The estimation of PD is updated at least once a year.

b) Loss given default (LGD): loss given default (LGD) is the magnitude of the likely loss if there is a default. The method of calculating LGD rate depends on the source of the data, as explained below:

- i) (1-adjusted recovery rate): the adjusted recovery rate refers to the value of the recovery rate after discounting the weighted average effective interest rate of the loans and receivables of Stage 1 and 2 and 3. The recovery rate refers to the recovery rate of each of five years, which is calculated by the percentage of the net recoverable amount of each year from the date of occurrence, if there is objective evidence of credit impairment over the loan balance at the time of default, assessing the screening of the samples collected by the most recent processed cases at the time of assessment. The “most recent period” refers to the case that has been processed recently from the date of the impairment assessment; “processing completion” means unsecured loans and receivables that have been procured for more than two years or have been suspended, or the collateral of guaranteed loans and receivables has been disposed. The estimate of recovery should be updated at least once a year.
- ii) (1-Moody’s recovery rate): the Bank calculates LGD based on the recovery data of each type of financial instrument and guarantee situation, classified in the Annual Default Study issued by Moody’s.

c) Exposure at default (EAD): the amount of each item's EAD is defined as follows:

- i) Loans, accounts receivables and receivables for securities margin financing: interest receivable plus outstanding principal.
- ii) Other receivables, contractual assets and lease receivable: carrying amount.
- iii) Credit card: current balance plus undisbursed amount.
- iv) Commitment and financial guarantee : Multiplying the credit limit by the credit risk conversion factor based on the Regulations Governing the Capital Adequacy and Capital Category of Bank.

d) Forward-looking factors adjustment

In accordance with IFRS 9, the measurement of expected credit loss shall reflect the reasonable and supportable information relevant to future economics condition. The Bank adjusts the probabilities of default for domestic corporate finance, domestic individual finance, and offshore branch based on the monitoring signal released by National Development Council, Unemployment Rate released by

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

Directorate-General of Budget, Accounting and Statistics, and World Economic Outlook Report released by the International Monetary Fund, respectively, to reflect the forward-looking influence.

- i) Monitoring Indicators: the Bank assumes the economy is getting better if the current signal is red or the signal of consecutive 6 months is red-yellow, and decrease the probability of default by at most 1 standard deviation; if the economy is considered to be flat with the green signal, the probability of default will not be adjusted. With the current signal to be blue or the signal of consecutive 6 months to be yellow-blue, the Bank assumes the economy is getting worse and therefore increase the probability of default by at most 1 standard deviation.
 - ii) Unemployment Rate: adopting unemployment rate published in the most recent month as the benchmark, and the average unemployment rate in the past 7 years as comparative, the Bank adjusts the forward-looking factors by -1~1 standard deviation based on the difference between the benchmark and the comparative(greater than zero or less than zero).
 - iii) World Economic Outlook Report released by the International Monetary Fund (IMF): the Bank increases 1 standard deviation if the expected real GDP growth rate is less than the average real GDP growth rate in the past 7 years.
- 4) Credit risk measurement—financial instruments

The Bank assesses the impairment of its debt investment at amortized at cost and financial assets at fair value through other comprehensive income.

Investments that are debt securities should give priority to the evaluation of securities. If there is no such rating, the guarantor rating and issuer rating will be used in order. For non-debt investors, the counterparty will be evaluated.

If there are multiple qualified external credit rating agencies and the rating is inconsistent, it will be determined according to the lower rating. If the issuer is a local government, it is determined by the subordinate level of rating applied by the central government of the country.

The financial assets to which these precautions are applied shall be classified into the following three stages on the reporting date, based on the change in credit risk after the original recognition date:

- a) Stage 1 (credit risk does not increase significantly or the credit risk is low) means:
 - i) there is no change of credit rating; or
 - ii) the credit rating has been lowered by 2 (inclusive), but it is not C/D/D/twD/D(twn); or
 - iii) the credit rating has been lowered by 3 or above , but it is still Baa2/BBB/BB/twA/A+ (twn) and above.

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

- b) Stage 2 (credit risk increases significantly) means that the credit rating has been lowered by 3 (inclusive) and the rating is below the Baa3/BBB-/BBB-/twA/A(twn) (inclusive) level and Ca/SD/RD/twSD/RD (Twn) (inclusive).

The calculation structure for measuring expected credit losses is a combination of default probability, default loss rate, and default risk amount. The previous parameters are taken from information published by qualified external credit rating agencies, or other historical data and should be adjusted to reflect forward-looking information. The fixed-rate and floating-rate financial assets that are subject to the considerations are calculated using the cash flow method and the current casualty amount method, respectively, and the amount of allowance for the financial assets is measured in the following manner according to the following stages and interest income:

- a) Stage 1 (credit risk does not increase significantly or the credit risk is low): the amount of expected credit loss is equal to the 12-month ECL, and the interest income is recognized under total interest method.
- b) Stage 2 (credit risk increases significantly): the amount of expected credit loss is equal to the lifetime ECL, and the interest income is recognized under total interest method.
- c) Stage 3 (credit-impaired): the amount of expected credit loss is equal to the lifetime ECL, and the interest income is recognized under net interest method.
- d) Qualified external rating institutions: refer to five credit rating agencies such as Moody's, Standard & Poor's, Fitch International, China Credit Rating Co., Ltd., and Fitch Ratings International Credit Rating Co., Ltd. Taiwan Branch.
- e) The long-term evaluation of qualified external credit rating agencies is detailed in the attached table, and those who do not have the qualifications of qualified external credit rating agencies are rated as Baa3.
- f) Probability of default: the likelihood of a default. The breach of contract defined by the purpose of the act to determine the risk of default is consistent with the definition of the use of financial assets for internal credit risk management purposes.
- g) Loss given default: the extent of the loss caused by default.
- h) Original Effective Interest Rate: The interest rate of the financial asset or financial liability book value is exactly the same as the expected future duration of the financial asset or the appropriate shorter period, after the future payment or cash collection of the contract is discounted.
- i) Credit loss: the difference between the cash flow receivable from the contract and the cash flow expected to be received (i.e. all short cash receipts), discounted at the original effective interest rate.

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LAND BANK OF TAIWAN CO., LTD.**Notes to the Financial Statements****5) Mitigation or hedging of risk****a) Collateral**

In respect to credit business, the Bank has set a series of policies and procedures to mitigate credit risk, where one of the common methods used is the claim for collateral from borrowers. The Bank has established the range of permitted collateral provided, procedures on collateral valuation, management and disposals based on management of collateral assessment and calculation of secured loans to secure its debt. Also, the credit agreement has outline credit security, conditions of collateral, conditions for debt write-offs, which specifically defines that when a credit default has occurred, limits are reduced, terms on borrowings are shortened or considered as expired and all deposits within the Bank are offset against its debt in order to reduce credit risks.

Except for asset securitization and other similar assets, which are collateralized as one asset portfolio, collateral of other businesses, excluding the credit business are set based on the characteristics of financial instruments.

b) Credit risk limits and concentration of risk control

To prevent excessive concentration, the Bank has set limits on transaction with a single counterparty or single organization in credit-related standards. Also, to control the concentration of risk, the Bank has set credit limits by industry, corporation and country, monitor risk concentration in each asset and integrate in systems to monitor the risk concentration in a single counterparty, organization, related-party, industry, country and others.

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Notes to the Financial Statements

- 6) The Bank's maximum exposures at credit risk of financial assets (irrevocable exposure without considering loss allowance, collaterals, and other credit-enhancing instruments):

The Bank's maximum exposures at credit risk of financial assets as of December 31, 2023 were as follow:

	December 31, 2023					
	12-month ECL	Life time ECL — unimpaired	Life time ECL — impaired	Credit loss from initial purchase — impaired	Loss allowance	Total
<u>On-balance sheet items</u>						
Debt investments as FVOCI (Note1)	\$ 101,817,269	-	-	-	-	101,817,269
Debt investments at amortized cost and Deposits in Central Bank	759,247,294	-	-	-	(8,459)	759,238,835
Accounts receivables and other financial assets	13,403,250	19,371	89,227	-	(132,343)	13,379,505
Loans and receivables (Note2)	<u>2,275,277,736</u>	<u>6,957,833</u>	<u>12,564,027</u>	<u>-</u>	<u>(40,454,184)</u>	<u>2,254,345,412</u>
Total	<u>\$ 3,149,745,549</u>	<u>6,977,204</u>	<u>12,653,254</u>	<u>-</u>	<u>(40,594,986)</u>	<u>3,128,781,021</u>
<u>Off-balance sheet items</u>						
Receivables from guarantees and commercial letter of credits	\$ 70,153,699	72,051	71	-	(631,409)	69,594,412
Loan commitments	<u>31,414,767</u>	<u>40,327</u>	<u>1,195</u>	<u>-</u>	<u>(25,996)</u>	<u>31,430,293</u>
Total	<u>\$ 101,568,466</u>	<u>112,378</u>	<u>1,266</u>	<u>-</u>	<u>(657,405)</u>	<u>101,024,705</u>

Note 1: The loss allowance of investments in debt instruments measured at FVOCI, amounting to \$1,745, was reclassified from other comprehensive income to profits and losses and does not reduce the carrying amount of such financial assets.

Note 2: It excludes the unamortized discounts and/or premiums on loans of \$9,328.

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LAND BANK OF TAIWAN CO., LTD.
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The Bank's maximum exposures at credit risk of financial assets as of December 31, 2022 were as follow:

	December 31, 2022				
	12-month ECL	Life time ECL —unimpaired	Life time ECL —impaired	Credit loss from initial purchase —impaired	Loss allowance
<u>On-balance sheet items</u>					Total
Debt investments as FVOCI (Note1)	\$ 90,593,449	-	-	-	90,593,449
Debt investments at amortized cost and Deposits in Central Bank	726,377,141	-	-	-	726,368,504
Accounts receivables and other financial assets	10,067,590	20,306	93,231	-	10,066,055
Loans and receivables (Note2)	2,287,576,909	6,836,174	15,885,613	-	2,270,700,068
Total	\$ 3,114,615,089	6,856,480	15,978,844	-	3,097,728,076
<u>Off-balance sheet items</u>					
Receivables from guarantees and commercial letter of credits	\$ 69,475,971	23,703	10,028	-	(637,991)
Loan commitments	34,484,992	23,190	1,242	-	(31,118)
Total	\$ 103,960,963	46,893	11,270	-	(669,109)
					103,350,017

Note 1: The loss allowance of investments in debt instruments measured at FVOCI, amounting to \$2,011, was reclassified from other comprehensive income to profits and losses and does not reduce the carrying amount of such financial assets.

Note 2: It excludes the unamortized discounts and/or premiums on loans of \$7,835.

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Notes to the Financial Statements

7) Reconciliation of loss allowance

a) Reconciliation of loss allowance for debt investment at FVOCI

i) The following table reconciles the beginning amount of loss allowance for debt investment at FVOCI to the ending amount as of December 31, 2023 and 2022:

	12- month ECL	Life time ECL (collective assessment)	Life time ECL (individual assessment)	Life time ECL (non- purchased or initially credit- impaired financial assets)	Life time ECL (purchased or initially credit- impaired financial assets)	Impairment under IFRS 9	Total
January 1, 2023	\$ 2,011	-	-	-	-	2,011	2,011
Changes from financial instruments recognized at the beginning of period:							
— derecognition	(162)	-	-	-	-	(162)	(162)
Initial or purchased financial assets	379	-	-	-	-	379	379
Effects of changes in exchange rates and others	(483)	-	-	-	-	(483)	(483)
December 31, 2023	\$ 1,745	-	-	-	-	1,745	1,745
January 1, 2022	\$ 1,061	-	-	-	-	1,061	1,061
Changes from financial instruments recognized at the beginning of period:							
— derecognition	(94)	-	-	-	-	(94)	(94)
Initial or purchased financial assets	375	-	-	-	-	375	375
Effects of changes in exchange rates and others	669	-	-	-	-	669	669
December 31, 2022	\$ 2,011	-	-	-	-	2,011	2,011

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- ii) The following table reconciles the beginning carrying amount of debt investment at FVOCI to the amount as of December 31, 2023 and 2022:

	12- month ECL	Life time ECL (collective assessment)	Life time ECL (individual assessment)	Life time ECL (non-purchased or initially credit-impaired financial assets)	Life time ECL (purchased or initially credit-impaired financial assets)	Total
January 1, 2023	\$ 90,593,449	-	-	-	-	90,593,449
Changes from financial instruments recognized at the beginning of period:						
— derecognition	(25,408,807)	-	-	-	-	(25,408,807)
Initial or purchased financial assets	34,807,119	-	-	-	-	34,807,119
Effects of changes in exchange rates and others	1,825,508	-	-	-	-	1,825,508
December 31, 2023	<u>\$ 101,817,269</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,817,269</u>
January 1, 2022	\$ 75,355,622	-	-	-	-	75,355,622
Changes from financial instruments recognized at the beginning of period:						
— derecognition	(40,755,183)	-	-	-	-	(40,755,183)
Initial or purchased financial assets	57,000,906	-	-	-	-	57,000,906
Effects of changes in exchange rates and others	(1,007,896)	-	-	-	-	(1,007,896)
December 31, 2022	<u>\$ 90,593,449</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,593,449</u>

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- b) Reconciliation of accumulated impairment for debt investments at amortized cost and deposits in Central Bank
- i) The following table reconciles the beginning amount of accumulated impairment for debt investment at amortized cost and deposits in Central Bank to the ending amount as of December 31, 2023 and 2022:

	12-month ECL	Life time ECL (collective assessment)	Life time ECL (individual assessment)	Life time ECL (non- purchased or initially credit- impaired financial assets)	Life time ECL (purchased or initially credit- impaired financial assets)	Impairment under IFRS 9	Total
January 1, 2023	\$ 8,637	-	-	-	-	8,637	8,637
Changes from financial instruments recognized at the beginning of period:							
— derecognition	(9,205)	-	-	-	-	(9,205)	(9,205)
Initial or purchased financial assets	16,307	-	-	-	-	16,307	16,307
Effects of changes in exchange rates and others	(7,280)	-	-	-	-	(7,280)	(7,280)
December 31, 2023	\$ 8,459	-	-	-	-	8,459	8,459
January 1, 2022	\$ 4,076	-	-	-	-	4,076	4,076
Changes from financial instruments recognized at the beginning of period:							
— derecognition	(4,463)	-	-	-	-	(4,463)	(4,463)
Initial or purchased financial assets	6,814	-	-	-	-	6,814	6,814
Effects of changes in exchange rates and others	2,210	-	-	-	-	2,210	2,210
December 31, 2022	\$ 8,637	-	-	-	-	8,637	8,637

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Notes to the Financial Statements

- ii) The following table reconciles the beginning carrying amount of debt investment at amortized cost and deposits in Central Bank to the amount as of December 31, 2023 and 2022:

	12- month ECL	Life time ECL (collective assessment)	Life time ECL (individual assessment)	Life time ECL (non-purchased or initially credit-impaired financial assets)	Life time ECL (purchased or initially credit-impaired financial assets)	Total
January 1, 2023	\$ 726,377,141	-	-	-	-	726,377,141
Changes from financial instruments recognized at the beginning of period:						
— derecognition	(5,969,581,205)	-	-	-	-	(5,969,581,205)
Initial or purchased financial assets	5,999,130,116	-	-	-	-	5,999,130,116
Effects of changes in exchange rates and others	3,321,242	-	-	-	-	3,321,242
December 31, 2023	<u>\$ 759,247,294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>759,247,294</u>
January 1, 2022	\$ 775,881,348	-	-	-	-	775,881,348
Changes from financial instruments recognized at the beginning of period:						
— derecognition	(5,708,091,521)	-	-	-	-	(5,708,091,521)
Initial or purchased financial assets	5,660,962,585	-	-	-	-	5,660,962,585
Effects of changes in exchange rates and others	(2,375,271)	-	-	-	-	(2,375,271)
December 31, 2022	<u>\$ 726,377,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>726,377,141</u>

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

c) Reconciliation of debt allowance for accounts receivables (other financial assets included)

- i) The following table reconciles the beginning carrying amount of debt allowance for accounts receivables (other financial assets included) to the amount as of December 31, 2023 and 2022:

	12-month ECL	Life time ECL (collective assessment)	Life time ECL (individual assessment)	Life time ECL (non-purchased or initially credit-impaired financial assets)	Life time ECL (purchased or initially credit-impaired financial assets)	Impairment under IFRS 9	Difference with the impairment under the Procedures Governing the Regulations Governing to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	Total
January 1, 2023	\$ 9,673	7,183	-	93,394	-	110,250	4,822	115,072
Changes from financial instruments recognized at the beginning of period:								
- transfer to life time ECL	(45)	3,804	-	-	-	3,759	-	3,759
- transfer to credit-impaired financial assets	(3)	-	-	461	-	458	-	458
- transfer to 12-month ECL	39	(4,425)	-	(11)	-	(4,397)	-	(4,397)
- derecognition	(2,144)	(2,246)	-	(3,071)	-	(7,461)	-	(7,461)
Initial or purchased financial assets	2,798	152	-	2,595	-	5,545	-	5,545
Difference with the impairment under Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	-	-	-	-	-	-	(4,822)	(4,822)
Write off	-	-	-	(23,662)	-	(23,662)	-	(23,662)
Recoveries	-	-	-	50,788	-	50,788	-	50,788
Effects of changes in exchange rates and others	3,046	163	-	(6,146)	-	(2,937)	-	(2,937)
December 31, 2023	\$ 13,364	4,631	-	114,348	-	132,343	-	132,343
January 1, 2022	\$ 11,587	5,736	-	106,043	-	123,366	1,226	124,592
Changes from financial instruments recognized at the beginning of period:								
- transfer to life time ECL	(75)	5,322	-	-	-	5,247	-	5,247
- transfer to credit-impaired financial assets	(3)	(18)	-	919	-	898	-	898
- transfer to 12-month ECL	38	(5,603)	-	(55)	-	(5,620)	-	(5,620)
- derecognition	(5,431)	(2,007)	-	(8,372)	-	(15,810)	-	(15,810)
Initial or purchased financial assets	2,345	336	-	3,410	-	6,091	-	6,091
Difference with the impairment under Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	-	-	-	-	-	-	3,596	3,596
Write off	-	-	-	(20,756)	-	(20,756)	-	(20,756)
Recoveries	-	-	-	25,454	-	25,454	-	25,454
Effects of changes in exchange rates and others	1,212	3,417	-	(13,249)	-	(8,620)	-	(8,620)
December 31, 2022	\$ 9,673	7,183	-	93,394	-	110,250	4,822	115,072

(Continued)

LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

- ii) The following table reconciles the beginning carrying amount of accounts receivables (other financial assets included) to the amount as of December 31, 2023 and 2022:

	12- month ECL	Life time ECL (collective assessment)	Life time ECL (individual assessment)	Life time ECL (non-purchased or initially credit- impaired financial assets)	Life time ECL (purchased or initially credit- impaired financial assets)	Total
January 1, 2023	\$ 10,067,590	20,306	-	93,231	-	10,181,127
Changes from financial instruments recognized at the beginning of period:						
- transfer to life time ECL	(13,846)	18,527	-	-	-	4,681
- transfer to credit-impaired financial assets	(526)	-	-	647	-	121
- transfer to 12-month ECL	4,755	(7,520)	-	(18)	-	(2,783)
- derecognition	(669,687)	(8,832)	-	(5,984)	-	(684,503)
Initial or purchased financial assets	3,147,645	748	-	21,999	-	3,170,392
Write off	-	-	-	(23,662)	-	(23,662)
Others	867,319	(3,858)	-	3,014	-	866,475
December 31, 2023	\$ 13,403,250	19,371	-	89,227	-	13,511,848
January 1, 2022	\$ 8,603,734	23,952	-	75,471	-	8,703,157
Changes from financial instruments recognized at the beginning of period:						
- transfer to life time ECL	(12,347)	16,114	-	-	-	3,767
- transfer to credit-impaired financial assets	(753)	-	-	1,511	-	758
- transfer to 12-month ECL	5,409	(7,966)	-	(68)	-	(2,625)
- derecognition	(2,756,398)	(13,294)	-	(24,679)	-	(2,794,371)
Initial or purchased financial assets	4,024,941	4,533	-	41,031	-	4,070,505
Write off	-	-	-	(20,756)	-	(20,756)
Others	203,004	(3,033)	-	20,721	-	220,692
December 31, 2022	\$ 10,067,590	20,306	-	93,231	-	10,181,127

(Continued)

LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

d) Reconciliation of loss allowance for discounts and loans

i) The following table reconciles the beginning amount of loss allowance for discounts and loans to the ending amount as of December 31, 2023 and 2022:

	12- month ECL	Life time ECL (collective assessment)	Life time ECL (individual assessment)	Life time ECL (non- purchased or initially impaired financial assets)	Life time ECL (purchased or initially credit- impaired financial assets)	Impairment under IFRS 9	Difference with the impairment under the Procedures Governing the Regulations for Banking Institutions to Evaluate Assets and Deal with Non- performing / Non-accrual Loans	Total
January 1, 2023	\$ 28,832,451	573,302	-	10,192,875	-	39,598,628	-	39,598,628
Changes from financial instruments recognized at the beginning of period:								
— transfer to life time ECL	(47,213)	205,205	-	(32,765)	-	125,227	-	125,227
— transfer to impaired financial assets	(9,581)	(12,150)	-	635,568	-	613,837	-	613,837
— transfer to 12-month ECL	19,442	(77,375)	-	(672,133)	-	(730,066)	-	(730,066)
— derecognition	(4,510,782)	(133,525)	-	(2,323,698)	-	(6,968,005)	-	(6,968,005)
Initial or purchased financial assets	5,400,992	90,365	-	997,327	-	6,488,684	-	6,488,684
Write off	-	-	-	(850,000)	-	(850,000)	-	(850,000)
Recoveries	-	-	-	918,360	-	918,360	-	918,360
Effects of changes in exchange rates and others	(365,498)	(17,610)	-	1,640,627	-	1,257,519	-	1,257,519
December 31, 2023	\$ 29,319,811	628,212	-	10,506,161	-	40,454,184	-	40,454,184
January 1, 2022	\$ 24,798,867	1,109,934	-	11,394,899	-	37,303,700	-	37,303,700
Changes from financial instruments recognized at the beginning of period:								
— transfer to life time ECL	(30,218)	158,771	-	(74,808)	-	53,745	-	53,745
— transfer to impaired financial assets	(7,737)	(451,378)	-	2,398,669	-	1,939,554	-	1,939,554
— transfer to 12-month ECL	19,430	(98,349)	-	(484,741)	-	(563,660)	-	(563,660)
— derecognition	(4,401,236)	(260,804)	-	(3,323,558)	-	(7,985,598)	-	(7,985,598)
Initial or purchased financial assets	6,497,851	124,202	-	1,515,465	-	8,137,518	-	8,137,518
Write off	-	-	-	(797,932)	-	(797,932)	-	(797,932)
Recoveries	-	-	-	653,442	-	653,442	-	653,442
Effects of changes in exchange rates and others	1,955,494	(9,074)	-	(1,088,561)	-	857,859	-	857,859
December 31, 2022	\$ 28,832,451	573,302	-	10,192,875	-	39,598,628	-	39,598,628

(Continued)

LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

- ii) The following table reconciles the beginning carrying amount of discounts and loans (excluding discount and premium) to the amount as of December 31, 2023 and 2022:

	12- month ECL	Life time ECL (collective assessment)	Life time ECL (individual assessment)	Life time ECL (non-purchased or initially credit-impaired financial assets)	Life time ECL (purchased or initially impaired financial assets)	Total
January 1, 2023	\$ 2,287,576,909	6,836,174	-	15,885,613	-	2,310,298,696
Changes from financial instruments recognized at the beginning of period:						
– transfers to life time ECL	(1,875,899)	1,698,399	-	(47,073)	-	(224,573)
– transfers to credit-impaired financial assets	(835,863)	(69,703)	-	840,487	-	(65,079)
– transfer to 12-month ECL	1,261,046	(746,224)	-	(1,082,852)	-	(568,030)
– derecognition	(488,319,798)	(1,644,156)	-	(3,651,160)	-	(493,615,114)
Initial or purchased loans and receivables	507,741,863	1,237,323	-	1,226,851	-	510,206,037
Write off	-	-	-	(850,000)	-	(850,000)
Effects of changes in exchange rates and others	(30,270,522)	(353,980)	-	242,161	-	(30,382,341)
December 31, 2023	\$ 2,275,277,736	6,957,833	-	12,564,027	-	2,294,799,596
January 1, 2022	\$ 2,225,242,987	10,156,411	-	15,875,994	-	2,251,275,392
Changes from financial instruments recognized at the beginning of period:						
– transfers to life time ECL	(1,573,600)	1,477,185	-	(74,946)	-	(171,361)
– transfers to credit-impaired financial assets	(1,431,873)	(2,452,884)	-	3,641,335	-	(243,422)
– transfer to 12-month ECL	994,072	(490,389)	-	(870,298)	-	(366,615)
– derecognition	(518,761,556)	(6,620,944)	-	(5,160,451)	-	(530,542,951)
Initial or purchased loans and receivables	701,466,681	1,553,314	-	2,301,427	-	705,321,422
Write off	-	-	-	(797,932)	-	(797,932)
Effects of changes in exchange rates and others	(118,359,802)	3,213,481	-	970,484	-	(114,175,837)
December 31, 2022	\$ 2,287,576,909	6,836,174	-	15,885,613	-	2,310,298,696

(Continued)

LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

e) Reconciliation of guarantee liability provision and other provision

i) The following table reconciles the beginning carrying amount of guarantee liability provision and other provision of receivables from guarantors and commercial letter of credits to the amount as of December 31, 2023 and 2022:

	12-month ECL	Life time ECL (collective assessment)	Life time ECL (individual assessment)	Life time ECL (non-purchased or initially credit-impaired financial assets)	Life time ECL (purchased or initially credit-impaired financial assets)	Impairment under IFRS 9	Difference with the impairment under the Procedures Governing the Regulations for Banking Institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	Total
January 1, 2023	\$ 118,006	5,372	-	4,978	-	128,356	509,635	637,991
Changes from financial instruments recognized at the beginning of period:								
— transfer to life time ECL	(122)	2,221	-	-	-	2,099	-	2,099
— derecognition	(47,146)	(4,164)	-	(4,978)	-	(56,288)	-	(56,288)
Initial or purchased financial assets	62,735	555	-	-	-	63,290	-	63,290
Difference with the impairment under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	-	-	-	-	-	-	5,420	5,420
Effects of changes in exchange rates and others	(20,162)	(941)	-	-	-	(21,103)	-	(21,103)
December 31, 2023	\$ 113,311	3,043	-	-	-	116,354	515,055	631,409
January 1, 2022	\$ 183,132	3,707	-	28,553	-	215,392	486,843	702,235
Changes from financial instruments recognized at the beginning of period:								
— transfer to life time ECL	(10)	193	-	-	-	183	-	183
— derecognition	(109,639)	(1,330)	-	(18,031)	-	(129,000)	-	(129,000)
Initial or purchased financial assets	83,591	4,640	-	-	-	88,231	-	88,231
Difference with the impairment under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	-	-	-	-	-	-	22,792	22,792
Effects of changes in exchange rates and others	(39,068)	(1,838)	-	(5,544)	-	(46,450)	-	(46,450)
December 31, 2022	\$ 118,006	5,372	-	4,978	-	128,356	509,635	637,991

(Continued)

LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

- ii) The following table reconciles the beginning carrying amount of receivables from guarantees and commercial letter of credits to the amount as of December 31, 2023 and 2022:

	12- month ECL	Life time ECL (collective assessment)	Life time ECL (individual assessment)	Life time ECL (non-purchased or initially credit-impaired financial assets)	Life time ECL (purchased or initially credit-impaired financial assets)	Total
January 1, 2023	\$ 69,475,971	23,703	-	10,028	-	69,509,702
Changes from financial instruments recognized at the beginning of period:						
– transfer to life time ECL	(1,091)	1,046	-	-	-	(45)
– derecognition	(34,464,817)	(12,489)	-	(11,190)	-	(34,488,496)
Initial or purchased financial assets	34,928,708	59,650	-	-	-	34,988,358
Effects of changes in exchange rates and others	214,928	141	-	1,233	-	216,302
December 31, 2023	\$ 70,153,699	72,051	-	71	-	70,225,821
January 1, 2022	\$ 77,558,131	51,176	-	46,526	-	77,655,833
Changes from financial instruments recognized at the beginning of period:						
– derecognition	(48,589,830)	(39,029)	-	(36,651)	-	(48,665,510)
Initial or purchased financial assets	39,689,162	11,208	-	-	-	39,700,370
Effects of changes in exchange rates and others	818,508	348	-	153	-	819,009
December 31, 2022	\$ 69,475,971	23,703	-	10,028	-	69,509,702

(Continued)

LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

f) Reconciliation of loan commitment provision (with revocable loan commitments excluded)

i) The following table reconciles the beginning carrying amount of provisions for loan commitments to the amount as of December 31, 2023 and 2022:

	12-month ECL	Life time ECL (collective assessment)	Life time ECL (individual assessment)	Life time ECL (non-purchased or initially credit-impaired financial assets)	Life time ECL (purchased or initially credit-impaired financial assets)	Impairment under IFRS 9	Difference with the impairment under the Procedures Governing the Regulations for Banking Institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	Total
January 1, 2023	\$ 28,948	1,845	-	325	-	31,118	-	31,118
Changes from financial instruments recognized at the beginning of period:								
— transfer to life time ECL	(16)	1,550	-	-	-	1,534	-	1,534
— transfer to credit-impaired financial assets	(1)	-	-	151	-	150	-	150
— transfer to 12-month ECL	15	(929)	-	(12)	-	(926)	-	(926)
— derecognition	(6,718)	(650)	-	(161)	-	(7,529)	-	(7,529)
Initial or purchased financial assets	3,920	36	-	-	-	3,956	-	3,956
Effects of changes in exchange rates and others	(2,467)	92	-	68	-	(2,307)	-	(2,307)
December 31, 2023	\$ 23,681	1,944	-	371	-	25,996	-	25,996
January 1, 2022	\$ 29,150	3,436	-	642	-	33,228	-	33,228
Changes from financial instruments recognized at the beginning of period:								
— transfer to life time ECL	(23)	1,220	-	-	-	1,197	-	1,197
— transfer to credit-impaired financial assets	(1)	-	-	99	-	98	-	98
— transfer to 12-month ECL	15	(1,077)	-	(17)	-	(1,079)	-	(1,079)
— derecognition	(12,182)	(415)	-	(272)	-	(12,869)	-	(12,869)
Initial or purchased financial assets	10,781	426	-	-	-	11,207	-	11,207
Effects of changes in exchange rates and others	1,208	(1,745)	-	(127)	-	(664)	-	(664)
December 31, 2022	\$ 28,948	1,845	-	325	-	31,118	-	31,118

(Continued)

LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

- ii) The following table reconciles the beginning carrying amount of loan commitments to the amount as of December 31, 2023 and 2022:

	12-month ECL	Life time ECL (collective assessment)	Life time ECL (individual assessment)	Life time ECL (non-purchased or initially credit-impaired financial assets)	Life time ECL (purchased or initially credit-impaired financial assets)	Total
January 1, 2023	\$ 34,484,992	23,190	-	1,242	-	34,509,424
Changes from financial instruments recognized at the beginning of period:						
– transfer to life time ECL	(41,119)	35,540	-	-	-	(5,579)
– transfer to credit-impaired financial assets	(592)	-	-	561	-	(31)
– transfer to 12-month ECL	14,908	(13,651)	-	(42)	-	1,215
– derecognition	(6,900,777)	(6,796)	-	(701)	-	(6,908,274)
Initial or purchased financial assets	3,303,810	1,397	-	-	-	3,305,207
Effects of changes in exchange rates and others	553,545	647	-	135	-	554,327
December 31, 2023	\$ 31,414,767	40,327	-	1,195	-	31,456,289
January 1, 2022	\$ 32,105,660	17,250	-	1,382	-	32,124,292
Changes from financial instruments recognized at the beginning of period:						
– transfer to life time ECL	(22,548)	17,509	-	-	-	(5,039)
– transfer to credit-impaired financial assets	(781)	-	-	201	-	(580)
– transfer to 12-month ECL	14,541	(13,190)	-	(50)	-	1,301
– derecognition	(3,928,310)	(2,417)	-	(956)	-	(3,931,683)
Initial or purchased financial assets	6,605,974	8,758	-	246	-	6,614,978
Effects of changes in exchange rates and others	(289,544)	(4,720)	-	419	-	(293,845)
December 31, 2022	\$ 34,484,992	23,190	-	1,242	-	34,509,424

(Continued)

LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

8) Maximum exposure credit risk

Without taking collateral or other credit enhancement mitigation effect into account, the maximum exposure to credit risk of on-balance sheet financial assets is equal to their carrying values and the maximum exposure of credit risk of off-balance sheet financial instruments were as follows:

	December 31, 2023	December 31, 2022
Irrevocable loan commitments	\$ 5,388,941	6,521,597
Unused credit card	26,067,348	27,987,827
Guarantees	62,084,252	60,730,919
Letters of credit	8,141,569	8,778,783

The Bank believes the adopting stringent selection processes and conducting regular review afterwards are the reasons why they can continuously control and minimize the credit risk exposure of their off-balance sheet items.

9) Concentration of credit risk

Concentrations of credit risk arise when a number of counterparties or exposure have comparable economic characteristics, or such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic or other conditions.

Credit risk concentration can arise in a Bank's assets, liabilities, or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. It includes credit, loan and deposits, call loan to Bank, investment, receivables and derivatives. The Bank maintains a diversified portfolio, limits its exposure on a continuous basis. The Bank's most significant concentrations of credit risk are summarized as follows:

a) By industry (excluding inward and outward documentary bills and overdue loans)

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
Private enterprises	\$ 861,633,401	37.58	900,387,197	39.02
Government owned enterprises	61,562,769	2.69	35,187,145	1.52
Government	23,820,377	1.04	19,785,615	0.86
Non-profit organizations	420,798	0.02	570,752	0.02
Individual	1,246,209,488	54.36	1,235,995,631	53.56
Others	98,876,930	4.31	115,773,478	5.02
Total	<u>\$ 2,292,523,763</u>	<u>100.00</u>	<u>2,307,699,818</u>	<u>100.00</u>

(Continued)

LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

- b) By geographic region (excluding inward and outward documentary bills and overdue loans)

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
Domestic	\$ 2,196,103,387	95.79	2,202,744,750	95.45
Foreign	96,420,376	4.21	104,955,068	4.55
Total	<u>\$ 2,292,523,763</u>	<u>100.00</u>	<u>2,307,699,818</u>	<u>100.00</u>

- c) By collateral (including inward and outward documentary bills and overdue loans)

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
Non-collateral	\$ 352,793,824	15.38	364,604,881	15.78
Collateral				
Financial collateral	7,384,323	0.32	8,090,459	0.35
Receivables	1,219,584	0.05	2,006,579	0.09
Property	1,790,888,835	78.04	1,780,244,317	77.06
Guarantee	49,082,623	2.14	54,401,449	2.35
Other	93,430,407	4.07	100,951,011	4.37
	<u>\$ 2,294,799,596</u>	<u>100.00</u>	<u>2,310,298,696</u>	<u>100.00</u>

- 10) Disclosures required in the Regulations Governing the Preparation of Financial Reports by Public Banks

- a) Asset quality of non-performing loan and overdue credits

Period			December 31, 2023				
Items			Non-performing Loans (Note 1)	Loans	Ratio of Non- performing Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate Banking	Secured		1,217,835	725,342,916	0.17 %	13,102,086	1,075.85 %
	Unsecured		55,378	452,485,977	0.01 %	9,956,244	17,978.70 %
Consumer Banking	Mortgage loans (Note 4)		759,311	978,817,426	0.08 %	16,919,634	2,228.29 %
	Cash card		11	2,613	0.42 %	69	627.27 %
	Small-scale credit loans (Note 5)		3,516	2,784,476	0.13 %	5,500	156.43 %
	Other (Note 6)	Secured	361,245	105,172,756	0.34 %	416,970	115.43 %
		Unsecured	17,930	30,193,432	0.06 %	53,681	299.39 %
Total loans			2,415,226	2,294,799,596	0.11 %	40,454,184	1,674.96 %
			Non-performing Receivables	Receivables	Ratio of Non- performing Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards			1,851	1,293,189	0.14 %	34,213	1,848.35 %
Factored accounts receivable without recourse (Note 7)			-	-	-	-	-

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

Period		December 31, 2022				
Items		Non-performing Loans (Note 1)	Loans	Ratio of Non-performing Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate Banking	Secured	1,094,640	772,497,832	0.14 %	12,914,147	1,179.76 %
	Unsecured	73,474	439,890,395	0.02 %	9,878,156	13,444.42 %
Consumer Banking	Mortgage loans (Note 4)	750,688	943,386,995	0.08 %	16,384,057	2,182.54 %
	Cash card	44	4,347	1.01 %	134	304.55 %
	Small-scale credit loans (Note 5)	3,193	2,695,612	0.12 %	6,408	200.69 %
	Other (Note 6)					
	Secured	460,829	115,481,323	0.40 %	358,532	77.80 %
	Unsecured	22,826	36,342,192	0.06 %	57,194	250.57 %
Total loans		2,405,694	2,310,298,696	0.10 %	39,598,628	1,646.04 %
		Non-performing Receivables	Receivables	Ratio of Non-performing Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards		1,954	1,319,742	0.15 %	31,711	1,622.88 %
Factored accounts receivable without recourse (Note 7)		-	-	-	-	-

Note 1: Non-performing loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming / Non-accrued Loans."

Non-performing credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of non-performing loans: Non-performing loans ÷ Outstanding loan balance.

Ratio of non-performing credit card receivables: Non-performing credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.

Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Non-performing credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower or the spouse or the minor children of the borrower.

Note 5: Based on the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts, and exclude credit cards and cash cards.

Note 6: Other consumer banking loans refer to secured or unsecured loans that exclude housing mortgages, cash cards, credit cards and small-scale credit loans.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), factored accounts receivable without recourse are reported as non-performing receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

b) Exemption of non-performing loans and overdue receivables

	December 31, 2023		December 31, 2022	
	Amount exempted from reporting as non-performing loans	Amount exempted from reporting as overdue account receivable	Amount exempted from reporting as non-performing loans	Amount exempted from reporting as overdue account receivable
Amounts of executed contracts on negotiated debts not reported (Note 1)	9	897	32,025	2,613
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	2,022	22,909	1,826	24,990
Total	2,031	23,806	33,851	27,603

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

Note 1: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt negotiations and loan agreements is based on the Banking Bureau letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau letter dated September 15, 2008 and September 20, 2016. (Ref. No. 09700318940 and No.10500134790)

c) Concentration of credit extensions

December 31, 2023			
Rank	Business Groups' Standard Industrial Classification and Symbol	Total Amount of Credit Endorsement or Other Transactions	Percentage of the Group's Equity (%)
1	A Group- Real Estate Development Industry	29,080,748	13.84
2	B Group- Real Estate Development Industry	26,998,872	12.85
3	C Company- Rail Transportation Industry	25,005,776	11.90
4	D Group- Real Estate Development Industry	23,038,270	10.97
5	E Group- Real Estate Development Industry	22,570,095	10.74
6	F Group- Real Estate Development Industry	17,582,611	8.37
7	G Group- Real Estate Development Industry	15,240,186	7.26
8	H Group- Private Financing Industry	14,785,535	7.04
9	I Group-Smelting and Refining of Iron and Steel Industry	14,373,397	6.84
10	J Group- Real Estate Development Industry	13,719,101	6.53

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

December 31, 2022			
Rank	Business Groups' Standard Industrial Classification and Symbol	Total Amount of Credit Endorsement or Other Transactions	Percentage of the Group's Equity (%)
1	A Group- Real Estate Development Industry	31,276,704	16.07
2	B Group- Real Estate Development Industry	26,476,180	13.60
3	C Company- Rail Transportation Industry	26,209,776	12.47
4	E Group- Real Estate Development Industry	23,946,594	12.30
5	D Group- Real Estate Development Industry	20,423,805	10.49
6	G Group- Real Estate Development Industry	14,419,425	7.41
7	I Group-Smelting and Refining of Iron and Steel Industry	13,363,370	6.87
8	F Group- Real Estate Development Industry	12,723,060	6.54
9	K Group-Smelting and Refining of Iron and Steel Industry	12,328,492	6.33
10	H Group- Private Financing Industry	11,761,593	6.04

Note 1: Ranked by the total amount of credit, endorsement, or other transactions; list excludes government-owned or state-run enterprises. If the creditor is a Group enterprise, the Group would express the amount of credit by aggregating the total credit of this Group enterprise, indicated with the symbol of the enterprise and industrial classification. The Group would further identify the industry in which the Group enterprise has the most exposure. The industrial classification refers to the Industrial Classification Standard of the Directorate General of Budget, Accounting and Statistics (DGBAS).

Note 2: Group enterprise refers to a Group of corporate entities as defined by Article 6 of the "Supplementary Provisions to the Taiwan Stock Exchange Corporation's Rules for Review of Securities Listings."

Note 3: The total amount of credit, endorsement, or other transactions is the sum of various loans (including import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans, and overdue loans), exchange bills negotiated, factored accounts receivable without recourse, acceptances, and guarantees.

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

(iv) Liquidity risk

1) The source and definition of liquidity risk

Liquidity risk refers to the risks of bearing financial loss because of the inability to liquidate assets or obtain financing to provide funds to meet the financial obligation, such as early termination of deposits, deteriorating of the source and condition of financing from banks influenced by specific market, abnormal recover of funds due to default from borrowers, inability to liquidate financial instruments. The aforementioned situation may reduce cash flows from loans, transactions and investment.

2) Management policy of liquidity risk

- a) The aim of the liquidity risk management is to conduct appropriate allocation on assets and liabilities, and plan the source of fund in portfolio to cope with liquidity needs, ensure the liquidity of the Bank, accomplish a balance in retained earnings and risk, stabilize its development and continue as going concern after considering its cost benefit analysis.
- b) The principles of liquidity risk management are as follows:
 - i) The principles of the source of funds include diversification, stabilization, reliance and cost-effective to prevent excessive concentration on same maturities, same procurement instrument and same counterparty.
 - ii) The application of funds should be diversified and should pay attention to the 3 principles: liquidity, safety and profitability.
 - iii) The internal pricing, performance measurement and approval of new products launched by the main businesses should consider the liquidity costs, benefits and risks of each product and should be in consistent with the policies of liquidity risk management in the Bank.
- c) The Bank should maintain appropriate liquid funds and set a limit on liquidity risk management indices of funds denominated in New Taiwan Dollars and foreign currencies. Early warning system is designed for adoptions of appropriate measures when necessary.
- d) To strengthen the diversification of debt and the ability to adjust capital funding immediately, the Bank have maintained a close relationship with the Ministry of Finance, R.O.C., Central Bank and other large-scale bank, which benefit the Banks to raise capital funds when liquidity is insufficient. Also, procedures on capital movements during emergency (including back-up channels) and the related procedures are set to access to capital funds during emergency.

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

- 3) To manage liquidity risk and non-financial assets held by maturity analysis for derivative financial liabilities

- a) To manage liquidity risk of financial assets held

The financial assets include cash and assets that are of highly liquid and have high quality for the purpose of paying liabilities and accessing to capital in the market during emergency. The assets held for managing liquidity risk include cash and equivalents, CDs issued by CBC, government bonds, commercial paper and corporate bonds

- b) Maturity analysis for non-derivative financial liabilities

The tables below represent the cash outflow analysis of non-derivative financial liabilities according to the unexpired term of the contracts. The disclosed amounts presented are based on contractual cash flows, whereby parts of the disclosed items do not correspond to the accounts in the financial statements.

December 31, 2023	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	114,975,739	126,064,764	48,516,495	128,176,704	5,098,814	422,832,516
Funds borrowed from the Central Bank and other banks	-	-	69,823	69,823	999,609	1,139,255
Non-derivative financial liability at fair value through profit or loss	-	-	-	-	5,718,605	5,718,605
Securities sold under repurchase agreements	1,451,150	1,530,748	116,828	-	-	3,098,726
Payables	5,269,878	2,877,320	3,413,921	8,491,855	12,792,447	32,845,421
Deposits and remittances	569,219,812	630,787,980	593,417,875	776,971,244	47,972,458	2,618,369,369
Bank debentures	-	-	-	8,049,531	52,186,709	60,236,240
Other financial liabilities	301	602	902	1,804	54,335	57,944
Lease liability	42,425	75,763	114,652	236,216	724,353	1,193,409
Total	690,959,305	761,337,177	645,650,496	921,997,177	125,547,330	3,145,491,485

December 31, 2022	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	87,468,245	147,204,321	44,691,369	198,459,411	10,058,923	487,882,269
Funds borrowed from the Central Bank and other banks	-	-	69,869	69,869	1,140,003	1,279,741
Non-derivative financial liability at fair value through profit or loss	-	-	-	-	5,519,699	5,519,699
Securities sold under repurchase agreements	5,128,610	477,924	116,167	-	-	5,722,701
Payables	3,078,080	2,342,664	2,641,475	6,651,521	9,745,476	24,459,216
Deposits and remittances	562,371,067	692,435,436	543,299,014	740,828,018	55,203,816	2,594,137,351
Bank debentures	-	-	-	-	60,233,679	60,233,679
Other financial liabilities	420	716	1,235	2,802	66,398	71,571
Lease liability	40,044	68,144	102,851	207,790	691,862	1,110,691
Total	658,086,466	842,529,205	590,921,980	946,219,411	142,659,856	3,180,416,918

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

4) Maturity analysis of derivative financial liabilities

a) The derivative instruments that are subject to master netting agreements

The derivative instruments that are subject to master netting agreements include:

Interest rate derivatives: interest rate swaps, forward rate agreements and other interest rate contracts.

The valuation of maturity date of a contract is essential for presenting the financial instruments on the balance sheet. The amount disclosed in the balance sheet is prepared based on the contractual cash flows, whereby parts of the disclosed amount deviate from the balance sheet. The maturity analysis of the derivative financial liabilities on a net settlement basis is as follows:

December 31, 2023	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Derivative financial liabilities at FVTPL						
— Interest rate derivatives	-	109,389	(221,086)	181,723	552,803	622,829
Total	-	109,389	(221,086)	181,723	552,803	622,829

December 31, 2022	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Derivative financial liabilities at FVTPL						
— Interest rate derivatives	-	83,814	(223,439)	190,217	601,354	651,946
Total	-	83,814	(223,439)	190,217	601,354	651,946

b) Gross settlement derivative instruments

The derivative instruments with gross settlement include:

- i) Foreign exchange derivatives: foreign exchange option, foreign exchange swap;
- ii) Interest rate derivatives: cross-currency swap.

The table below shows the gross settlement derivative instruments based on the remaining time between the reporting date and the contractual period.

The valuation of the maturity date of the contracts is essential for presenting the financial instruments on the balance sheet. The amount disclosed in the balance sheet is prepared based on the contractual cash flows, whereby parts of the disclosed amount deviate from the balance sheet. The maturity analysis of the derivative financial liabilities on a gross settlement basis is as follows:

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

December 31, 2023	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Derivative financial liabilities at FVTPL						
— Cash outflow	23,288,578	7,495,050	5,526,803	15,609,457	43,545,684	95,465,572
— Cash inflow	22,679,511	7,370,311	5,443,917	15,363,492	43,140,525	93,997,756
Net cash flow	(609,067)	(124,739)	(82,886)	(245,965)	(405,159)	(1,467,816)

December 31, 2022	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Derivative financial liabilities at FVTPL						
— Cash outflow	21,857,926	14,160,900	17,064,429	16,598,014	5,338,496	75,019,765
— Cash outflow	21,006,302	13,788,675	16,736,167	16,285,488	5,289,535	73,106,167
Net cash flow	(851,624)	(372,225)	(328,262)	(312,526)	(48,961)	(1,913,598)

5) Maturity analysis of off-balance sheet items

The table below shows the maturity analysis of the off-balance sheet items based on the remaining time between the reporting date and the contractual period. For the issued financial guarantee contracts, the maximum guaranteed amount included in the guarantee may be required to be fulfilled in the earliest period. The disclosures in the table below are prepared based on the contractual cash flows. Therefore, the partial accounts illustrated below may not match with the corresponding accounts on the balance sheets.

December 31, 2023	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Undrawn loan commitments	40,200	1,010,821	398,834	1,855,619	2,083,467	5,388,941
Undrawn credit cards commitments	102,303	493,343	1,329,365	2,230,579	21,911,758	26,067,348
Guarantees	9,619,999	5,737,271	4,052,558	5,973,699	36,700,725	62,084,252
Undrawn letters of credit	1,696,608	4,498,958	795,939	615,863	534,201	8,141,569
Total	11,459,110	11,740,393	6,576,696	10,675,760	61,230,151	101,682,110

December 31, 2022	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Undrawn loan commitments	755,846	82,837	219,243	1,940,314	3,523,357	6,521,597
Undrawn credit cards commitments	337,655	452,981	1,132,886	1,654,984	24,409,321	27,987,827
Guarantees	7,542,676	3,005,159	6,702,169	6,563,555	36,917,360	60,730,919
Undrawn letters of credit	1,518,593	4,755,037	963,336	383,646	1,158,171	8,778,783
Total	10,154,770	8,296,014	9,017,634	10,542,499	66,008,209	104,019,126

6) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

a) Maturity analysis of assets and liabilities

December 31, 2023	0~10 days	11~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Main capital inflow on maturity	227,571,554	274,163,510	173,831,555	174,366,464	249,116,200	2,000,338,702	3,099,387,985
Main capital outflow on maturity	138,152,111	201,080,766	511,122,597	624,397,693	1,119,958,685	1,110,871,402	3,705,583,254
Gap	89,419,443	73,082,744	(337,291,042)	(450,031,229)	(870,842,485)	889,467,300	(606,195,269)

December 31, 2022	0~10 days	11~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Main capital inflow on maturity	228,467,348	270,499,075	196,049,882	164,490,105	220,763,333	1,988,420,533	3,068,690,276
Main capital outflow on maturity	116,304,326	194,529,447	535,084,892	570,945,624	1,092,523,049	1,155,672,753	3,665,060,091
Gap	112,163,022	75,969,628	(339,035,010)	(406,455,519)	(871,759,716)	832,747,780	(596,369,815)

b) Maturity analysis of assets and liabilities in US Dollars

(in thousands of U.S. dollars)

December 31, 2023	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Main capital inflow on maturity	2,151,541	1,325,042	967,632	2,091,778	7,857,704	14,393,697
Main capital outflow on maturity	5,461,234	3,825,113	1,531,523	1,009,489	3,106,160	14,933,519
Gap	(3,309,693)	(2,500,071)	(563,891)	1,082,289	4,751,544	(539,822)

December 31, 2022	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Main capital inflow on maturity	3,359,916	3,491,648	2,220,805	1,012,809	6,465,271	16,550,449
Main capital outflow on maturity	5,309,882	6,983,958	2,301,510	765,137	1,584,423	16,944,910
Gap	(1,949,966)	(3,492,310)	(80,705)	247,672	4,880,848	(394,461)

(v) Market risk

1) Sources and definition of market risk

Market risk is defined as an unfavourable change in market prices (such as interest rates, stock prices and foreign exchange rates) which may cause a potential loss on or off balance sheets. This includes interest rate risks, equity investments risks, foreign exchange rate risks and product risks.

The main market risks of the Bank are equity investment risk, interest rate risk and exchange rate risk. The equity investment risks mainly arose from domestic public listed stocks and mutual funds; the interest rate risks mainly arose from notes and bonds; the exchange rate risks mainly arose from all position denominated in foreign currency held by the Bank.

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

2) Management policies of market risk

When the Bank is engaged in businesses in relation to market risks, the Bank has to assess the severity of possible losses and adopt risk avoidance, risk mitigation or transfer, risk control and strategies on risk bearing, for instance, avoid financial instruments with high leverage, high fluctuation and incurred significant loss personally or adopt close out, selling or hedging strategies. The Bank should effectively control the market risk and oversee the entire risk exposure and results of risk measurement based on the related regulations on limits management, stop loss systems, treatment of limit-exceeding positions and status of risk sustained to ensure its effectiveness.

3) Procedure of market risk management

a) Identification and Measurement

- i) Identification: Personnel of treasury departments and risk management should fully understand all market risk factors of financial instruments held by the Bank. Personnel of risk management should identify all risk factors that may cause market risk and ensure the accuracy and appropriateness of the valuation methods on financial instruments.
- ii) Measurement: Development of quantifiable models measured the market risk and is combined with daily management of risk limits. The valuation of financial instruments is assessed based on market valuation methods, model assessment, external sources and external or independent stock price verification.

b) Monitor and Report

- i) Monitor: Treasury department will monitor the instant and entire transactions based on the limits of each department to ensure all transactions are conducted within the scope of authorization and limits. The Bank has to ensure that the contents, including transaction modes, purposes, processes, parts and movements in profit or loss of all financial instruments are in compliance with regulations and are traded with the scope of authorization and limits. The risk management department monitors and analyzes the information produced from risk measurement models on a daily basis. If any significant risk exposure that affect the financial, business status or law compliant was found, it should be reported to general managers and BoD immediately.
- ii) Report: The risk management department reports the Bank's market risk management reports to the risk management committee on a regular basis, including the market risk exposure of the Bank, conditions of risk exposure, profit or loss status, the use of limits and the conformity with the regulations on market risk management. In addition, in compliance with principles of public disclosures, information of market risk management should be disclosed regularly based on the regulations of the authorities.

(Continued)

LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

4) Management policies of trading book risk

The trading book refers to the financial instruments held for trading or hedging. The positions held for trading means the intention to sell the positions held in the short-term or the positions that are held to earn profit from the changes in actual or expected short-term pricing or arbitrage trading. The positions that are not classified in this category are classified as banking book.

a) Strategy

To conduct effective control on market risk and ensure that the trading strategies executed by all business units have sufficient flexibility, assessments and controls in all business units are implemented.

b) Policies and procedures

The Bank formulates “Key Element on Market Risk Management” as important guideline for holders of trading book to comply with.

c) Valuation policy

The positions that are directly attributable to trading book are evaluated on a daily basis and managed actively based on the limit of each unit.

d) Measurement method

The Bank adopts value at risk, the β value, DVO1, duration, analysis on differences, scenarios simulation methods to present the market risk of financial assets denominated in New Taiwan Dollars and other foreign currencies, and implement stress testing on a regular basis.

5) Interest rate risk management for trading book

a) Definition of interest rate risk

The interest rate risk includes factors in relation to the issuers and the changes of interest rate that lead to changes in price of securities. The former is classified as respective risk and the latter is classified as market risk.

b) Procedures of interest rate risk management

The Bank set quota and stop-loss points for the trading related to interest rate, including quota on trading personnel, trading instruments, etc. that are based on operating strategies and market conditions should be reported to the top management and BoD for approval.

c) Measurement method

The Bank uses DVO1 and duration methods to measure the extent in which the investment portfolio will be affected by the interest rate risk. Stress testing is conducted and reported to the Risk Management Committee on a regular basis.

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

d) Interest Rate Benchmark Reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Bank replaced LIBOR with TAIFX3, EURIBOR, TIBOR, SOFR, term SOFR, synthetic LIBOR, compounded SOFR or the bank's published foreign currency credit rate on the reporting date.

The main risk faced by the change of interest rate index is the risk of operation, like by renegotiating the loan contract with the counterparty, implementing new contingency clauses with counterparties in derivatives, updating contract terms, and revising operational controls related to changes. Financial risk is mainly limited to the interest rate risk.

As of December 31, 2023, the Bank has completed promoting the LIBOR discontinuation.

The following table shows the total amounts of unreformed contracts and those with appropriate fallback language on December 31, 2022. The amounts of financial assets and financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

	USD LIBOR		EUR LIBOR		JPY LIBOR	
	Total amount of unreformed contracts	Amount with appropriate fallback clause	Total amount of unreformed contracts	Amount with appropriate fallback clause	Total amount of unreformed contracts	Amount with appropriate fallback clause
December 31, 2022						
Financial assets						
Bond	22,941,866	19,469,878	-	-	-	-
Loan	83,632,329	57,028,093	-	-	-	-
Derivatives						
Derivatives	6,145,000	6,145,000	-	-	-	-

6) Interest rate management for banking book

The main management purpose is to strengthen interest rate risk management, increase the effectiveness of capital usage and improve business operations.

a) Strategy

To conduct effective control on interest rate risk, the Bank reduced interest rate risk through the adjustments of asymmetry positions in the balance sheets, mainly on interest rate sensitive assets and liabilities, which allows the interest rates of assets and liabilities to correspond on repricing dates for the purpose of offsetting and hedging against interest rate risk. Also, the Bank adopts strategies in relations to risk management, for instance risk avoidance, risk mitigation or transfer, risk reduction or control and strategies on risk bearing, after considering the operational strategy and the contents of assets and liabilities portfolio.

(Continued)

LAND BANK OF TAIWAN CO., LTD.**Notes to the Financial Statements****b) Management procedures**

- i) Identification: The main source of interest rate risk is repricing risk that arises from assets and liabilities asymmetry when the assets and liabilities are repriced. This includes yield curve risks, basis risk and risks of embedded options.
- ii) Measurement: The Bank adopts repricing gap analysis methods to measure repricing risks on interest rates. Consider interest rate repricing risk, yield curve risk, basis risk and implied option risk, assess the impact of interest rate risk exposure on retained earnings and economic value. The Bank also conducts scenario analysis and stress testing on a regular basis to assess the possible loss on future retained earnings and economic value.
- iii) Monitor: The Bank monitor the interest rate risk based on the limits of the interest rate risk management index on a monthly basis.

The risk management department will monitor the Bank's interest rate risk based on the information provided by each business unit. If any significant limit-exceeding position is found, the risk management department will report to general managers immediately and the related departments (finance department, offshore operating units) have to provide improvements measures. If any significant risk exposure that affect the financial, business status or law compliant was found, it should be reported to the general managers and BoD immediately.

- iv) Report: The risk management department reports the interest rate risk management reports to the asset-liability committee and BoD on a regular basis to communicate information on interest rate risk exposure and control, which enhances the decision-making on interest rate risk management.

c) Measurement method

The interest rate risk of the Bank mainly arise from repricing risk, that is caused as a results of differences in maturity dates or repricing dates of the banking book's assets, liabilities and off- balance sheet items. In order to stabilize long-term profitability and stimulate business growth, the Bank has set an index on interest rate sensitivity assets and liabilities for specific dates and implements stress testing.

7) Exchange rate risk management**a) Definition of exchange rate risk**

Exchange rate risk refers to the profit or loss resulted from two different currencies transferred at different times. The main sources of exchange rate risk in the Bank include spot, forward exchange and FX swaps on derivative instruments. As the Bank adopts the principle of liquidating the customers' position on the same day for its FX transactions, exchange rate risk is insignificant.

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

- b) Management policies and procedures and measurement method of exchange rate risk

To control the exchange rate risk, the Bank sets different quotas and stop-loss point for traders with different levels and ensures losses are controlled within tolerable range.

The Bank has set scenarios for the fluctuations of the main currencies, conduct stress testing and report to risk management committee on a monthly basis.

- 8) Management of equity security price risk

- a) Definition of equity security price risk

The market risk of equity securities held includes the respective risk arising from the market price changes of respective equity security and general market risk, resulting from the entire market price changes.

- b) Purpose of equity security price risk management

The purpose of equity security price risk management is to avoid high fluctuation in equity security price, which will worsen the financial status of the Bank and incur a loss in retained earnings. This management also increases the effectiveness of capital usage and improves the business operations.

- c) Procedures of equity security price risk management

The Bank has set investment quotas and stop-loss points. The Bank uses β value to measure the extent in which the investment portfolio will be affected by systematic risk. Investments that have reached the stop-loss points and are not for sale in each investing units should be approved by top management.

- d) Measurement method

To control the equity security price risk, the Bank sets different quotas and stop-loss point for traders with different levels and ensures losses are controlled within tolerable range.

The Bank has set scenarios for the fluctuations of the equity securities, conduct stress testing and report to risk management committee on a monthly basis.

- 9) Market risk valuation techniques

- a) Stress testing

- i) Stress testing is used to measure the maximum possible losses from a portfolio of risky assets under stressed conditions. The scenarios used in stress testing are in compliance with the scenarios stipulated by the Financial Supervisory Committee for implementation of stress scenario set by Basel II-Supervisory Review, and the risk management department performs the stress testing every quarter.

(Continued)

LAND BANK OF TAIWAN CO., LTD.**Notes to the Financial Statements**

- ii) The risk management department of the Bank conducts market risk stress tests based on its own stress scenarios, according to significant events in domestic and international, which is approved by the top management on the monthly basis.
- b) Sensitivity analysis
 - i) Interest rate risk

The Bank assumes that if the yield curve of security market increases by 150bps, while other risk factors remain constant, the profit or loss as of December 31, 2023 and 2022 will decrease by \$261 and \$143, respectively, while the other comprehensive statement of income will decrease by \$2,530,352 and \$2,706,013, respectively. If the yield curve of security market decreases by 150 bps, the profit or loss as of December 31, 2023 and 2022 will increase by \$260 and \$132, respectively, while other comprehensive income or loss will increase \$2,500,293 and \$2,921,222, respectively.
 - ii) Exchange rate risk

The Bank assumes other risk factors remain constant, if USD, EUR, JPY, CNY against TWD appreciates by 5%, the profit or loss as of December 31, 2023 and 2022 will decrease by \$26,421 and increase \$34,716, respectively; if USD, EUR, JPY, CNY against TWD depreciates by 5%, the profit or loss as of December 31, 2023 and 2022 will increase by \$26,421 and decrease by \$34,716.
 - iii) Equity securities price risk

The Bank assumes that if the equity security price decreases by 15%, while other risk factors remain constant, the profit or loss as of December 31, 2023 and 2022 will decrease by \$272,885 and \$104,039, respectively, while items other comprehensive income or loss will decrease by \$1,281,090 and \$1,005,555, respectively, and if the equity security price increases by 15%, while other risk factors remain constant, the profit or loss as of December 31, 2023 and 2022 will increase by \$272,885 and \$104,039, respectively, while items other comprehensive income or loss will increase by \$1,281,090 and \$1,005,555.

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

iv) Summary of sensitivity analysis is as follows:

December 31, 2023			
Main Risk	Sensitivity to change	Amount	
		Equity	Equity
Currency Risk	USD/TWD increase 5%	-	(38,798)
	EUR/TWD increase 5%	-	4,755
	JPY/TWD increase 5%	-	1,823
	CNY/TWD increase 5%	-	5,799
	Subtotal :		(26,421)
Currency Risk	USD/TWD decrease 5%	-	38,798
	EUR/TWD decrease 5%	-	(4,755)
	JPY/TWD decrease 5%	-	(1,823)
	CNY/TWD decrease 5%	-	(5,799)
	Subtotal :		26,421
Interest Risk	Yield curve increase 150BPS	(2,530,352)	(261)
Interest Risk	Yield curve decrease 150BPS	2,500,293	260
Equity securities price risk	Price of equity securities increase 15%	1,281,090	272,885
Equity securities price risk	Price of equity securities decrease 15%	(1,281,090)	(272,885)

December 31, 2022			
Main Risk	Sensitivity to change	Amount	
		Equity	Equity
Currency Risk	USD/TWD increase 5%	-	32,594
	EUR/TWD increase 5%	-	(3,294)
	JPY/TWD increase 5%	-	(3,467)
	CNY/TWD increase 5%	-	8,883
	Subtotal :		34,716
Currency Risk	USD/TWD decrease 5%	-	(32,594)
	EUR/TWD decrease 5%	-	3,294
	JPY/TWD decrease 5%	-	3,467
	CNY/TWD decrease 5%	-	(8,883)
	Subtotal :		(34,716)
Interest Risk	Yield curve increase 150BPS	(2,706,013)	(143)
Interest Risk	Yield curve decrease 150BPS	2,921,222	132
Equity securities price risk	Price of equity securities increase 15%	1,005,555	104,039
Equity securities price risk	Price of equity securities decrease 15%	(1,005,555)	(104,039)

(Continued)

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Notes to the Financial Statements

10) Concentration of currency risk information

The table below summarized the carrying value of financial instruments in foreign currency assets and liabilities, which are being classified based on different currencies.

December 31, 2023	(USD)	(JPY)	(EUR)	(AUD)	(CNY)	Other	Total
Foreign currency financial assets							
Cash and cash equivalents	5,359,820	234,122	486,838	394,498	1,872,678	240,902	8,588,858
Due from the Central Bank and call loans to banks	36,254,518	-	1,435,644	-	5,842,800	1,239,461	44,772,423
Financial assets at fair value through profit or loss	841	-	-	-	41	1,397	2,279
Financial assets at fair value through other comprehensive income	50,778,207	-	306,119	10,639,807	302,960	-	62,027,093
Investment in debt instruments measured at amortized cost	56,410,473	-	-	20,783,764	2,999,973	4,762,592	84,956,802
Receivables	114,909,493	9,990,406	1,160,014	764,813	2,055,527	909,452	129,789,705
Discounts and loans	141,620,226	1,325,859	1,924,281	5,780,631	1,175,157	3,040,672	154,866,826
Other assets	711,350	-	835	-	-	284,690	996,875
Total assets	406,044,928	11,550,387	5,313,731	38,363,513	14,249,136	10,479,166	486,000,861
Foreign currency financial liabilities							
Deposits from the central bank and banks	109,708,015	201,511	857,304	19,767,300	50,339	15,046	130,599,515
Financial liabilities at fair value through profit or loss	248,255	-	-	-	-	1,519	249,774
Payables	36,364,138	1,038,654	1,000,666	13,778,357	171,627	4,594,076	56,947,518
Deposits and remittances	218,113,298	9,800,812	2,287,542	4,538,408	13,476,934	4,226,402	252,443,396
Other liabilities- Refundable deposits	14,452,289	42,109	210,661	279,414	3,132,315	116,202	18,232,990
Total liabilities	378,885,995	11,083,086	4,356,173	38,363,479	16,831,215	8,953,245	458,473,193

Note: As of December 31, 2023 the exchange rates of different currencies against the TWD are as follows: USD/TWD:30.705; JPY /TWD: 0.2171; EUR /TWD: 34.02; AUD /TWD: 21.000; CNY /TWD: 4.328.

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

December 31, 2022	(USD)	(JPY)	(EUR)	(AUD)	(CNY)	Other	Total
Foreign currency financial assets							
Cash and cash equivalents	4,177,659	196,262	512,719	113,672	1,800,271	347,260	7,147,843
Due from the Central Bank and call loans to banks	123,815,433	-	1,408,680	-	10,740,785	1,161,141	137,126,039
Financial assets at fair value through profit or loss	17,193	-	-	-	41	-	17,234
Financial assets at fair value through other comprehensive income	40,708,377	-	294,708	15,143,688	308,770	-	56,455,543
Investment in debt instruments measured at amortized cost	43,981,110	-	-	12,346,344	3,610,541	3,883,770	63,821,765
Receivables	121,256,804	4,792,322	2,364,455	1,270,118	1,525,235	886,093	132,095,027
Discounts and loans	180,300,438	1,509,122	2,023,912	4,051,677	664,085	3,441,457	191,990,691
Other assets	1,209,981	67,416	66,182	16,571	-	506,618	1,866,768
Total assets	515,466,995	6,565,122	6,670,656	32,942,070	18,649,728	10,226,339	590,520,910
Foreign currency financial liabilities							
Deposits from the central bank and banks	154,355,040	49,684	477,199	2,389,700	224,291	621,314	158,117,228
Financial liabilities at fair value through profit or loss	48,525	-	-	-	-	-	48,525
Payables	50,657,452	250,810	753,024	26,258,348	927,661	3,416,989	82,264,284
Deposits and remittances	265,695,726	5,952,897	4,382,537	4,085,710	17,270,860	4,820,953	302,208,683
Payables	18,043,526	1,926	142,884	12,338	3,261,536	78,017	21,540,227
Total liabilities	488,800,269	6,255,317	5,755,644	32,746,096	21,684,348	8,937,273	564,178,947

Note: As of December 31, 2022 the exchange rates of different currencies against the TWD are as follows: USD/TWD: 30.725; JPY/TWD: 0.2321; EUR/TWD: 32.760; AUD/TWD: 20.780; CNY/TWD: 4.411.

11) Disclosure required by the Regulations Governing the Preparation of Financial Reports by Public Banks.

a) The analysis table of interest rate sensitivity in New Taiwan Dollars

December 31, 2023					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest-rate-sensitive assets	\$ 2,604,375,381	55,560,416	42,484,458	228,604,761	2,931,025,016
Interest-rate-sensitive liabilities	1,311,571,700	1,140,456,482	177,608,844	69,199,645	2,698,836,671
Interest rate sensitivity gap	1,292,803,681	(1,084,896,066)	(135,124,386)	159,405,116	232,188,345
Net worth					210,055,609
Ratio of interest-rate-sensitive assets to liabilities (%)					108.60
Ratio of interest rate sensitivity gap to net worth (%)					110.54

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

December 31, 2022					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest-rate-sensitive assets	\$ 2,594,907,865	55,973,555	42,650,044	192,624,557	2,886,156,021
Interest-rate-sensitive liabilities	1,369,128,227	1,107,829,820	156,353,655	68,432,272	2,701,743,974
Interest rate sensitivity gap	1,225,779,638	(1,051,856,265)	(113,703,611)	124,192,285	184,412,047
Net worth					194,637,009
Ratio of interest-rate-sensitive assets to liabilities (%)					106.83
Ratio of interest rate sensitivity gap to net worth (%)					94.75

Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank excluded contingent assets and contingent liabilities.

Note 2: Interest-rate-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest-rate-sensitive assets - Interest-rate-sensitive liabilities.

Note 4: Ratio of interest-rate-sensitive assets to liabilities = Interest-rate-sensitive assets/Interest-rate-sensitive liabilities (in New Taiwan dollars).

b) The analysis table of interest rate sensitivity in U.S. Dollars

(in thousands of U.S. dollars)

December 31, 2023					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest-rate-sensitive assets	\$ 6,940,461	831,402	1,755,935	1,980,831	11,508,629
Interest-rate-sensitive liabilities	9,307,266	789,133	908,489	200,130	11,205,018
Interest rate sensitivity gap	(2,366,805)	42,269	847,446	1,780,701	303,611
Net worth					6,841,088
Ratio of interest-rate-sensitive assets to liabilities (%)					102.71
Ratio of interest rate sensitivity gap to net worth (%)					4.44

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Notes to the Financial Statements

December 31, 2022					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest-rate-sensitive assets	\$ 10,839,048	2,109,520	471,352	1,663,726	15,083,646
Interest-rate-sensitive liabilities	11,691,489	2,164,240	666,415	200,000	14,722,144
Interest rate sensitivity gap	(852,441)	(54,720)	(195,063)	1,463,726	361,502
Net worth					6,334,809
Ratio of interest-rate-sensitive assets to liabilities (%)					102.46
Ratio of interest rate sensitivity gap to net worth (%)					5.71

Note 1: The above amounts included only U.S. dollar amounts held by the Bank, excluded contingent assets and contingent liabilities.

Note 2: Interest-rate-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest-rate-sensitive assets — Interest-rate-sensitive liabilities.

Note 4: Ratio of interest-rate-sensitive assets to liabilities = Interest-rate-sensitive assets / Interest-rate-sensitive liabilities (in U.S. dollars).

12) Offsetting of financial assets and liabilities

The Bank holds the financial instruments which meet Section 42 of the IAS 32 endorsed by the FSC. Therefore, the financial instrument will be offset on the balance sheet.

Although the Bank do not engage in transactions that meet the offsetting condition in IFRSs, they have signed the net settlement contracts of similar agreements with their counterparties, such as global master repurchase agreement, global securities lending agreement and similar repurchase agreement or reverse-repurchase agreement. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could opt for net settling.

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

The offsetting information of financial assets and liabilities is shown below:

December 31, 2023						
Financial assets regulated by offset or enforceable net settlement agreement or similar agreement						
	Total amount of recognized financial assets (a)	Total amount of recognized offsetting financial liabilities in balance sheet (b)	Net amount of recognized financial assets in balance sheet (c)=(a)-(b)	The related amount not set off in balance sheet (d)		
				Financial instrument (Note)	cash collateral received	net amount (e)=(c)-(d)
Derivative financial assets	\$ 3,099,325	3,722,154	(622,829)	-	-	(622,829)
Reverse and Securities lending agreement	808,416	-	808,416	808,416	-	-
Total	<u>\$ 3,907,741</u>	<u>3,722,154</u>	<u>185,587</u>	<u>808,416</u>	<u>-</u>	<u>(622,829)</u>

December 31, 2022						
Financial assets regulated by offset or enforceable net settlement agreement or similar agreement						
	Total amount of recognized financial assets (a)	Total amount of recognized offsetting financial liabilities in balance sheet (b)	Net amount of recognized financial assets in balance sheet (c)=(a)-(b)	The related amount not set off in balance sheet (d)		
				Financial instrument (Note)	cash collateral received	net amount (e)=(c)-(d)
Derivative financial assets	\$ 2,995,895	3,647,841	(651,946)	-	-	(651,946)
Reverse repurchase and securities borrowing agreement	679,308	-	679,308	679,308	-	-
Total	<u>\$ 3,675,203</u>	<u>3,647,841</u>	<u>27,362</u>	<u>679,308</u>	<u>-</u>	<u>(651,946)</u>

Note: Including net settlement contracts and non-cash collateral.

13) Transfers of Financially Assets

The transferred financial assets of the Bank that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchase agreements. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at a fixed price in the future period, the Bank and its subsidiary cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since the Bank still bears the interest rate risk and credit risk, their transferred financial assets are not completely derecognized. The analysis of the financial assets that are not completely derecognized and the associated liabilities are as follows:

December 31, 2023					
Financial asset classes	Book value of transferred financial assets	Book value of associated financial liabilities	Fair value of transferred financial assets	Fair value of associated financial liabilities	Fair value net position
Repurchase agreement	\$ 3,101,805	3,098,726	3,101,805	3,098,726	3,079

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

December 31, 2022

Financial asset classes	Book value of transferred financial assets	Book value of associated financial liabilities	Fair value of transferred financial assets	Fair value of associated financial liabilities	Fair value net position
Repurchase agreement	\$ 5,726,621	5,722,701	5,726,621	5,722,701	3,920

(al) Capital management

(i) Introduction

Objectives for managing capital are as follows:

- 1) The objective of capital management is to ensure there is sufficient capital to support the overall operating risks in accordance with Risk Management Policies and Procedures.
- 2) If the self-owned capital is sufficient to buffer the risk exposure of businesses, using ratio of regulatory capital to risk-weighted assets (common equity Tier 1 ratio, Tier 1 capital ratio and capital adequacy ratio) as a measurement index.

The abovementioned ratio should not be lower than the minimum ratio set in Article 5 of Regulations Governing the Capital Adequacy and Capital Category of Groups. The capital adequacy ratio of the Bank has reached the legal ratio and an additional 2% is set as an objective to the Bank.

(ii) Capital management procedures

The Bank complies with regulations such as the "Regulations Governing the Capital Adequacy and Capital Category of Groups" to calculate and monitor its own capital ratio, as well as risk-weighted assets (common equity ratio, Tier 1 capital ratio and capital adequacy ratio) and reports them to the regulatory authority on a quarterly basis.

The self-owned capital of the Banks is managed by risk management department. Based on Regulations Governing the Capital Adequacy and Capital Category of Groups, the self-owned capital is classified into Tier 1 and Tier 2 capital:

- 1) Tier 1 capital comprises of common equity and other Tier 1 capital.
 - a) Common equity: The common equity of the Bank includes common stock, capital reserve (stock premium on common stock), legal reserve, special reserve, accumulated surplus and other equities and should be deducted from the project, including intangible assets, deferred income tax assets that depend on the future status of the bank, increase in retained earnings as a result of revaluation surplus of real estate in the first-time adoption of IFRS, unrealized gains (losses) of financial assets measured at fair value through profit and loss (non-financial related business capital instruments and TLAC debt instruments), and other amounts of statutory adjustment items specified in the "Instructions and Forms for Calculation of Bank's Own Capital and Risky Assets".

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LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

- b) Other Tier 1 capital: The Bank's other Tier 1 capital mainly includes non-cumulative sub-sequence bonds with no maturity date, and the amount of deductible items specified in the "Instructions and Forms for Calculation of Bank's Own Capital and Risky Assets" must be deducted.
- 2) Tier 2 capital comprises of long-term subordinated debts, increase in retained earnings as a result of revaluation surplus of real estate in the first-time adoption of IFRS, 45% of unrealized gains (losses) of financial assets measured at fair value through profit and loss (non-financial related business capital instruments and TLAC debt instruments), provisions for operations and provision for bad debts, and the amount of deductible items specified in the "Instructions and Forms for Calculation of Bank's Own Capital and Risky Assets" must be deducted.
- (iii) Capital adequacy ratio

The following table shows the Bank's capital, risk-weighted assets and the calculation of capital adequacy ratio. The calculation of capital adequacy ratio is in accordance with the Grouping Bureau letter No. 11102703692 Regulations Governing the Capital Adequacy and Capital Category of Group. The capital adequacy ratio as of December 31, 2023 and 2022 are in compliance with regulations of authorities.

Items			Year	December 31, 2023	December 31, 2022
Eligible Capital	Common equity tier 1 capital			199,789,903	185,214,173
	Additional tier 1 capital			26,000,000	26,000,000
	Tier 2 capital			37,374,053	40,409,102
	Eligible capital			263,163,956	251,623,275
Risk- weighted Assets	Credit risk	Standardized approach		1,739,312,918	1,806,426,697
		Internal rating-based approach		-	-
		Securitization		-	-
	Operational risk	Basic indicator approach		-	-
		Standardized approach/Alternative standardized approach		60,954,118	57,508,329
		Advanced measurement approach		-	-
	Market risk	Standardized approach		39,116,935	35,952,595
		Internal model approach		-	-
	Risk-weighted assets				1,839,383,971
Capital adequacy ratio				14.31	13.24
Ratio of common stock equity to risk-weighted assets (%)				10.86	9.75
Ratio of tier 1 capital to risk-weighted assets (%)				12.28	11.12
Leverage (%)				6.44	5.99

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

Note 1: Eligible capital and risk-weighted assets are calculated under the “Regulations Governing the Capital Adequacy Ratio of Banks” and the “Explanation of Methods for Calculating the Eligible Capital and Risk-Weighted Assets of Banks.”

Note 2: For the annual report, both current and last year’s capital adequacy rates should be included. For the semiannual report, in addition to current and last six-month period’s capital adequacy rates, last year’s capital adequacy rate should also be included.

Note 3: Formulas used were as follows:

- 1) Eligible capital = Common equity capital + Other tier 1 capital excluding common stock equity + Tier 2 capital.
- 2) Risk-weighted assets = Risk-weighted assets for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of tier 1 capital to risk-weighted assets = (Common equity capital + additional tier 1 capital) ÷ Risk-weighted assets.
- 5) Ratio of common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.
- 6) Leverage = Tier 1 capital ÷ Exposure measurement.

(am) Investing and financing activities not affecting current cash flow

The Bank engaged in non-cash transaction investments and acquiring the right to use assets through leasing for fundraising activities in the years ended December 31, 2023 and 2022, please refer to note 6(k) for more details.

The adjustment of the debt from the financing activities were shown as follows:

	January 1, 2023	Cash flows	Non-cash changes			December 31, 2023
			Acquisition	Foreign exchange movement	Fair value changes	
Lease liabilities (note 6(v))	\$ <u>1,110,691</u>	<u>(475,319)</u>	<u>544,390</u>	<u>13,529</u>	<u>118</u>	<u>1,193,409</u>
	January 1, 2021	Cash flows	Non-cash changes			December 31, 2022
			Acquisition	Foreign exchange movement	Fair value changes	
Lease liabilities (note 6(v))	\$ <u>1,040,132</u>	<u>(454,502)</u>	<u>499,459</u>	<u>11,642</u>	<u>13,960</u>	<u>1,110,691</u>

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

(7) Related-party transactions:

(a) Name and relation of related parties

Name of related parties	Relationship
Key management personnel	Director, managers of the Bank and their relatives.

(b) Transactions with Key Management Personnel

Key management personnel compensation comprised:

	2023	2022
Short-term employee benefits	\$ 23,329	22,415
Post-employment benefits	8,787	11,678
	<u>\$ 32,116</u>	<u>34,093</u>

(c) Significant account balances and transactions with the related parties

(i) Deposits

	December 31, 2023	December 31, 2022
	Amount	Amount
Key management personnel	\$ 973,647	1,025,116

Interest rates charged on deposits with related parties are similar to those with third parties, except in the case of employees of the Bank where preferential rates are used within stipulated term and limit.

(ii) Loans

	December 31, 2023	December 31, 2022
	Amount	Amount
Key management personnel	\$ 850,582	800,499

Interest rates charged on loans with related parties are similar to those with third parties, except in the case of employees of the Bank where preferential rates are used within stipulated term and limit. The Banks' transactions with its related party are presented on an aggregate basis if the total transaction amounts with the individual related party do not exceed certain percentages of that transaction.

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Notes to the Financial Statements

December 31, 2023							
Type (Note 1)	Account Volume	Highest Balance	Ending Balance	Loan classification		Collateral (note2)	Differences in Transaction Terms from Those for Unrelated Parties
	(Number of Names)			Normal Loans	Non- performing loans		
Consumer loans for employees	54	\$ 26,709	25,291	25,291	-	Credit etc.	None
Private housing mortgage loan	102	496,868	496,868	496,868	-	Real estate	None
Other loans	83	328,424	328,424	328,424	-	Real estate etc.	None

December 31, 2022							
Type (Note 1)	Account Volume	Highest Balance	Ending Balance	Loan classification		Collateral (note2)	Differences in Transaction Terms from Those for Unrelated Parties
	(Number of Names)			Normal Loans	Non- performing loans		
Consumer loans for employees	48	\$ 23,347	21,344	21,344	-	Credit etc.	None
Private housing mortgage loan	110	521,701	489,157	489,157	-	Real estate	None
Other loans	79	289,998	289,998	289,998	-	Real estate etc.	None

Note 1: The consumer loans for employees and the private housing mortgage loan can be disclosed by summary. In addition, the other loans are disclosed by the name of the related parties.

Note 2: The types of collateral which were filled in the table are classified into different categories, such as real estate, short-term notes, government bonds, secured corporate bonds, unsecured corporate bonds, publicly quoted stocks, stocks not listed on the Exchange and OTC in Taiwan and other chattels, etc. If the category belongs to "other chattels", it shall further illustrate its contents.

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LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

(8) Pledged assets:

Pledged assets	December 31, 2023	December 31, 2022	Guarantee pledged
Negotiable certificate of time deposits (recorded as financial assets at FVOCI)	\$ 615,208	613,141	Operating guarantees of U.S. FINRA
Government bonds (recorded as debt investment at amortized cost)	235,570	199,432	Guarantee of court leave or guarantee
Government bonds (recorded as debt investment at amortized cost)	49,884	49,884	Operating guarantees of securities
Government bonds (recorded as debt investment at amortized cost)	19,954	19,954	Reserve for the Electronic Bond Trading System
Government bonds (recorded as debt investment at amortized cost)	252,091	251,920	Operating guarantees of securities
Government bonds (recorded as debt investment at amortized cost)	358,081	338,758	Reserve for trust business losses
Negotiable certificate of time deposits (recorded as debt investment at amortized cost)	5,000,000	5,000,000	Guarantee for settlement funds from Central Bank and other banks
Negotiable certificate of time deposits (recorded as debt investment at amortized cost)	22,000,000	18,000,000	Operating guarantees of U.S. FINRA
Refundable deposit-other	678,888	1,188,750	Guarantees for asset exchange valuation
Total	\$ 29,209,676	25,661,839	

(9) Commitments and contingencies:

- (a) The Bank has the following contingent liabilities and commitments, which are not included in the above-mentioned financial statements:

	December 31, 2023	December 31, 2022
Loan commitments	\$ 5,388,941	6,521,597
Unused credit card	26,067,348	27,987,827
Guarantees	62,084,252	60,730,919
Unused commercial letters of credits	8,141,569	8,778,783
Trust liabilities	461,669,245	441,750,396
Securities under custody for customers payable	15,611,104	15,301,296
Property under custody for customers	424,367	649,498
Collections for customers	59,345,975	63,751,375
Agency loans	33,573,768	34,661,064
Government bond under custody for customers	183,154,100	169,656,600
Consigned manager of bills	132,281,577	96,526,777
Consigned manager of bonds	583,284	638,934
Consigned sales of goods	10,137	10,449
Securities sold under repurchase agreement	3,101,805	5,726,621
Total	\$ 991,437,472	932,692,136

(Continued)

LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

(b) Balance sheet, income statement and details of assets under trust

According to rule 17 of the Trust Law, the balance sheets of trust accounts, trust property list, and statements of income on trust accounts shall be disclosed as follows:

Trust Balance Sheet

December 31, 2023 and 2022

Trust Assets	December 31, 2023	December 31, 2022
Cash in bank	\$ 30,150,687	31,754,657
Bond	3,755,684	2,754,279
Mutual funds	57,407,246	57,474,402
Stocks	13,865,586	291,384
Beneficial securities	855,964	882,892
Asset-backed securities	5,894,854	10,665,646
Structured products	15,352	15,977
Receivable account	84,533	175,010
Prepaid account	25,098	21,625
Real property	258,938,970	250,925,360
Intangible assets	5,304,464	5,343,495
Other assets	335,801	550,752
Securities under custody	85,035,006	80,894,917
Total trust assets	<u><u>\$ 461,669,245</u></u>	<u><u>441,750,396</u></u>
Trust Liabilities	December 31, 2023	December 31, 2022
Borrowed	\$ 4,154,148	3,884,353
Accounts payable	59,089	613,132
Tax payable	127	178
Advance receipts	7,530	9,792
Withholding	3,589	6,874
Other liabilities	1,264,764	1,210,972
Securities under custody	85,035,006	80,894,917
Trust capital	368,170,175	351,581,996
Reserve account	325,360	336,926
Guarantee deposits received	988,126	1,699,050
Net income	1,266,857	1,176,047
Accumulated loss	394,474	336,159
Total trust liabilities	<u><u>\$ 461,669,245</u></u>	<u><u>441,750,396</u></u>

(Continued)

LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

Trust Property List
December 31, 2023 and 2022

Trust Assets	December 31, 2023	December 31, 2022
Cash in bank	\$ 30,150,687	31,754,657
Bond	3,755,684	2,754,279
Mutual funds	57,407,246	57,474,402
Stock	13,865,586	291,384
Beneficial securities	855,964	882,892
Asset-backed securities	5,894,854	10,665,646
Structured products	15,352	15,977
Receivable products	84,533	175,010
Prepaid account	25,098	21,625
Real property	258,938,970	250,925,360
Intangible assets	5,304,464	5,343,495
Other assets	335,801	550,752
Securities under custody	85,035,006	80,894,917
Total	\$ 461,669,245	441,750,396

(Continued)

LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

Statements of Income on Trust Accounts
For the years ended December 31, 2023 and 2022

	For the years ended December 31	
	2023	2022
Revenues		
Interest revenues	\$ 666,964	802,470
Rental revenues	1,663,201	1,561,666
Revenues from cash dividend	18,356	18,379
Other revenues		
Realized gains on investment	-	17,079
Others	20,475	24,658
Total	<u>2,368,996</u>	<u>2,424,252</u>
Expenses		
Interest fees	526,231	708,408
Insurance fees	27,286	21,914
Management and maintenance fees		
Management fees	144,494	145,382
Maintenance fees	107,095	71,365
Service charges	5,160	5,059
Levies	150,748	140,214
Other expenses		
Others	141,125	155,863
Total	<u>1,102,139</u>	<u>1,248,205</u>
Income before income tax	1,266,857	1,176,047
Income tax expense	-	-
Net income	<u><u>\$ 1,266,857</u></u>	<u><u>1,176,047</u></u>

Note: The above statements of income are for the business of the trust division, and the amounts are not included in the profit and loss of the Bank.

The clients should bear the profit or loss generated from trusts which are provided by the Bank. The financial information above is summarized based on the statements provided by clients and audited by other accountants.

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(Continued)

LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

(12) Other:

(a) Personnel, depreciation, and amortization expenses are summarized by functions as follows:

	2023			2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Personnel expenses						
Salaries	-	8,446,796	8,446,796	-	8,135,631	8,135,631
Insurance	102,198	376,669	478,867	-	366,623	366,623
Pension	-	896,032	896,032	-	866,100	866,100
Employee benefit saving account	-	2,944	2,944	-	2,996	2,996
Other employee benefits expenses	1,940,038	187,759	2,127,797	-	132,881	132,881
Depreciation expenses	36,506	1,217,882	1,254,388	40,418	1,205,102	1,245,520
Amortization expenses	-	305,238	305,238	-	288,876	288,876

For 2023 and 2022, the Bank has 5,673 and 5,683 employees, respectively.

The information of the Bank's salary policy(include Chairman of the board、General manager and employees.) is as follow：

The Bank is the government-owned bank which Ministry of Finance has 100% share equity. Therefore, the Bank's salary policy is according to Act issued by Ministry of Finance.

(b) Government audit adjustments

The financial statements for 2022 have been examined by the DGBAS and MOA, and adjustments from this examination have been recognized accordingly in the financial statements; the details are as follows:

Item	Audited financial statements December 31, 2022	Adjustments- Increase (Decrease)	Accounts examined by the MOA December 31, 2022
Balance sheet			
Total Asset	\$ 3,409,295,091	(42,692)	3,409,252,399
Total liability	\$ 3,214,602,366	13,024	3,214,615,390
Total Equity	194,692,725	(55,716)	194,637,009
Total Liability and Equity	\$ 3,409,295,091	(42,692)	3,409,252,399

(Continued)

LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

Item	Audited financial statements December 31, 2022	Adjustments- Increase (Decrease)	Accounts examined by the MOA December 31, 2022
Income statement			
Interest income	\$ 33,386,744	(18,805)	33,367,939
Total bad debts expense and guarantee liability provision	2,263,189	65	2,263,254
Operating expense	16,278,170	-	16,278,170
Profit from continuing operations before tax	14,845,385	(18,870)	14,826,515
Income tax expense	3,237,014	51,703	3,288,717
Profit	<u>\$ (11,608,371)</u>	<u>70,573</u>	<u>(11,537,798)</u>
Other comprehensive income	<u>(862,909)</u>	<u>14,857</u>	<u>(848,052)</u>
Total comprehensive income	<u>\$ 10,745,462</u>	<u>(55,716)</u>	<u>10,689,746</u>

The financial statements for 2022 have been examined by the DGBAS and MOA, and adjustments from this examination have been recognized accordingly in the financial statements; the details are as follows:

- (i) The National Audit Office adjusted the Bank's overseas branches from this examination that resulted in net income decreased by \$18,805, bad debts expense and guarantee liability provision increased by \$65, income tax expense increased by \$51,703, net income decreased by \$70,573, and other comprehensive income increased by \$14,857 in statement of comprehensive income in 2022. In addition, related adjustments effected assets decreased by \$42,692, liabilities increased by \$13,024 and equity decreased by \$55,716 in the balance sheet in 2022.
- (ii) Equity decreased by \$55,716, mainly due to net income of the year decreased by \$70,573, debt instrument at fair value through other comprehensive income of the year increased by \$14,857. According to the Budget Act, National Audit Office followed the regulations of "Guidelines for Dividends or Bonus or Profits to Be Paid to The National Treasury of The National Business organizations" adjusting the income distribution in 2022 retroactively, cause legal reserve of the income distribution decreased by \$21,172, special reserve of the income distribution decreased by \$28,229, and unappropriated earnings of the income distribution decreased by \$21,172.

(Continued)

LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

(c) Assets and liabilities-average balance and average interest rates

(i) Assets and liabilities-average balance and average interest rates

	December 31, 2023		December 31, 2022	
	Average balance	Average rates (%)	Average balance	Average rates (%)
Interest-earning assets:				
Due from the Central Bank	\$ 141,526,442	0.73	141,010,711	0.41
Due from banks and call loans to banks	94,443,355	3.10	128,542,392	1.36
Financial assets at fair value through profit or loss	236,862	2.18	854,086	2.20
Financial assets at fair value through other comprehensive income	98,080,345	2.90	87,326,849	1.93
Debt instruments invest at amortised cost	747,197,574	1.47	710,743,690	0.83
Securities bought under resale agreements	962,902	1.35	1,576,160	0.58
Loans	2,272,531,481	2.59	2,272,564,681	1.97
Interest-bearing liabilities:				
Due to banks and call loans from banks	170,704,277	3.45	161,089,441	1.27
Funds borrowed from the Central Bank and other banks	357,186,558	1.54	272,423,816	0.85
Government deposits	1,258,309	5.46	11,867,647	0.27
Demand deposits	240,599,644	0.93	208,749,701	0.45
Time deposits	449,316,356	0.86	500,458,666	0.29
Due to Taiwan Post Co., Ltd.	683,356,894	2.17	742,249,175	0.92
Saving deposits	1,191,694,629	1.22	1,171,528,500	0.81
Bank debentures	60,250,000	1.50	64,667,260	1.47

(ii) Net Position of Main Foreign Currencies

(in thousands of New Taiwan dollars)
(in thousands of Original Currency)

December 31, 2023			December 31, 2022		
Currency	Original currency amount	TWD amount	Currency	Original currency amount	TWD amount
USD	\$ 461,946	14,184,053	USD	576,052	17,699,211
CNY	723,621	3,131,832	CNY	739,215	3,260,677
AUD	12,515	262,807	SGD	11,514	263,321
SGD	6,937	161,706	HKD	24,732	97,442
EUR	2,040	69,413	GBP	2,124	78,734

Note 1: All foreign currencies were translated into TWD currency. The currencies above have been selected based on the highest net position.

Note 2: All foreign currencies' positions were shown as absolute amounts.

(Continued)

LAND BANK OF TAIWAN CO., LTD.
Notes to the Financial Statements

(iii) Profitability

%

Items		December 31, 2023	December 31, 2022
Return on total assets	Before income tax	0.50	0.44
	After income tax	0.39	0.34
Return on equity	Before income tax	8.42	7.81
	After income tax	6.51	6.08
Net income ratio		37.40	34.58

Note 1: Return on total assets = Income before (after) income tax/Average total assets.

Note 2: Return on equity = Income before (after) income tax/Average equity.

Note 3: Net income ratio = Income after income tax/Total net revenues.

Note 4: Income before (after) income tax was the income from January to the quarter's ending revenue amount.

(13) Other disclosures:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for The Bank:

(a) Information on significant transactions:None

- (i) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 10% of the capital stock:None
- (ii) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 10% of the capital stock:None
- (iii) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 10% of the capital stock:None
- (iv) Service charge discounts on transactions with related parties in an aggregate amount of NT\$5 million or more:None
- (v) Receivables from related parties with amounts exceeding the lower of NT\$300 million or 10% of the capital stock:None

(Continued)

LAND BANK OF TAIWAN CO., LTD.

Notes to Financial Statements

(vi) Information on NPL disposal transaction

1) Summary table of NPL disposal:

(In Thousands of New Taiwan Dollars)

Trade date	Counterparty	Debt component	Book value	Sale price	Gains on disposal	Additional term	Relationship
112.10.4	Deutsche Bank AG New York Branch	Mallinckrodt International Finance S.A.&Mallinckrodt CB LLC	149,307	176,144	26,837	Non	Non-interested parties

Note 1: Please state the specific type of debt, such as credit cards, cash cards, residential mortgages, accounts receivable, etc., as part of the composition of the debt.

Note 2: The carrying value is the original credit amount less allowance for doubtful accounts.

Note 3: Please disclose the contents of the conditions attached, such as profit-sharing conditions, buy-back or sell-back conditions, if any.

Note 4: Relationships should be reported in accordance with IAS 24, "Related Party Types," and the basis of judgment should be specified if the relationship is a substantive relationship.

2) Disposal of a single batch of NPL up to NT\$1 billion and information on each transaction:None

(vii) Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information:None

(viii) Business relationships and significant intercompany transactions:None

(ix) Other significant transactions that may have substantial influence upon the decisions made by financial report users:None

(b) Information on investees:None

(Continued)

LAND BANK OF TAIWAN CO., LTD.

Notes to Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Taiwan Land Bank Shanghai Branch	Banking business approved by local government	4,688,702	(3)	4,688,702	-	-	4,688,702	229,935	100.00%	229,935	6,452,343	-
Taiwan Land Bank Tianjin Branch	Banking business approved by local government	4,861,745	(3)	4,861,745	-	-	4,861,745	174,168	100.00%	174,168	5,977,114	-
Taiwan Land Bank Wuhan Branch	Banking business approved by local government	5,141,281	(3)	5,141,281	-	-	5,141,281	136,639	100.00%	136,639	5,678,640	-

Note: number(1) of investment method is to go to the mainland for investment directly.

Note 1 : Investment methods are divided into the following three types, just indicate the types

- (1) Direct investment in Mainland China.
- (2) Reinvest in Mainland China through a company in a third region (please specify the investment company in the third region).
- (3) Other methods : increase overseas branches.

Note 2 : The investment gains and losses recognized in the current period are self-settled by branches.

Note 3 : The relevant figures in this table should be presented in New Taiwan Dollars.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
14,691,728	19,160,728	126,033,365

Note1: In response to Shanghai Branch, Tianjin Branch and Wuhan Branch, the Bank remitted CNY3,000,000 equivalent to USD475,937, which was approved by Investment Board of the Ministry of Economic Affairs.

Note2: According to “Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China”, the investment limit is 60% of net value.

(Continued)

LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

(14) Segment information:

For management purposes, the Bank is organized into business units based on its products and service. The Bank adopted IFRS8 “Operating Segments” to present its operating segment information as follows:

- (a) Business of Domestic Banking: The Bank's main operating activities include domestic deposits and remittance agency business, credit policy formulation and credit review business, fund operation and management, and trust insurance business.
- (b) Business of Securities: The Bank's main business activities include planning, development, execution, and management of securities brokerage and underwriting services, and management of futures trading support services.
- (c) Business of offshore Banking: The main operating activities are the handling of deposits, credit facilities, and foreign exchange operations of offshore companies.
- (d) Business of Overseas Branches: The main operating activities include local deposit operations, credit facilities, import and export operations, and outward (inward) remittances.

Segment Financial Information

For the year ended December 31, 2023					
	Business of Domestic Banking	Business of Securities	Business of offshore Banking	Business of Overseas Branches	Total
Net interest income	\$ 22,946,101	259,207	4,715,908	3,267,706	31,188,922
Net fee income (loss)	2,174,428	(339)	44,398	147,093	2,365,580
Net other income (loss)	5,529,693	227,407	(3,686,636)	(405,323)	1,665,141
Net operating income	30,650,222	486,275	1,073,670	3,009,476	35,219,643
Operating expenses	935,225	2,324	(89,020)	(45,446)	803,083
Net Income before tax	16,523,377	128,002	13,990	707,912	17,373,281
	<u>\$ 13,191,620</u>	<u>355,949</u>	<u>1,148,700</u>	<u>2,347,010</u>	<u>17,043,279</u>

For the year ended December 31, 2022					
	Business of Domestic Banking	Business of Securities	Business of offshore Banking	Business of Overseas Branches	Total
Net interest income	\$ 27,173,552	220,920	2,964,213	2,720,962	33,079,647
Net fee income (loss)	2,344,781	(298)	62,956	187,918	2,595,357
Net other income (loss)	233,766	237,158	(1,558,496)	(1,219,493)	(2,307,065)
Net operating income	29,752,099	457,780	1,468,673	1,689,387	33,367,939
Bad debt expense and guarantee liability provisions	2,367,379	(6,192)	(37,860)	(60,073)	2,263,254
Net income before tax	15,472,560	115,060	13,629	676,921	16,278,170
	<u>\$ 11,912,160</u>	<u>348,912</u>	<u>1,492,904</u>	<u>1,072,539</u>	<u>14,826,515</u>

The Bank was in accordance with IFRS 8, not reported in Segment Information, because of the Bank made a decision by assets and liabilities volume indexes, and the informations were not relevant at decision epoch.

V. Risks Management

(I) Qualitative and Quantitative Risk Information by Category

i. Credit Risk Management System and Required Capital

(i) Credit Risk Management System (2023)

Item	Summary
I. Credit Risk Strategies, Goals, Policies and Procedures	<p>I. Credit risk management strategy: In order to optimize the use and allocation of capital, the Bank will implement a credit risk management strategy that considers various factors. These factors include the overall economy, the Bank's business strategies, the composition and quality of the credit portfolio, the cost of risk, returns, and the utilization of credit risk mitigation tools. These tools may include collateral, netting settlement, and third-party guarantees, which serve to reduce or transfer credit risk.</p> <p>II. Credit risk management goals: The Bank's credit risk management aims to maintain sufficient capital while maximizing risk-adjusted returns within acceptable levels of credit risk. In addition to assessing the credit risk of individual transactions, the Bank will also oversee the credit risk of the entire credit portfolio and its investment activities as a whole.</p> <p>III. Credit risk management policy:</p> <p>(I) The Bank shall establish operational rules for credit risk management within the confines of "Risk Management Policy and Procedures," "Credit Risk Management Guidelines," "Credit and Investment Policies" and risk management strategies and guidelines approved by board of directors, and within the scope of Basel Capital Accords and rules of the authority to serve as means of compliance.</p> <p>(II) To ensure effective use of capital, the Bank shall develop credit risk strategies and operational rules within the confines of Basel Capital Accords and rules of the authority after taking into account the overall economy, its business strategies, cost of risk and returns, and review/adjust on a regular basis. These strategies and rules must be submitted to the board of directors/senior management for approval before implementation.</p> <p>IV. Credit risk management procedures: Business administration departments/divisions of the Head Office, regional centers and business units are required to identify, measure, monitor, report, control, assess and examine possible credit risks associated with their credit and investment services, and thereby facilitate credit risk management on the bank level.</p>
II. Credit Risk Management Framework and Organization	<p>The Bank's credit risk management/control framework and organization comprises the board of directors, Risk Management Committee, Department of Auditing, Department of Risk Management, business administration units, treasury trading units and business units in three lines of defense:</p> <p>I. The First Line of Defense (the department that generates or bears the risk): Each unit within the Bank will assume risks associated with their respective functions. Units that are susceptible to credit risk will act as the primary line of defense against such risks. They will be responsible for developing and implementing internal control procedures that effectively cover all relevant business activities, taking into account the specific nature of the risks involved. These units will also be required to manage risks associated with business activities in compliance with applicable laws and internal regulations, utilizing appropriate credit risk tools.</p> <p>II. Second line of defense (risk management unit): The Department of Risk Management and all business administration units, as the second line of defense, are responsible for supporting and overseeing the first line of defense in identifying, measuring, and managing credit risks.</p> <p>(I) The Department of Risk Management undertakes an independent and specialized role to assess, supervise, control, review and report overall business risks for the entire bank.</p> <p>(II) Other business administration units will identify, assess, and control credit risks related to all current and new services or financial products under their management. They will establish and implement credit risk management policies and systems, oversee risk tolerance, monitor the current level of risk, and exercise appropriate authority.</p>

Item	Summary
	<p>III. Third line of defense (internal audit unit): The Auditing Department is responsible for auditing and evaluating the effectiveness of the credit risk management system implemented by the first and second lines of defense. Additionally, the department will monitor the implementation of corrective actions and improvements made to address weaknesses in the Bank's credit risk management. It will also provide recommendations for improvement when necessary.</p>
III. Scope and Features of credit Risk Reporting and Measurement System	<p>I. Credit risk reporting:</p> <p>(I) Scope: Information covered in regular credit risk monitoring reports submitted to the management include asset quality and exposure by country, industry, group, large borrowers and collateral.</p> <p>(II) Features: The system enables dynamic monitoring of credit risk. Any significant change or breach of limit will be circulated to the appropriate business administration unit and escalated to senior management for effective control of credit risk.</p> <p>II. Credit risk measurement system:</p> <p>(I) Scope: The Bank currently uses the standard approach to calculate required capital for credit risk. The risk management system generates monthly statements, and based upon which monitoring reports are prepared and presented to senior managers, the Risk Management Committee and the board of directors. The Bank also adopts the use of internal credit rating models to facilitate more advanced method of credit risk measurement. PD models such as mortgage application scorecard, mortgage behavior scorecard, consumer loan scorecard, credit card scorecard and corporate banking scorecard have been developed to enable borrower risk segregation, whereas mortgage LGD model is currently used to assist approval decisions. The Bank will continue introducing quantitative credit risk models for other services to enhance overall credit risk management capacity.</p> <p>(II) Features: By interfacing relevant information systems (such as credit rating system, credit assessment system etc.), the Bank has access to comprehensive credit risk data that can be used to monitor credit risk limits. Customers can then be segmented by default level for enhanced credit risk management.</p>
IV. Credit Risk Avoidance or Mitigation Policies, and Strategies and Procedures for Monitoring the Effectiveness of Risk Mitigation Tools	<p>I. Credit risk avoidance or mitigation policies:</p> <p>(I) To prevent losses in the event of borrower's or counterparty's default, the Bank may request for collateral, guarantor or seek risk-sharing from credit guarantee institution to mitigate risks of a particular credit case.</p> <p>(II) According to the Basel Capital Accord and rules of the authority, the Bank may configure its information systems to take into account credit risk mitigations (such as: eligible collaterals, guarantee institutions etc.) to accurately calculate credit risks net of mitigation.</p> <p>II. Strategies and procedures for ensuring effectiveness of credit risk monitoring, avoidance and mitigation tools: Through post-lending management and credit review, the Bank conducts regular examination of borrowers' financial position, collateral condition, guarantors' credit standing, and whether credit-guaranteed cases continue to satisfy conditions set forth by the Bank and guarantee institution, and thereby ensure the effectiveness of risk mitigation.</p>
V. Methods for Calculating Capital Requirements	Standard approach for credit risk.

(ii) Risk Exposure Amount and Accrued Capital After Risk Mitigation Under the Credit Risk Standardized Approach

December 31, 2023

Unit: NTD thousands

Exposure Type	Exposure Net of Risk Offset	Capital Requirement (Note)
Sovereignty	739,470,459	0
Non-government Public Organization	45,407,256	726,516
Banks (includes multilateral development banks)	139,656,476	4,048,465
Corporations (includes securities brokerage and insurance companies)	441,292,124	23,646,266
Retail Loans	70,910,049	2,741,942
Real Estate Loans	1,859,258,878	102,536,720
Investment in Equity Securities	16,240,383	1,299,231
Other Assets	87,023,786	4,661,681
Total	3,399,259,412	139,660,821

Note: Capital requirement is calculated by multiplying exposure net of risk offset with the statutory minimum capital adequacy ratio.

ii. Policies, Exposures, and Capital Requirements Relating to Securitized Assets

(i) Risk Management System for Securitized Assets (2023)

Item	Summary
I. Asset Securitization Management Strategies and Procedures	<p>I. Asset securitization management strategies: The Board of Directors has approved the following documents to ensure compliance with the Bank's investment activities: "Notes on Investment in Beneficiary Securities and Asset-backed Securities", "Notes on Foreign Currency Transactions", and "Notes on Short-term Bill Service". These documents provide guidelines for the Bank's investment in beneficiary securities, asset-backed securities (as a non-originator), and its involvement as an underwriter (originating bank) for asset-backed commercial paper.</p> <p>II. Asset securitization management procedures:</p> <p>(I) The Bank's "Notes on Investment in Beneficiary Securities and Asset-backed Securities" and "Notes on Short-term Bill Service" state that, if the Bank invests in any beneficiary securities or asset-backed securities (not as the originator) or serves as underwriter (originating bank) for asset-backed commercial paper, the underlying investment must satisfy the minimum credit rating requirement, and levels of approval authority must be established in advance. If the underlying investment is downgraded by the credit rating agency, the "Security Investment Team" shall convene a meeting immediately to discuss response measures and seek approval from the President.</p> <p>(II) According to the Bank's "Notes on Foreign Currency Transactions," business units that have a need to purchase convertible bonds, securitized assets or credit-linked notes (e.g. CDO, SIV) using foreign currency funds for business-related purpose are required to submit for review by "Investment Review Committee" and seek approval of the board of directors or managing directors before purchasing.</p>

Item	Summary
II. Asset Securitization Management Framework and Organization	<p>A risk management framework and organization involving the board of directors, Risk Management Committee, Department of Risk Management, business administration units of the Head Office, business (trading) units and Department of Auditing in three lines of defense has been established:</p> <ol style="list-style-type: none"> I. The first line of defense (the department that generates or bears the risk): Units involved in asset securitization, such as the Department of Treasury and treasury trading units, must take on, recognize, evaluate, and manage risks associated with asset securitization that are pertinent to their roles. They are also required to report risk management information in accordance with the applicable regulations. II. Second line of defense (risk management unit): The Department of Risk Management and all business administration units are responsible for supporting and overseeing the first line of defense in identifying, measuring, and managing risks associated with asset securitization. <ol style="list-style-type: none"> (I) The Department of Risk Management undertakes an independent and specialized role to assess, supervise, control, review and report asset securitization risks for the entire bank. (II) Other business administration units shall identify, assess and control risks associated with securitized assets under management, establish and execute risk management policies and systems for securitized assets under management, supervise risk tolerance and monitor current risk level, and exercise appropriate authority over securitized assets under management. III. Third line of defense (internal audit unit): The Auditing Department is responsible for auditing and evaluating the effectiveness of the asset securitization risk management system implemented by the first and second lines of defense. It also examines its suitability, reliability, and compliance with legal requirements.
III. Asset Securitization Risk Reporting, System Coverage, and Features	<ol style="list-style-type: none"> I. Asset securitization risk reporting: <ol style="list-style-type: none"> (I) Scope: Information covered in regular asset securitization investment reports submitted to the management include the category, amount, credit rating and valuation of individual investments. (II) Features: The Bank has developed loss controls and relevant response measures to facilitate risk management over investments in real estate investment trust beneficiary securities, domestic beneficiary securities, asset-backed securities and foreign currency-denominated asset securitization instruments. II. Asset securitization measurement system: <ol style="list-style-type: none"> (I) Scope: According to the Bank's "Notes on Investment in Beneficiary Securities and Asset-backed Securities," exposure of securitized instrument (such as credit rating, fulfillment of conditions, market information etc.) is monitored manually on a regular basis with capital requirement calculated. (II) Features: Outcomes from the above are compiled into regular risk monitoring reports and presented to the board of directors/Risk Management Committee. If any major abnormality is observed, business administration units are required to report to the senior manager for discussion of appropriate response measures.
IV. Risk Avoidance or Mitigation Policies Relating to Asset Securitization, and Strategies and Procedures for Monitoring the Effectiveness of Risk Mitigation Tools	<ol style="list-style-type: none"> I. Policy for asset securitization hedging or risk mitigation: In accordance with the Basel Accord and the regulations set by competent authorities, the credit risk reduction tools (such as credit enhancement and risk transfer) for asset securitization exposure must be included in the calculation of the Bank's asset securitization risk reduction effectiveness. II. Strategies and procedures for monitoring the effectiveness of asset securitization risk avoidance and mitigation tools: Periodically and irregularly monitor the credit rating and changes in the asset pool of investments in beneficiary securities and asset-backed securities. Implement a stop-loss limit mechanism when necessary and report to the chief according to the established procedure to effectively control the risk of asset securitization.
V. Methods for Calculating Capital Requirements	Standard approach for asset securitization.

(ii) Involvement in Asset Securitization: None.

(iii) Exposure and Required Capital of Asset Securitization: None.

(iv) Information on Securitized Instruments: None.

iii. Operational Risk Management and Capital Requirement

(i) Operational Risk Management System (2023)

Disclosures	Summary
I. Operational Risk Management Strategies and Procedures	<p>I. Operational risk management strategies: To maintain control over the materiality of operational risk in terms of frequency and loss amount, it is crucial for the Bank to actively identify, measure, and monitor all business and operational processes. Additionally, the Bank should continuously develop and establish various tools for managing operational risk.</p> <p>II. Operational risk management process:</p> <p>(I) The Bank has established business policies, internal control systems and standard operating procedures for all products offered and all business activities engaged. They serve as means of compliance and are intended to guide business units through the identification, measurement, monitoring, reporting, control, assessment and review of all major operational risks within the Bank.</p> <p>(II) Emergency response and recovery plans (business continuity plan) have been implemented to ensure that the Bank remains operational in the event of severe natural or manmade disaster. The Bank also has policies in place to regulate outsourcing.</p>
II. Operational Risk Management Framework and Organization	<p>The Bank's operational risk management framework and organization comprises the board of directors, Risk Management Committee, Department of Auditing, Department of Risk Management, business administration units (including Head Office and regional centers), treasury trading units and business units.</p> <p>The Bank adopts three lines of defense to segregate operational risk management responsibilities between internal units:</p> <p>I. The first line of defense (the department that generates or bears the risk):</p> <p>(I) Each unit within the Bank shall bear operational risks arising from routine activities that are relevant to their functions. Units characterized as the first line of defense are responsible for the identification and management of such risks, and shall design and implement effective internal control procedures covering all relevant business activities depending on the nature of risks involved. These units are also required to exercise control over operational risks in accordance with laws and internal rules using various tools as deemed appropriate, and shall make operational risk management reports to the appropriate business administration unit according to rules.</p> <p>(II) The first line of defense is responsible for ongoing management of operational risks that arise from business activities, including the following:</p> <p>i. Identification, measurement, assessment, control and mitigation of operational risks arising from business activities, and ensuring that business activities are consistent with the Bank's goals and missions.</p> <p>ii. The primary objective is to effectively manage operational risks within acceptable limits. If needed, any potential risks will be promptly communicated to the second line of defense.</p> <p>iii. Implement operational risk management procedures and maintain robust internal controls.</p> <p>iv. If procedures and controls are found to be inadequate, improvement plans will be proposed promptly.</p> <p>(III) The first line of defense should be self-evaluated for the above issues either regularly or on an unscheduled basis to ensure adequate control of operational risks.</p>

Disclosures	Summary
	<p>II. Second line of defense (risk management unit, namely Department of Risk Management and business administration units):</p> <p>(I) The purpose of the second line of defense is to assist and supervise the first line of defense in the identification, measurement and management of operational risks within the scope of responsibility, and to monitor progress of self-evaluations.</p> <p>(II) The Department of Risk Management undertakes an independent and specialized role to assess, supervise, control, review and report operational risks for the entire bank.</p> <p>(III) Other business administration units shall identify, measure, assess and monitor risks associated with business activities, products, operations, processes, information systems and any new services or financial products that are within their areas of responsibility. These units are required to develop appropriate risk management policies and systems in order to monitor risk tolerance and exposure given their business activities. Training programs should also be implemented so that employees of all levels may have an adequate understanding of the roles they have in regards to operational risk management, given the scope of their responsibilities.</p> <p>III. Third line of defense (Department Auditing):</p> <p>(I) The Department of Auditing serves as the third line of defense; its responsibilities are to audit and assess the effectiveness of the operational risk management system designed and executed for the first and second lines of defense, and to recommend improvements at an appropriate time.</p> <p>(II) The Department of Auditing is responsible for inspecting the effectiveness of operational risk control, performing audit on the execution of operational risk management practices, and following up on operational risk defects, rectifications and improvements across all units within the Bank.</p>
III. Scope and Features of Operational Risk Reporting and Measurement Systems	<p>I. Operational risk reporting:</p> <p>(I) Scope: Operational risk monitoring reports are made to the management on a regular basis</p> <p>i. Monthly, we conduct an analysis of operational risk losses by business category, overall operational risk exposure, key risk indicators developed by business administration units, alerts, recommendations, and trend analysis.</p> <p>ii. The operational risk self-assessment was conducted for the main business activities in the current year.</p> <p>(II) Features: Dynamic risk monitoring reports are generated whenever major operational risk issue arises. Any internal or external change of circumstance that affects risk exposure, control or assessment is also disclosed in operational risk monitoring reports.</p> <p>II. Operational risk management system:</p> <p>(I) Scope: The Bank has adopted tools, such as incident loss management, in compliance with the Basel Capital Accords, regulatory rules, and the Bank's business requirements. These tools help identify, measure, and assess operational risks related to the Bank's core products, operating activities, operational processes, and information systems. Through analyzing the causes and forms of risk, as well as the relevant business activities, the Bank summarizes the risk profile information and establishes an operational risk database by utilizing available management tools.</p> <p>(II) Features: Data on internal losses can be collected to establish a database for operational risk losses. Key risk indicators (KRI) can be implemented for measurable risks, with alert levels set to detect operational risks related to the Bank's primary products and operations. To manage risks that involve qualitative measurements, practices like operational risk control self-assessment (RCSA) are employed to effectively control operational risks associated with core operating activities.</p>

Disclosures	Summary
IV. Operational Risk Avoidance or Mitigation Policies, and Strategies and Procedures for Monitoring the Effectiveness of Risk Mitigation Tools	<p>I. Operational risk avoidance or mitigation policies</p> <p>(I) By analyzing the frequency of operational risk incidents in the Bank and the significance of the loss amount, we can determine the appropriate strategy for our core products and operating activities. This includes risk hedging, risk transfer or offset, risk reduction or control, risk undertaking, and other strategies outlined below:</p> <ul style="list-style-type: none"> i. Risks that have a low frequency but high potential for loss will be managed through limits, transfers, prevention, and mitigation as outlined in the business continuity plan, etc. ii. Risks that are characterized by high frequency and low potential loss will be managed through various methods, including internal control, insurance policies, outsourcing, KYC (Know Your Customer), compliance management, ethics management, and a focus on education and training. iii. To mitigate potential risks in various business operations, risk avoidance measures shall be implemented for risks that are characterized by high frequency and high potential loss. iv. Risks with low frequency and low potential risk can be accepted. <p>(II) The Bank's outsourced processes, including deposit and remittance, credit card, and electronic finance, are conducted in compliance with the "Land Bank of Taiwan Policy on Process Outsourcing", "Land Bank of Taiwan Notes on Deposit and Remittance Processing Outsourcing", "Land Bank of Taiwan Notes on Credit Card Processing Outsourcing", and "Land Bank of Taiwan Notes on Electronic Finance Processing Outsourcing". These internal policies act as measures to mitigate operational risks associated with the outsourcing arrangement.</p> <p>(III) The Bank procures various types of insurance to manage risks related to its operations. These include fidelity bonds insurance, cash insurance, safety deposit box insurance, theft insurance, public liability insurance, fire insurance, and electronic equipment insurance. Insurance coverage is considered an operational risk mitigation measure.</p> <p>II. Strategies and Procedures for Monitoring the Effectiveness of Operational Risk Avoidance and Mitigation Tools</p> <p>(I) Each business administration unit must regularly examine their policies and standard operating procedures related to their business activities. They should also conduct operational risk self-assessments to identify any unidentified risks or areas where control measures are not being properly enforced.</p> <p>(II) The Risk Management Department conducts regular assessments of operational risk control and related matters within the Bank. It provides timely recommendations as deemed necessary. Inadequate risk control areas are continuously monitored and tracked, with appropriate actions taken to minimize operational risks.</p> <p>(III) Each unit must conduct regular reviews of the purchased insurance coverage to ensure the continued validity of the insurance contracts.</p>
V. Methods for Calculating Capital Requirements	Standard approach for operational risk.

(ii) Capital Requirement for Operational Risks

Unit: NTD thousands

Year	Gross Profit	Capital Requirement
2021	33,875,857	
2022	35,831,207	
2023	37,001,061	
Total	106,708,125	4,876,329

iv. Market Risk Management System and Capital Requirement

(i) Market Risk Management System (2023)

Item	Summary
I. Market Risk Management Strategies and Procedures	<p>I. Market risk management strategies: The Bank assesses the potential for losses and their severity before or after transactions, as well as in the event of significant changes in the economic environment, in order to manage market risk. The Bank may choose to avoid, mitigate, transfer, control, or assume risks. For instance, it actively avoids high leverage and financial products with high volatility and significant losses. It also adopts strategies for liquidation, selling, and hedging to manage risks. The Bank effectively controls market risks in accordance with relevant regulations, such as limit management, stop-loss mechanisms, over-limit treatment, and risk undertaking. The Bank continuously monitors overall exposure and risk measurement outcomes to ensure the ongoing effectiveness of existing practices.</p> <p>II. Market risk management procedures:</p> <p>(I) The basic principles encompass a range of guidelines for product management, approval of new products/services, and identification, measurement, evaluation, monitoring, and reporting of market risk.</p> <p>(II) Market risk identification: Treasury trading units and risk managers are required to have comprehensive knowledge of market risk factors associated with each financial instrument. Risk managers should strive to identify all factors that could potentially lead to market risk, and ensure the accuracy and suitability of valuation methods for financial instruments.</p> <p>(III) Market risk measurement: Develop a quantitative model to measure market risk and integrate with daily risk limit management.</p> <p>(IV) Market risk valuation: Financial instruments held in hand are valued according to the market price approach, valuation models, external sources, or independent market price verification.</p> <p>(V) Market risk monitoring: The treasury trading unit conducts real-time and comprehensive monitoring of trade positions, utilizing various limits as part of its regular activities to manage transactions executed within authorized boundaries. This monitoring encompasses trade models, trading objectives, transaction procedures, outstanding positions, and gains or losses. It is imperative that this monitoring adheres to regulations and is carried out within established limits and authorizations. The Department of Risk Management diligently monitors and analyzes data produced by risk assessment models on a daily basis. Any significant exposure that poses a risk to the company's financial position, business performance, or compliance must be promptly escalated to the President and reported to the Board of Directors.</p> <p>(VI) Market risk reporting: The Department of Risk Management regularly submits market risk management reports and statements to the Risk Management Committee. These reports include information on the Bank's market risk exposure, holding position, position gains/losses, limit utilization, and compliance with market risk management regulations. Additionally, the department discloses market risk management information to the public in accordance with principles of public disclosure and rules set by the authority.</p>

Item	Summary
II. Market Risk Management Framework and Organization	<p>A market risk management framework and organization involving the board of directors, Risk Management Committee, Department of Auditing, Department of Risk Management, business administration units of the Head Office and treasury trading units in three lines of defense has been established:</p> <ol style="list-style-type: none"> I. First line of defense (treasury trading units): Each treasury trading unit must adhere to the Bank's market risk management regulations and develop appropriate policies to effectively manage market risks and positions. Additionally, they are responsible for actively monitoring their limits and reporting relevant information to the appropriate business administration unit or the Risk Management Department. II. Second line of defense (Department of Risk Management and business administration units at Head Office): <ol style="list-style-type: none"> (I) The Risk Management Department operates autonomously in managing market risks at the Bank. It functions as a central mid-office and is accountable for planning and executing the board-approved framework and procedures for market risk management. The department consolidates and discloses market risk information and management practices throughout the Bank; it makes regular reports and suggestions to the Risk Management Committee and board of directors, and serves as the communication hub for market risk management knowledge and culture. (II) The business administration units at the Head Office must adhere to the Bank's risk management policies, guidelines, and rules. They are responsible for identifying, assessing, supervising, and controlling market risks associated with their business activities. Additionally, they are expected to support the Department of Risk Management in managing market risks across the entire bank. This includes establishing transaction processes, managing limits, implementing risk controls, and developing guidelines for the products they oversee. III. Third line of defense (Auditing Department): The Auditing Department is responsible for auditing and evaluating the effectiveness of the market risk management system implemented by the first and second lines of defense. Additionally, the department will monitor the progress of rectifying and improving any weaknesses identified in market risk management, and provide suggestions for improvement when necessary.
III. Scope and Features of Market Risk Reporting and Measurement Systems	<ol style="list-style-type: none"> I. Market risk reporting: <ol style="list-style-type: none"> (I) Scope: The regular market risk monitoring reports submitted to management cover a range of content, including equity security risk, interest rate risk on fixed income securities, exchange rate risk, derivative risk, overseas securities risk, NTD and foreign currency liquidity/interest rate risk, and monitoring of investment limits. (II) Features: The current market risk report presents market risk for both NTD and foreign currency assets across the Bank. This is done through various methods such as VaR, β, DVO1, duration, gap analysis, and simulation. The report not only reflects market risk exposure, but also provides the management with an overview of profitability, limit utilization, investment performance, market trend etc., and thereby facilitate adjustments to the market risk management policy, procedures and limits. II. Market risk measurement system: <ol style="list-style-type: none"> (I) Scope: The Bank currently uses a value at risk (VaR) assessment system to measure individual VaR, VaR by market factor, and component VaR for shares, funds, bonds, bills and foreign currency positions. (II) Features: Through statistical analysis, the VaR assessment system evaluates maximum losses at a given probability over a period of time, which provides a reasonable estimate of market risk exposure in shares, funds, bonds, bills, foreign currencies, and the Bank as a whole. The system is also capable of presenting VaR by factors such as interest rate, exchange rate and securities for more in-depth measurement of market risks by factor. This insight provides the management the basis for making adjustments such as investment strategy and risk tolerance.

Item	Summary
IV. Market Risk Avoidance or Mitigation Policies, and Strategies and Procedures for Monitoring the Effectiveness of Risk Mitigation Tools	<p>I. Market risk avoidance or mitigation policies:</p> <p>(I) The Bank utilizes various risk management tools, such as trade limits, risk limits, maturity limits, stop-loss mechanisms, and hedging derivatives, in accordance with applicable regulations. These measures are implemented to effectively manage and mitigate market risk associated with each financial product.</p> <p>(II) The trading unit of the Bank assesses market rate trends for fixed rate foreign currency securities held by the Bank. To eliminate the risk of interest rate variation, the unit undertakes interest rate swaps. Before reaching the stop-loss threshold, several alerts have been established. The relevant units are notified via email whenever an alert is reached. This system is expected to effectively control and avoid market risks. The primary purpose of foreign exchange forward contracts is to meet customers' payment requirements for international trade or to hedge for financial management. These contracts aim to settle customers' positions. Customers' foreign currency swaps also aim to settle foreign currency exchanges or forwards. The primary purpose of these exchanges is to hedge, and market risk is controlled within a certain level.</p> <p>II. Strategies and procedures for monitoring the effectiveness of market risk avoidance and mitigation tools: The Bank regularly and as needed assesses VaR, notional principal, stop-loss threshold, and trading strategies. If an emergency or limit breach occurs, the trading unit must promptly respond by reducing positions, cutting losses, or implementing hedges to prevent further losses.</p>
V. Methods for Calculating Capital Requirements	Standard approach for market risk.

(ii) Market Risk Capital Requirement

December 31, 2023

Unit: NTD thousands

Risk Category	Capital Requirement
Interest Rate Risk	1,460,629
Equity Security Risk	1,599,508
Foreign exchange Risk	73,924
Commodity Risk	
Options Accounted For Using the Simple Method	61
Total	3,134,122

v. Liquidity Risk Disclosure

(i) Table of the Maturity Period Structure of the New Taiwan Dollar (December 31, 2023)

Unit: NTD thousands

	Total	Amount by Remaining Period to Maturity					
		0 to 10 days	11 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	Beyond 1 year
Major Maturing Fund Inflow	3,099,387,985	227,571,554	274,163,510	173,831,555	174,366,464	249,116,200	2,000,338,702
Major Maturing Fund Outflow	3,705,583,254	138,152,111	201,080,766	511,122,597	624,397,693	1,119,958,685	1,110,871,402
Period Gap	-606,195,269	89,419,443	73,082,744	-337,291,042	-450,031,229	-870,842,485	889,467,300

Note: For the bank part, it refers to the NTD amount of the entire bank.

(ii) Table of the Maturity Period Structure of the U.S. Dollar (December 31, 2023)

Unit: USD thousands

	Total	Amount by Remaining Period to Maturity				
		0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	Beyond 1 year
Major Maturing Fund Inflow	14,393,697	2,151,541	1,325,042	967,632	2,091,778	7,857,704
Major Maturing Fund Outflow	14,933,519	5,461,234	3,825,113	1,531,523	1,009,489	3,106,160
Period Gap	-539,822	-3,309,693	-2,500,071	-563,891	1,082,289	4,751,544

Note 1: For the bank part, it refers to the USD amount of the entire bank.

(iii) Liquidity Risk Management Measure

The Bank upholds the principles of diversification, stability, reliability, and low cost for its funding source and avoids over-concentration on the same maturity date, the same dispatch instrument, the same counterparty, etc. To effectively manage the Bank's liquidity risk, the Bank sets limits for liquidity risk management indicators to maintain appropriate liquidity. In addition, the Bank also has general and contingency measures for dealing with liquidity shortages or liquidity crises.

(II) Financial impacts in the event of major changes in local and foreign regulations, and countermeasures

- From the end of 2020, the Central Bank made five adjustments to its selective credit control measures. These adjustments specifically targeted residential loans for corporate entities, housing loans for natural persons' third households and above (including), housing loans for natural persons' second household in designated areas, loans for purchasing high-priced homes, loans for purchasing residential and commercial lands in urban planning zones, and mortgage loans on idle land in industrial areas. These measures were implemented to set regulations that restrict the maximum loan-to-value ratio. In the long term, the regulatory policies mentioned above do not have negative impacts on regular transactions and those that align with actual requirements. Instead, they contribute to the stable growth of the housing market. In recent years, the construction industry has experienced higher construction costs as a result of

external geopolitical risks. Furthermore, regulations imposed by the Central Bank have restricted their funding options, posing challenges for financially vulnerable small and medium-sized builders in obtaining funds through pre-sales of construction projects. This has led to increased financial risks associated with funding gaps. As a result, builders may need to reevaluate their project priorities, reconsider design modifications, and consistently monitor future trends in the overall real estate market. In order to enhance credit risk management in the construction industry, the Bank has issued the “Enhanced Risk Management Measures for the Construction Industry” in response to ongoing implementation of targeted prudential measures by regulatory authorities. These measures include the establishment of a preliminary review mechanism for extending credit to construction companies. The Bank consistently adheres to the 5P principles and prioritizes creditor’s rights. We carefully manage construction loans, strengthen the pre-loan review process, and implement post-loan management to ensure the quality of our credit assets. Furthermore, we leverage our integrated real estate services to seize business opportunities in individual loans. We make timely adjustments to the credit conditions of our housing loan projects to meet market demand, maintain a competitive edge in the housing loan market, and firmly hold the leading position in mortgage market share. Simultaneously, we continue to offer various policy loans, such as the “Youth Home Loans”, to enhance the Bank’s reputation as a professional real estate bank.

- ii. Since February 18, 2022, the FSC has issued an Interpretation regarding the “Applicable Risk Weights of Domestic Banks in Managing Real Estate Mortgage Loans”. This Interpretation has resulted in an increase in the risk weights for five specific categories: corporate housing loans, housing loans for individuals’ third properties, loans for land purchases, loans for unsold properties, and loans for vacant land in industrial areas. The Bank not only complies with government regulations regarding real estate, but also employs risk asset management mechanisms to maintain a sufficient capital adequacy ratio. Furthermore, we conduct careful evaluations of loans under the selective credit control measures of the regulatory authority to mitigate concentration risks. In order to enhance our capital structure and bolster our risk-taking ability, we consistently enhance our risk management measures.
- iii. On August 31, 2021, the Bankers Association of the Republic of China issued a letter amending the table of examples for the “Principles for Prevention by Banks of Embezzlement by Wealth Managers of Customer Funds”. Additionally, a new set of “red flags for embezzlement of customer funds by wealth managers” was added. These changes have taken effective since January 1, 2022. The Bank has developed monitoring statements and implemented manual verification measures based on 21 patterns. Furthermore, appropriate control mechanisms have been established to verify the accuracy and authenticity of bank statements and customer-retained emails. These measures have successfully prevented incidents of misappropriation of customer funds by wealth management specialists.
- iv. The regulatory authority has been tightening its oversight of insurance products. In response, insurance companies have cooperated by removing or temporarily halting the sale of certain popular products. This decrease in product options has impacted

the income generated from insurance service fees. The bank will closely monitor market trends in the insurance industry and work with insurance companies to introduce secure insurance products that offer asset inheritance features in a timely manner. We will also continuously improve our system functionality, streamline manual operations, and collaborate with relevant departments to offer comprehensive insurance services. Our goal is to enhance the competitiveness of our insurance business, expand our customer base, and drive business growth.

- v. The FSC announced the amended version of “Calculation and Worksheet for Bank Eligible Capital and Risk Weighted Asset” on December 7, 2023, which introduced amendments to the standard approach and internal rating approach of credit risk and matters concerning operational risk. The amended version will be implemented from January 1, 2025 onwards. The Bank is currently in midst of discussing changes to internal operating guidelines, and will amend calculation logics of its systems while making ongoing optimizations to ensure compliance with regulatory requirements. As a response to the regulatory amendments, the Bank will continue adopting management practices for risk-weighted assets and submit requests to the FSC for adopting rules that work in favor of reducing risk-weighted assets, and thereby increase capital adequacy ratio across all aspects.

(III) Financial impact and countermeasures in the event of technological and industrial change (including cyber security risk)

Technological advancements have revolutionized the financial industry. With the growing popularity of mobile communication, social media, big data, and cloud technology, it is essential for financial services to adapt and incorporate the latest innovations to provide convenience to consumers. Banks face the common challenge of developing customer-centric digital finance services to enhance overall competitiveness. To broaden the range and improve the quality of its services, the Bank has actively pursued digital transformation and reinforced cyber security measures. This is to ensure safety, convenience, and uninterrupted operations, as well as to drive technological innovations and manage risks. Summary of response measures:

- i. We have implemented an online loan preview platform that allows customers to preview mortgage and credit loan limits, interest rates, and lending terms. This system is also linked to an application webpage, providing customers with a convenient way to apply.
- ii. In order to establish a digital financial environment, broaden our online application’s customer base, and offer convenient online services to our clients, the Bank’s unified platform for personal finance services not only integrates the browsing of personal finance products and the calculation services for housing and credit loans, but also consistently improves the system to enhance online digital services in personal finance.
 - (i) Effective August 31, 2020, the Bank is now accepting applications from customers for credit card installment and other related services.

- (ii) From December 31, 2020, the Bank has been accepting applications from customers for “comprehensive consumer loans”, “increases in housing loans within the secured scope of the original mortgage”, and “credit cards”.
 - (iii) A new online housing loan application service has been introduced as of October 14, 2021.
 - (iv) A new feature for adjusting credit card limits has been implemented as of June 30, 2022.
 - (v) As of December 2, 2022, a new feature called “Credit Conditions Modification” has been introduced. This feature allows borrowers to apply online for an extension of the loan term for the “Ministry of Labor’s Relief Loan for Workers Affected by Severe COVID-19”.
 - (vi) On March 2, 2023, the Bank introduced 5 new functions including “credit card activation”, “lost credit card reporting”, “request for cash advance password”, “billing cycle change”, and “credit card payment history inquiry”.
- iii. Develop new types of digital financial services and strengthen the functions of various electronic channel services:
- (i) To provide customers with better transaction experience, the Bank introduced several new functions to personal internet banking (including mobile banking), including Fast Identity Online (FIDO, which uses biometrics instead of password for identification), SMS notification for every statement sent via e-mail, do-not-disturb during night hours, and push notification for debits to the NTD passbook account.
 - (ii) As an enhancement of digital services for corporate accounts, the corporate Internet banking App now provides “device binding and quick login” and “push notification” services so that customers may receive transaction results in real time. Meanwhile, the corporate collection system offers customizable quick payment feature, whereas the corporate payment system introduces “deposit account quick inquiry” for more informative overview of account information. A “transaction access configuration” function has also been made available so that businesses may configure access rights according to internal control.
 - (iii) To provide Taiwan Pay merchants with more convenient and broader diversity of collection services, the Bank now offers ATM QR Code merchants the option to incorporate “Common QR Code Payment Standard (TWQR)” into the shopping function.
- iv. Cross-industry cooperation to build a financial ecosystem and continue to promote open banking:
- (i) To offer customers a wider range of convenient payment options and enhance our connection with younger customers, we are actively forming strategic partnerships with multiple electronic payment institutions. As part of this effort, we have recently added Easy Wallet, O’Pay, and +Pay to our Bank’s Account Link payment service.

(ii) To broaden our range of financial services, the Bank has made significant investments in the research and development as well as the implementation of Open API. We have successfully completed the initial stage of the “Public Information Inquiry” using Open API and have partnered with the Taiwan Depository & Clearing Corporation to launch the second phase, which focuses on the “Consumer Information Inquiry” service. This service will offer our customers enhanced account integration capabilities.

v. To create a barrier-free digital financial environment:

For improved accessibility and inclusivity of financial service, the Bank has revised both the webpage version and simplified version of its online banking login page to include audio playback of the verification code, thereby making it easy for customers to log in and access functions such as account overview, transfer to preset/non-preset accounts etc. Meanwhile, additional ATMs for the visually impaired are being deployed to create a more well-rounded and friendly financial service environment.

vi. Customize the card machine to create a mobile payment environment:

To enhance the adoption of mobile payment in Taiwan, we have improved our infrastructure, expanded our application, and created a mobile payment environment. Our card readers now support contactless payment and mobile credit cards, as well as modular functions like “LINE Pay” and “QR Codes”. Additionally, we offer Dynamic Currency Conversion (DCC) services that can be customized with various functions for merchants. In the future, we will continuously enhance our credit card machine to improve service quality.

vii. Actively invite diverse merchants and seeking collaborative opportunities for cross-industry cooperation:

The Bank offers credit card acquiring services along with deposit and loan services to foster closer relationships with corporate customers. In recent years, the Bank has actively diversified its merchant base, including hotels, hospitals, large malls, and chain stores, and built on top of a strong portfolio of land and construction financing loans comprising construction companies. Moving forward, we will focus on targeting small and medium-sized merchants to increase Service Fee Income from acquiring services. Furthermore, we are actively seeking cooperation with merchants to expand our acquiring business market.

viii. Cultivating a digital mindset among employees in response to trends in FinTech:

In light of how consumers have shifted from offline banking to online banking, the Bank will continue to arrange for employees to receive professional training and will encourage them to take FinTech courses offered by external institutions. These courses will help employees become familiar with the regulations outlined in the Regulations Governing the Standards for Electronic Banking of Financial Institutions, the Personal Data Protection Act, and the Financial Consumer Protection Act. By doing so, employees will be able to ensure information security and consumer protection when applying financial technology.

ix. Apply AI to expand the intelligent customer service system:

Considering how financial services have diversified over time, the Bank will aim to provide customers with consultancy services of better quality by incorporating new technologies such as customer service bot, AI, and voice-linked knowledge base that are aimed toward improving service efficiency and customer experience.

x. In compliance with the financial cyber security action plan to strengthen cyber security protection and carry out a cyber security monitoring mechanism:

(i) In accordance with the financial cyber security action plan of the FSC, the Bank improves its financial cyber security protection in four key areas. These include enhancing cyber security supervision, deepening cyber security governance, refining cyber security resilience, and utilizing cyber security joint defense. The goal is to ensure that customers receive dependable financial services.

(ii) The Bank utilizes various security measures to ensure the security and smooth operation of its information systems. These measures include distributed denial-of-service (DDoS) defense devices, traffic scrubbing mechanisms, intrusion defense systems, web application firewalls, multi-tier firewalls, email protection, web security protection, and other gateway side defense measures. Additionally, the Bank employs antivirus software, data loss prevention (DLP), asset management, IP/MAC control, Active Directory (AD) security policies, security updates, vulnerability scanning, and patching mechanisms.

(iii) The Bank will collaborate with the Financial Security Operations Center (F-SOC) to enhance the monitoring of cyber security. We will analyze network connections and user activities, track anomalies, stay updated on external cyber security information, and develop countermeasures against known hacker threats and attacks. These efforts will improve our response speed and adaptability to security incidents.

(iv) The Bank organizes cybersecurity attack and defense drills, and completed “drill on unalerted non-intrusion attack against external services through cloud” and “functional validation of cybersecurity protection products” during the year to raise the level of cybersecurity protection.

(IV) Impacts on Crisis Management in the Event of a Change in Corporate Image and Countermeasures

The Bank is the only state-owned bank in Taiwan that specializes in real estate-backed credit. In addition to supporting the government in policy lending, the Bank also contributes expertise from real estate, personal banking, corporate banking, foreign currency, trust, securities to wealth management to provide customers with the most comprehensive range of financial services. Motivated by progress, harmony, passion and innovation, the Bank actively contributes to charitable causes with the goal of giving back to the society, and for which it has earned the recognition of the general public. The Bank sees itself as a member of the society, and has assigned dedicated personnel and implemented policies to address various situations.

(V) Expected Benefits of Business Office Expansion, the Potential Risks Involved, and Countermeasures

- i. Branch establishment, relocation and consolidation plans are made to maximize efficiency of resource allocation and overall performance, and these decisions take into account various factors such as the performance of existing branches, business potentials, number of local financial institutions, population per bank, number of businesses and changes in the financial environment before execution. By providing customers with accessible financial service, the Bank aims to secure a solid foundation for its growth.
- ii. Overseas expansion not only increases market exposure and reduces concentration to the domestic market, but also opens up opportunities to serve Taiwanese enterprises operating in the local area. Overseas office expansion may be prone to political, economic, financial and compliance risks, which is why the Bank will be targeting cities that are characterized by strong presence of Taiwanese enterprises and present potentials of regional financial center. Factors such as local politics, economic prospect and on-site inspection will all affect the outcome of the Bank's future branch establishment.

(VI) Business Concentration Risks and Countermeasures

The Bank has imposed limits and percentages on various types of credit risk exposure to prevent concentration. These limits and percentages are adjusted flexibly to accommodate changes in terms of economic environment, industry prospect, credit policy and growth requirement. The following is a summary of the measures adopted in this regard:

- i. Industry credit limits have been implemented to regulate the percentage of exposure to each industry (including real estate). These limits are reviewed once every six months.
- ii. The Bank has "Group Borrower Limits" in place to control credit exposure to group borrowers. These limits are reviewed at least once a year.
- iii. Construction loan: Limits and percentages have been imposed on collateral location (county/city), region and group association, which are reviewed once every six months.
- iv. Concentration of real estate-backed loans is controlled using relevant measures and monitoring systems, which are reviewed at least once a year.

VI. Business concentration risks and countermeasures

- (I) In order to establish a robust disaster prevention and rescue system, enhance measures to prevent significant disasters, and enable swift and effective responses to minimize damages in the event of a major disaster, as well as ensure the

uninterrupted operation of disaster relief funds, stabilize the lives of disaster victims, and promptly restore social economy and order, we have developed the Bank's "Emergency Response Manual for Disasters". This manual will be regularly reviewed and updated based on the current situation of disasters, and all departments will be notified to implement it accordingly.

- (II) The "Operational Procedures for Preventing Typhoon Disaster Losses" have been implemented. In the event of a typhoon warning, an emergency response team meeting will be held to address strategies for handling the approaching typhoon, ensuring preparedness for disasters, mitigating flooding, and minimizing damages.
- (III) In order to improve the Bank's ability to respond to potential disasters resulting from major epidemics, the "Taiwan Land Bank Emergency Response Operations Manual for Major Pandemics" has been created. This manual will undergo regular reviews and updates to ensure continuous operations.
- (IV) The "Taiwan Land Bank Guidelines for Operation Crisis Management" has been developed to effectively manage operational crises, ensure compliance with regulatory authorities, and establish appropriate operational mechanisms.
- (V) In order to maintain uninterrupted operations during employee strike incidents, we have established the "Operational Continuity Plan in Response to Strike Events". This plan will be regularly reviewed and updated to prevent any disruptions to our operations and to safeguard the rights and interests of our customers.

Head Office and Global Branches

I. Domestic Head Office and Branches Units

Branch	Address	Telephone	FAX	SWIFT
HEAD OFFICE				
Offshore Banking Branch	No.46, Guanqian Rd., Zhongzheng District, Taipei City 100007, Taiwan (R.O.C.)	(02)23483456		
Department of Securities	No.81, Yanping S. Rd., Zhongzheng District, Taipei City 100011, Taiwan (R.O.C.)	(02)23483962	(02)23891864	
Department of Trusts	No.53, Huaining St., Zhongzheng District, Taipei City 100007, Taiwan (R.O.C.)	(02)23483456	(02)23754092	
Department of International Banking	No.46, Guanqian Rd., Zhongzheng District, Taipei City 100007, Taiwan (R.O.C.)	(02)23483456	(02)23317322	LBOTTWTP088
Department of Business	No.46, Guanqian Rd., Zhongzheng District, Taipei City 100007, Taiwan (R.O.C.)	(02)23483456	(02)23752716	LBOTTWTP041
Department of Insurance Agent	No.53, Huaining St., Zhongzheng District, Taipei City 100007, Taiwan (R.O.C.)	(02)23484100	(02)23755255	
DOMESTIC BRANCHES				
Taipei City				
Nankang Branch	No.364 Sec. 1, Nangang Rd., Nangang District, Taipei City 115622, Taiwan (R.O.C.)	(02)27834161	(02)27820454	LBOTTWTP004
Taipei Branch	No.72, Bo-ai Rd., Zhongzheng District, Taipei City 100001, Taiwan (R.O.C.)	(02)23713241	(02)23752122	LBOTTWTP005
Minquan Branch	No.26, Minquan W. Rd., Zhongshan District, Taipei City 104026, Taiwan (R.O.C.)	(02)25629801	(02)25616053	LBOTTWTP006
Kuting Branch	No.125, Sec. 3, Roosevelt Rd., Da-an District, Taipei City 106609, Taiwan (R.O.C.)	(02)23634747	(02)23632118	LBOTTWTP007
Changan Branch	No.52, Sec. 2, Chang-an E. Rd., Zhongshan District, Taipei City 104093, Taiwan (R.O.C.)	(02)25238166	(02)25434262	LBOTTWTP008
Shihlin Branch	No.689, Sec. 5, Zhongshan N. Rd., Shilin District, Taipei City 111009, Taiwan (R.O.C.)	(02)28341361	(02)28313863	LBOTTWTP009
Hoping Branch	No.15, Sec. 3, Heping E. Rd., Da-an District, Taipei City 106102, Taiwan (R.O.C.)	(02)27057505	(02)27015459	LBOTTWTP045
Jenai Branch	No.29, Sec. 3, Ren-ai Rd., Da-an District, Taipei City 106675, Taiwan (R.O.C.)	(02)27728282	(02)27110884	LBOTTWTP057

Branch	Address	Telephone	FAX	SWIFT
Chunghsiao Branch	No.129, Sec. 1, Fuxing S. Rd., Da-an District, Taipei City 106660, Taiwan (R.O.C.)	(02)27312393	(02)27313649	LBOTTWTP058
Sungshan Branch	No.2, Sec. 1, Dunhua S. Rd., Songshan District, Taipei City 105408, Taiwan (R.O.C.)	(02)25774558	(02)25780590	LBOTTWTP063
Neihu Branch	No.156, Sec. 6, Minquan E. Rd., Neihu District, Taipei City 114025, Taiwan (R.O.C.)	(02)27963800	(02)27963961	LBOTTWTP064
Tunhua Branch	No.76, Sec. 2, Dunhua S. Rd., Da-an District, Taipei City 106485, Taiwan (R.O.C.)	(02)27071234	(02)27066470	LBOTTWTP074
Hinyi Branch	No.436, Sec. 1, Keelung Rd., Xinyi District, Taipei City 110053, Taiwan (R.O.C.)	(02)27585667	(02)27582282	LBOTTWTP079
Fuhsin Branch	No. 234, Fuxing North Road, Songshan District, Taipei City 104112, Taiwan (R.O.C.)	(02)25090888	(02)25160825	LBOTTWTP090
Wenshan Branch	No.206, Jingxing Rd., Wenshan District, Taipei City 116051, Taiwan (R.O.C.)	(02)29336222	(02)29335279	LBOTTWTP093
Tungtaipei Branch	No.107, Songde Rd., Xinyi District, Taipei City 110031, Taiwan (R.O.C.)	(02)27272588	(02)27285721	LBOTTWTP099
Changchuen Branch	No.156, Changchun Rd., Zhongshan District, Taipei City 104088, Taiwan (R.O.C.)	(02)25681988	(02)25683261	LBOTTWTP102
Chunglun Branch	No.26, Dongxing Rd., Songshan District, Taipei City 105612, Taiwan (R.O.C.)	(02)27477070	(02)27471762	LBOTTWTP106
Wanhua Branch	No.205, Sec. 2, Xiyuan Rd., Wanhua District, Taipei City 108038, Taiwan (R.O.C.)	(02)23322778	(02)23323391	LBOTTWTP116
Shihu Branch	No.185, Gangqian Rd., Neihu District, Taipei City 114722, Taiwan (R.O.C.)	(02)26599888	(02)26593659	LBOTTWTP120
Dah An Branch	No.37, Sec. 2, Da-an Rd., Da-an District, Taipei City 106099, Taiwan (R.O.C.)	(02)23256266	(02)23259819	LBOTTWTP123
Tienmu Branch	No.122, Sec. 2, Zhongzheng Rd., Shilin District, Taipei City 111019, Taiwan (R.O.C.)	(02)28767287	(02)28767257	LBOTTWTP133
Chengtung Branch	No.46-2, Sec. 2, Zhongshan N. Rd., Zhongshan District, Taipei City 104016, Taiwan (R.O.C.)	(02)25676268	(02)25217239	LBOTTWTP140
Sungnan Branch	No.130, Songshan Rd., Xinyi District, Taipei City 110048, Taiwan (R.O.C.)	(02)27631111	(02)27669933	LBOTTWTP141
DaZhi Branch	No.289, Lequn 2nd Rd., Zhongshan Dist., Taipei City 104052, Taiwan (R.O.C.)	(02)85025868	(02)85026786	LBOTTWTP160
NanJing Donglu Branch	1F, No.70, Sec.3, NanJing E.Rd., ZhongShan District, Taipei City 104503, Taiwan (R.O.C.)	(02)25036345	(02)25035643	LBOTTWTP165

Branch	Address	Telephone	FAX	SWIFT
New Taipei City				
Chungho Branch	No.323, Jingping Rd., Zhonghe District, New Taipei City 235075, Taiwan (R.O.C.)	(02)29461123	(02)29440419	LBOTTWTP003
Sanchung Branch	No.1-8, Sec. 2, Chongxin Rd., Sanchong District, New Taipei City 241050, Taiwan (R.O.C.)	(02)89712222	(02)29848053	LBOTTWTP010
Yungho Branch	No.33, Zhulin Rd., Yonghe District, New Taipei City 234002, Taiwan (R.O.C.)	(02)89268168	(02)89268181	LBOTTWTP049
Panchiao Branch	No.143, Sec. 1, Wunhua Rd., Banqiao District, New Taipei City 220531, Taiwan (R.O.C.)	(02)29689111	(02)29667278	LBOTTWTP050
Hsintien Branch	No.309, Sec. 1, Beixin Rd., Xindian District, New Taipei City 231031, Taiwan (R.O.C.)	(02)29151234	(02)29178333	LBOTTWTP061
Luchou Branch	No.100, Zhongshan 1st Rd., Luzhou District, New Taipei City 247019, Taiwan (R.O.C.)	(02)22859100	(02)22858983	LBOTTWTP076
Tucheng Branch	No.127, Sec. 1, Zhongyang Rd., Tucheng District, New Taipei City 236027, Taiwan (R.O.C.)	(02)22651000	(02)22667858	LBOTTWTP080
Tanshui Branch	No.42, Sec. 1, Zhongshan N. Rd., Danshui District, New Taipei City 251017, Taiwan (R.O.C.)	(02)26219691	(02)26219695	LBOTTWTP081
Hsinchuang Branch	No.221, Siyuan Rd., Xinzhuang District, New Taipei City 242033, Taiwan (R.O.C.)	(02)29973321	(02)29973320	LBOTTWTP086
Shuangho Branch	No.120, Sec. 2, Zhongshan Rd., Zhonghe District, New Taipei City 235022, Taiwan (R.O.C.)	(02)22425300	(02)22425495	LBOTTWTP087
Tungpanchiao Branch	No.212, Minzu Rd., Banqiao District, New Taipei City 220716, Taiwan (R.O.C.)	(02)29633939	(02)29633931	LBOTTWTP095
Shulin Branch	No.82, Bao-an 2nd St., Shulin District, New Taipei City 238038, Taiwan (R.O.C.)	(02)26845116	(02)26845115	LBOTTWTP098
Hsianchung Branch	No.88, Sec. 1, Chongyang Rd., Sanchong District, New Taipei City 241512, Taiwan (R.O.C.)	(02)29846969	(02)29859842	LBOTTWTP100
Huachiang Branch	No.2, Alley 1, Lane 182, Sec. 2, Wunhua Rd., Banqiao District, New Taipei City 220467, Taiwan (R.O.C.)	(02)22518599	(02)22517665	LBOTTWTP107
Nanhsinchuang Branch	No.288-23, Xinshu. Rd., Xinzhuang District, New Taipei City 242065, Taiwan (R.O.C.)	(02)22066080	(02)22066372	LBOTTWTP111
Sanshia Branch	No. 229, Xueqin Road, Shulin District, New Taipei City 238671, Taiwan (R.O.C.)	(02)86711010	(02)86711033	LBOTTWTP112
Hsichih Branch	No.306-3, Sec. 1, Datong Rd., Xizhi District, New Taipei City 221006, Taiwan (R.O.C.)	(02)26498577	(02)26498666	LBOTTWTP115

Branch	Address	Telephone	FAX	SWIFT
Kuangfu Branch	No.148, Sec. 2, Sanmin Rd., Banqiao District, New Taipei City 220079, Taiwan (R.O.C.)	(02)89522345	(02)89522395	LBOTTWTP129
Taishan Branch	No.168, Sec. 3, Mingzhi Rd., Taishan District, New Taipei City 243091, Taiwan (R.O.C.)	(02)29018899	(02)29014174	LBOTTWTP134
Xike Branch	No.93, Sec. 1, Xintai 5 th Rd., Xizhi District, New Taipei City 221416, Taiwan (R.O.C.)	(02)26972858	(02)26972858	(02)26972601
Beisanchong Branch	No. 99, Sec. 4, Chongyang Rd., Sanchong District, New Taipei City 241036, Taiwan (R.O.C.)	(02)89821919	(02)89819492	LBOTTWTP157
Yuantong Branch	No.192, Liancheng Rd., Zhonghe District, New Taipei City 235038, Taiwan (R.O.C.)	(02)22497071	(02)22497701	LBOTTWTP158
Baozhong Branch	No.94-3, Baozhong Rd., Xindian District, New Taipei City 231706, Taiwan (R.O.C.)	(02)29111898	(02)29111737	LBOTTWTP163
Keelung City				
Keelung Branch	No.18, Yi 1st Rd., Zhongzheng District, Keelung City 202001, Taiwan (R.O.C.)	(02)24210200	(02)24224407	LBOTTWTP002
Taoyuan City				
Taoyuan Branch	No.75, Zhongzheng Rd., Taoyuan District, Taoyuan City 330002, Taiwan (R.O.C.)	(03)3379911	(03)3379976	LBOTTWTP013
Chungli Branch	No.190, Zhongshan Rd., Zhongli District, Taoyuan City 320001, Taiwan (R.O.C.)	(03)4253140	(03)4253674	LBOTTWTP014
Shihmen Branch	No.49, Beilong Rd., Longtan District, Taoyuan City 325012, Taiwan (R.O.C.)	(03)4792101	(03)4708934	LBOTTWTP015
Pingchen Branch	No.5, Shanding Sec., Zhongfeng Rd., Pingzhen District, Taoyuan City 324034, Taiwan (R.O.C.)	(03)4699111	(03)4699119	LBOTTWTP091
Nanknag Branch	No.16, Luoyang St., Luzhu District, Taoyuan City 338023, Taiwan (R.O.C.)	(03)3526556	(03)3527099	LBOTTWTP096
Nantaoyuan Branch	No.835, Zhongshan Rd., Taoyuan District, Taoyuan City 330064, Taiwan (R.O.C.)	(03)3786969	(03)3786984	LBOTTWTP114
Bade Branch	No.702, Sec. 1, Jieshou Rd., Bade District, Taoyuan City 334027, Taiwan (R.O.C.)	(03)3667966	(03)3669900	LBOTTWTP121
Peichungli Branch	No.400, Huanbei Rd., Zhongli District, Taoyuan City 320675, Taiwan (R.O.C.)	(03)4250011	(03)4223230	LBOTTWTP124
Peitaoyuan Branch	1F.-1, No.1071, Zhongzheng Rd., Taoyuan District, Taoyuan City 330061, Taiwan (R.O.C.)	(03)3566199	(03)3565406	LBOTTWTP131
Dayuan Branch	No. 55, Zhongzheng E. Rd., Dayuan District, Taoyuan City 337015, Taiwan (R.O.C.)	(03)3850805	(03)3856625	LBOTTWTP136
Yangmei Branch	No.116, Daping St., Yangmei District, Taoyuan City 326102, Taiwan (R.O.C.)	(03)4881215	(03)4881217	LBOTTWTP137

Branch	Address	Telephone	FAX	SWIFT
Linkou Branch	No.109, Wunhua 2nd Rd., Guishan District, Taoyuan City 333010, Taiwan (R.O.C.)	(03)3182128	(03)3183719	LBOTTWTP143
Neili Branch	No.33, Huanzhong E. Rd., Zhongli District, Taoyuan City 320063, Taiwan (R.O.C.)	(03)4612666	(03)4613868	LBOTTWTP145
Qingpu Branch	No. 262, Section 1, Gaotiezhanqian West Road, Zhongli District, Taoyuan City 320016, Taiwan (R.O.C.)	(03)2876911	(03)2876922	LBOTTWTP167
Hsinchu City				
Hsinchu Branch	No.1, Zhongyang Rd., Hsinchu City 300005, Taiwan (R.O.C.)	(03)5213211	(03)5233693	LBOTTWTP016
Tungshsinchu Branch	No.22, Beida Rd., Hsinchu City 300024, Taiwan (R.O.C.)	(03)5353998	(03)5353923	LBOTTWTP103
Hsinchu County				
Chutung Branch	No.10, Donglin Rd., Zhudong Township, Hsinchu County 310007, Taiwan (R.O.C.)	(03)5961171	(03)5961175	LBOTTWTP017
Hukou Branch	No.102, Sec. 1, Zhongzheng Rd., Hukou Township, Hsinchu County 303116, Taiwan (R.O.C.)	(03)5996111	(03)5901987	LBOTTWTP052
Chupei Branch	No.130, Xianzheng 9th Rd., Zhubei City, Hsinchu County 302099, Taiwan (R.O.C.)	(03)5532231	(03)5532308	LBOTTWTP108
Hsingong Branch	No.76, Zhonghua Rd., Hukou Township, Hsinchu County 303115, Taiwan (R.O.C.)	(03)5981969	(03)5985373	LBOTTWTP118
ITRI Branch	No.195, Sec. 4, Zhongxing Rd., Zhudong Township, Hsinchu County 310401, Taiwan (R.O.C.)	(03)5910188	(03)5910199	LBOTTWTP156
Miaoli County				
Miaoli Branch	No.402, Zhongzheng Rd., Miaoli City, Miaoli County 360003, Taiwan (R.O.C.)	(037)320531	(037)329215	LBOTTWTP020
Toufen Branch	No.932, Zhonghua Rd., Toufen Township, Miaoli County 351029, Taiwan (R.O.C.)	(037)667185	(037)667188	LBOTTWTP021
Tunghsiao Branch	No.85, Zhongzheng Rd., Tongxiao Township, Miaoli County 357006, Taiwan (R.O.C.)	(037)756010	(037)756014	LBOTTWTP084
Chunan Branch	No.62, Zhongzheng Rd., Zhunan Township, Miaoli County 350007, Taiwan (R.O.C.)	(037)551022	(037)551090	LBOTTWTP146
Taichung City				
Fengyuan Branch	No.508, Zhongshan Rd., Fengyuan District, Taichung City 420205, Taiwan (R.O.C.)	(04)25242191	(04)25283716	LBOTTWTP022
Tachia Branch	No.40, Zhenzheng Rd., Dajia District, Taichung City 437005, Taiwan (R.O.C.)	(04)26877181	(04)26860142	LBOTTWTP023

Branch	Address	Telephone	FAX	SWIFT
Taichung Branch	No.1, Sec. 2, Ziyou Rd., Central District, Taichung City 400604, Taiwan (R.O.C.)	(04)22235021	(04)22204961	LBOTTWTP024
Hsitaichung Branch	No.2-4, Wuquan Rd., West District, Taichung City 403007, Taiwan (R.O.C.)	(04)22289151	(04)22276621	LBOTTWTP055
Taiping Branch	No.131, Sec. 3, Zhongshan Rd., Taiping District, Taichung City 411029, Taiwan (R.O.C.)	(04)22780788	(04)22783488	LBOTTWTP072
Peitaichung Branch	No.79, Sec.1, Zhongping Rd., Beitun District, Taichung City 404639, Taiwan (R.O.C.)	(04)22016902	(04)22014766	LBOTTWTP077
Chungkang Branch	No.598, Sec.2, Wenxin Rd., Xitun District, Taichung City 407543, Taiwan (R.O.C.)	(04)23288800	(04)23287958	LBOTTWTP094
Nantaichung Branch	No.81, Guoguang Rd., South District, Taichung City 402010, Taiwan (R.O.C.)	(04)22240323	(04)22201390	LBOTTWTP101
Shalu Branch	No.407, Zhongshan Rd., Shalu District, Taichung City 433104, Taiwan (R.O.C.)	(04)26651717	(04)26651256	LBOTTWTP113
Wujih Branch	No.535, Sec.1, Zhongshan Rd., Wuri District, Taichung City 414003, Taiwan (R.O.C.)	(04)23360311	(04)23360321	LBOTTWTP119
Beituen Branch	No.232, Sec. 4, Wenxin Rd., North District, Taichung City 404034, Taiwan (R.O.C.)	(04)22915678	(04)22913636	LBOTTWTP122
Jhongke Branch	2F.-1, No.6, Zhongke Rd., Daya District, Taichung City 428203, Taiwan (R.O.C.)	(04)25658228	(04)25658255	LBOTTWTP135
Situn Branch	No. 286, Shizheng North 2nd Road, Xitun District, Taichung City 407024, Taiwan (R.O.C.)	(04)22593111	(04)22580129	LBOTTWTP144
Dali Branch	No.405, Sec. 2, Guoguang Rd., Dali District, Taichung City 412020, Taiwan (R.O.C.)	(04)24061679	(04)24061579	LBOTTWTP150
Nantun Branch	No.65, Wenxin S. Rd., Nantun District, Taichung City 408008, Taiwan (R.O.C.)	(04)24723568	(04)24727911	LBOTTWTP161
Zhongcing Branch	No.358 Sec.2, Jhongcing Rd., Beitun District, Taichung City 406036, Taiwan (R.O.C.)	(04)22956677	(04)22956776	LBOTTWTP164
Nantou County				
Nantou Branch	No.202, Zhongshan St., Nantou City, Nantou County 540018, Taiwan (R.O.C.)	(049)2222143	(049)2221833	LBOTTWTP025
Tsaotun Branch	No.601-7, Zhongzheng Rd., Caotun Township, Nantou County 542020, Taiwan (R.O.C.)	(049)2330573	(049)2353647	LBOTTWTP082
Changhua County				
Yuanlin Branch	No.100, Sec. 2, Zhongshan Rd., Yuanlin City, Changhua County 510001, Taiwan (R.O.C.)	(04)8323171	(04)8330634	LBOTTWTP026
Changhua Branch	No.98, Guangfu Rd., Changhua City, Changhua County 500005, Taiwan (R.O.C.)	(04)7230777	(04)7242934	LBOTTWTP047

Branch	Address	Telephone	FAX	SWIFT
Fuhsing Branch	No.399, Sec. 7, Zhanglu Rd., Fuxing Township, Changhua County 506025, Taiwan (R.O.C.)	(04)7785566	(04)7789933	LBOTTWTP142
Yunlin County				
Touliu Branch	No.72, Zhongshan Rd., Douliu City, Yunlin County 640005, Taiwan (R.O.C.)	(05)5323901	(05)5334295	LBOTTWTP027
Peikang Branch	No.90, Minzhu Rd., Beigang Township, Yunlin County 651002, Taiwan (R.O.C.)	(05)7836111	(05)7835525	LBOTTWTP028
Huwei Branch	No.490, Sec. 1, Linsen Rd., Huwei Township, Yunlin County 632003, Taiwan (R.O.C.)	(05)6327373	(05)6320297	LBOTTWTP056
Chiayi City				
Chiayi Branch	No.309, Zhongshan Rd., Chiayi City 600008, Taiwan (R.O.C.)	(05)2241150	(05)2283540	LBOTTWTP029
Chiasing Branch	No.28, Ziyu Rd., Chiayi City 600081, Taiwan (R.O.C.)	(05)2810866	(05)2810882	LBOTTWTP110
Chiayi County				
Minhsiung Branch	No.126, Sec. 3, Jianguo Rd., Minxiong Township, Chiayi County 621019, Taiwan (R.O.C.)	(05)2200180	(05)2214643	LBOTTWTP066
Tainan City				
Hsinying Branch	No.79, Zhongshan Rd., Xinying District, Tainan City 730005, Taiwan (R.O.C.)	(06)6322441	(06)6357300	LBOTTWTP030
Yungkang Branch	No.20, Zhongshan S. Rd., Yongkang District, Tainan City 710035, Taiwan (R.O.C.)	(06)2321171	(06)2324144	LBOTTWTP031
Tainan Branch	No.28, Zhongzheng Rd., West District, Tainan City 700015, Taiwan (R.O.C.)	(06)2265211	(06)2240057	LBOTTWTP032
Peitainan Branch	No.128-7, Gongyuan Rd., North District, Tainan City 704033, Taiwan (R.O.C.)	(06)2210071	(06)2256036	LBOTTWTP062
Tungtainan Branch	No.261, Sec. 3, Dongmen Rd., East District, Tainan City 701032, Taiwan (R.O.C.)	(06)2902789	(06)2906946	LBOTTWTP083
Hsuehchia Branch	No.303, Zhongzheng Rd., Xuejia District, Tainan City 726001, Taiwan (R.O.C.)	(06)7832166	(06)7836743	LBOTTWTP085
Paiho Branch	No.395, Sanmin Rd., Baihe District, Tainan City 732002, Taiwan (R.O.C.)	(06)6855301	(06)6852545	LBOTTWTP089
Hsinshih Branch	No.10, Fusing Rd., Xinshi District, Tainan City 744007, Taiwan (R.O.C.)	(06)5997373	(06)5990799	LBOTTWTP104
Anping Branch	No.23, Sec. 2, Zhonghua W. Rd., Anping District, Tainan City 708004, Taiwan (R.O.C.)	(06)2933555	(06)2933666	LBOTTWTP109

Branch	Address	Telephone	FAX	SWIFT
Annan Branch	No.47, Sec. 3, Haidian Rd., Annan District, Tainan City 709034, Taiwan (R.O.C.)	(06)2568669	(06)2569778	LBOTTWTP147
Dawan Branch	No.1062, Sec. 2, Yongda Rd., Yongkang District, Tainan City 710053, Taiwan (R.O.C.)	(06)2071200	(06)2071250	LBOTTWTP151
Kaohsiung City				
Kaohsiung Branch	No.131, Dayong Rd., Yancheng District, Kaohsiung City 803003, Taiwan (R.O.C.)	(07)5515231	(07)5510428	LBOTTWTP033
Kangshan Branch	No.285, Gangshan Rd., Gangshan District, Kaohsiung City 820001, Taiwan (R.O.C.)	(07)6216102	(07)6213119	LBOTTWTP034
Meinung Branch	No.65, Sec. 1, Zhongshan Rd., Meinong District, Kaohsiung City 843008, Taiwan (R.O.C.)	(07)6813211	(07)6813111	LBOTTWTP035
Cingnian Branch	No.281, Sec. 2, Qingnian Rd., Fengshan District, Kaohsiung City 830007, Taiwan (R.O.C.)	(07)7808700	(07)7805166	LBOTTWTP038
Chungshan Branch	No.82, Wufu 3rd Rd., Qianjin District, Kaohsiung City 801002, Taiwan (R.O.C.)	(07)2519406	(07)2518154	LBOTTWTP048
Fengshan Branch	No.15, Caogong Rd., Fengshan District, Kaohsiung City 830025, Taiwan (R.O.C.)	(07)7460121	(07)7436569	LBOTTWTP051
Hsinhsing Branch	No.480, Qixian 1st Rd., Xinxing District, Kaohsiung City 800009, Taiwan (R.O.C.)	(07)2355111	(07)2355118	LBOTTWTP054
Chungcheng Branch	No.158, Zhongzheng 3rd Rd., Xinxing District, Kaohsiung City 800308, Taiwan (R.O.C.)	(07)2352156	(07)2352140	LBOTTWTP059
Shanming Branch	No.657, Jiangong Rd., Sanmin District, Kaohsiung City 80778, Taiwan (R.O.C.)	(07)3861301	(07)3891941	LBOTTWTP065
Tashe Branch	No.369, Zhongshan Rd., Dashe District, Kaohsiung City 81547, Taiwan (R.O.C.)	(07)3520779	(07)3529804	LBOTTWTP067
Chiencheng Branch	No.241, Yixin 1st Rd., Qianzhen District, Kaohsiung City 80606, Taiwan (R.O.C.)	(07)3329755	(07)3313296	LBOTTWTP069
Luzhu Branch	No.18, Guochang Rd., Luzhu District, Kaohsiung City 82150, Taiwan (R.O.C.)	(07)6972131	(07)6973834	LBOTTWTP070
Wuchia Branch	No.256, Wujia 2nd Rd., Fengshan District, Kaohsiung City, 83083, Taiwan (R.O.C.)	(07)7715176	(07)7715170	LBOTTWTP071
Lingya Branch	No.18, Zhongxiao 2nd Rd., Lingya District, Kaohsiung City 80241, Taiwan (R.O.C.)	(07)3328477	(07)3356471	LBOTTWTP078
Chienkuo Branch	No.458, Jianguo 1st Rd., Sanmin District, Kaohsiung City 80760, Taiwan (R.O.C.)	(07)2250011	(07)2250077	LBOTTWTP097
Poi Branch	No.300, Bo-ai 1st Rd., Sanmin District, Kaohsiung City 80757, Taiwan (R.O.C.)	(07)3150301	(07)3226961	LBOTTWTP105

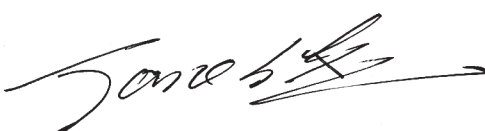
Branch	Address	Telephone	FAX	SWIFT
Shiaokang Branch	No.336, Hongping Rd., Xiaogang District, Kaohsiung City 81268, Taiwan (R.O.C.)	(07)8065606	(07)8018837	LBOTTWTP117
Zuoying Branch	No.1237, Huaxia Rd., Zuoying District, Kaohsiung City 81361, Taiwan (R.O.C.)	(07)3436168	(07)3433321	LBOTTWTP130
Nanzi Branch	No.318, Lanchang Rd., Nanzi District, Kaohsiung City 81168, Taiwan (R.O.C.)	(07)3621199	(07)3621199	(07)3621099
Dafa Branch	No.272, Fonglin 4th Rd., Daliao District, Kaohsiung City 83150, Taiwan (R.O.C.)	(07)7869169	(07)7869189	LBOTTWTP153
Renwu Branch	No.85 Renyong Rd., Renwu Dist., Kaohsiung City 81458, Taiwan (R.O.C.)	(07)7322678	(07)7327978	LBOTTWTP166
Pingtung County				
Pingtung Branch	No.78, Fongjia Rd., Pingtung City, Pingtung County 90075, Taiwan (R.O.C.)	(08)7325131	(08)7322236	LBOTTWTP036
Chaochou Branch	No.12, Xinsheng Rd., Chaozhou Township, Pingtung County 92046, Taiwan (R.O.C.)	(08)7884111	(08)7881972	LBOTTWTP046
Kaoshu Branch	No.99, Nanxing Rd., Gaoshu Township, Pingtung County 90641, Taiwan (R.O.C.)	(08)7963399	(08)7966333	LBOTTWTP125
Fangliao Branch	No.111, Longshan Rd., Fangliao Township, Pingtung County 94049, Taiwan (R.O.C.)	(08)8781533	(08)8786282	LBOTTWTP126
Donggang Branch	No.27, Sec. 2, Guangfu Rd., Donggang Township, Pingtung County 92847, Taiwan (R.O.C.)	(08)8332255	(08)8325399	LBOTTWTP132
Yilan County				
Ilan Branch	No. 43, Guangfu Road, Yilan City, Yilan County 26043, Taiwan (R.O.C.)	(03)9361101	(03)9323692	LBOTTWTP011
Lotung Branch	No.158, Gongzheng Rd., Luodong Township, Yilan County 26550, Taiwan (R.O.C.)	(03)9571111	(03)9571117	LBOTTWTP012
Suao Branch	No.17, Taiping Rd., Su' ao Township, Yilan County 27048, Taiwan (R.O.C.)	(03)9961100	(03)9965334	LBOTTWTP053
Hualien County				
Hualien Branch	No.356, Zhongshan Rd., Hualien City, Hualien County 97050, Taiwan (R.O.C.)	(03)8312601	(03)8320482	LBOTTWTP018
Yuli Branch	No.51, Sec.2, Zhongshan Rd., Yuli Township, Hualien County 98142, Taiwan (R.O.C.)	(03)8886181	(03)8882320	LBOTTWTP019
Taitung County				
Taitung Branch	No.357, Sec. 1, Zhonghua Rd., Taitung City, Taitung County 95046, Taiwan (R.O.C.)	(089)310111	(089)310100	LBOTTWTP037

Branch	Address	Telephone	FAX	SWIFT
Penghu County				
Penghu Branch	No.20, Sanmin Rd., Magong City, Penghu County 88050, Taiwan (R.O.C.)	(06)9262141	(06)9278371	LBOTTWTP040
Kinmen County				
Kinmen Branch	No.34, Minsheng Rd., Jincheng Township, Kinmen County 89345, Taiwan (R.O.C.)	(082)327300	(082)327305	LBOTTWTP039
Kincheng Branch	No.6, Minsheng Rd., Jincheng Township, Kinmen County 89345, Taiwan (R.O.C.)	(082)311981	(082)311986	LBOTTWTP128

II. Overseas Units

Branch	Address	Telephone	FAX	SWIFT
Los Angeles Branch	Suite 1900, 811 Wilshire Boulevard Los Angeles, California 90017 U.S.A.	(1)213-532-3789	(1)213-532-3766	LBOTUS66
Hong Kong Branch	Unit 3101~6 & 12 Tower 1, The Gateway, 25 Canton Road, Tsimshatsui, Kln, Hong Kong	(852)2581-0788	(852)2581-0777	LBOTHKHH
Singapore Branch	80, Raffles Place, #34-01 UOB Plaza, Singapore	(65)6349-4555	(65)6349-4545	LBOTSGSG
Shanghai Branch	Unit 1703-04, 17 F Aurora Plaza, 99 Fu Cheng Road, Pudong Shanghai 200120, China	(86)21-5037-2495	(86)21-5037-2497	LBOTCNSh
New York Branch	88 Pine Street 15th Fl., New York, NY 10005 U.S.A.	(1)917-542-0222	(1)917-542-0288	LBOTUS33
TianJin Branch	Room 3701-3702, Xinyin Mansion, No.28 Zengjin Road, Hexi District, Tianjin Municipality 300201, China	(86)22-2837-1115	(86)22-2837-1113	LBOTCNBT
Wuhan Branch	Unit 01-03, 41F, Wuhan Wanda Center, No.96, Linjiang Avenue, Jiyuqiao, Wuchang District, Wuhan 430062, China	(86)27-59606939	(86)27-59606936	LBOTCNBW
Kuala Lumpur Representative Office (Chief Representative: Wu Der-Jyh)	Lot 11-03A, Level 11 Menara Hap Seng 2, Plaza Hap Seng, No. 1, Jalan P Ramlee 50250 Kuala Lumpur, Malaysia	(60) 3 20221188	(60) 3 20223777	

LAND BANK OF TAIWAN

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