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# LAND BANK OF TAIWAN

## Annual Report **2022**



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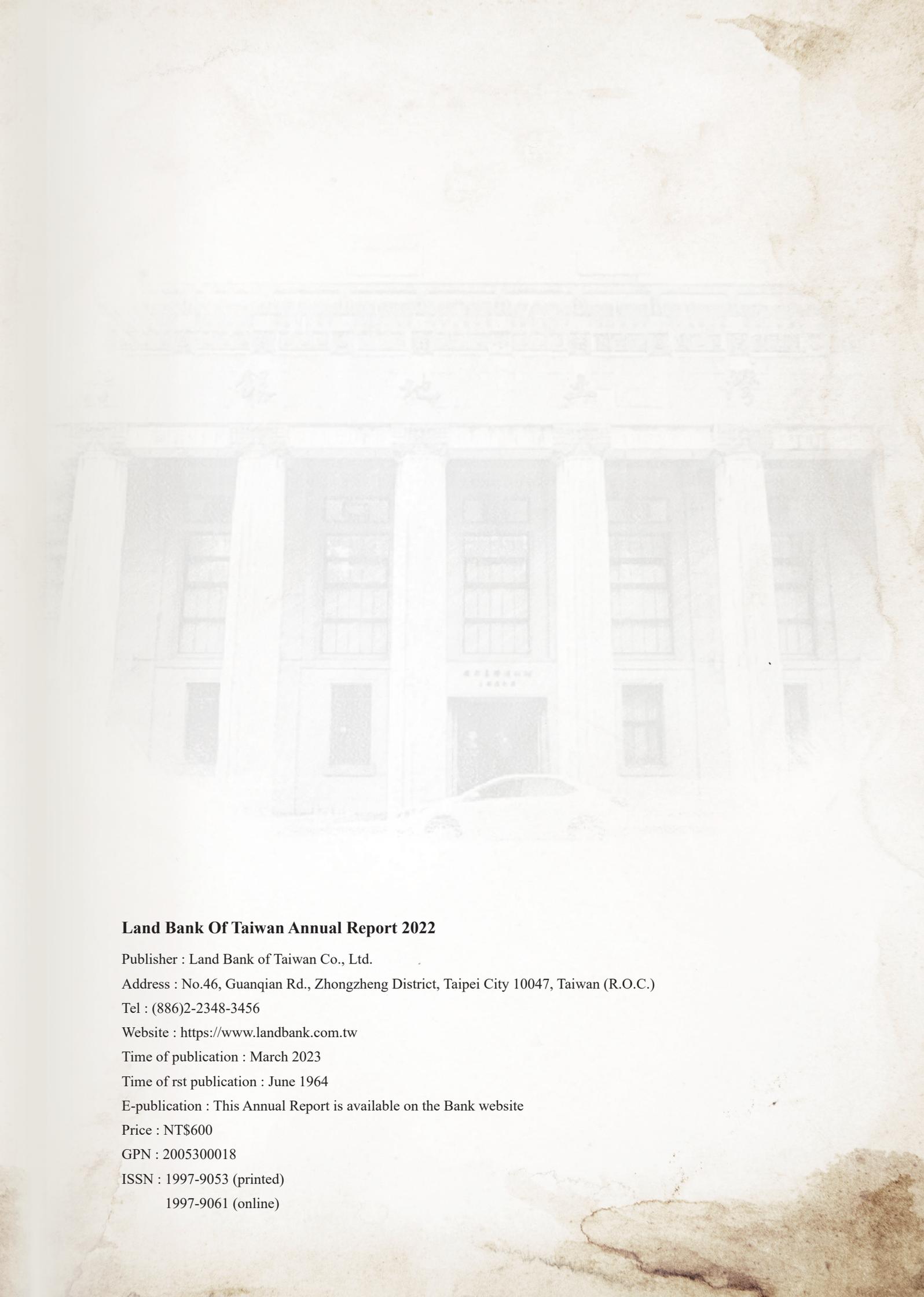
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# Letter to Shareholders

In early 2022, global inflation has risen due to the Russo-Ukrainian war and the ongoing COVID-19 pandemic. In response, central banks around the world have followed the lead of the US Federal Reserve and announced the start of a cycle of interest rate increases. This is further complicated by factors such as China's strict pandemic control measures, the reemergence of the US-China technology conflict, and the unresolved issues in the global supply chain. These factors continue to heighten worries about the global economic forecast. In an effort to control high inflation, the Federal Reserve has increased interest rates by a total of 17 basis points (bps) in 2022. This has brought the benchmark federal funds rate to a range of 4.25% to 4.5%, which is the highest it has been in almost 15 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 3.4% in 2022, which is lower than the 6.2% growth rate observed in 2021. This suggests a deceleration in global economic expansion.

In the domestic sector, the impact is limited because trade and financial exposure to Russia and Ukraine are relatively small. However, the global trend of increasing interest rates in 2022 has heightened market volatility, causing non-US dollar currencies to depreciate. Consequently, imported inflationary pressures have significantly risen. As the pandemic becomes more normalized and domestic anti-epidemic measures are gradually eased, private consumption continues to recover. Overall, our country's economic situation demonstrates a "Cold externally, warm internally" trend. The Directorate General of Budget, Accounting and Statistics has announced that Taiwan's economic growth rate for 2022 was

2.45%, which is lower than the 6.53% growth rate in 2021. 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\$14.8 billion and earnings per share of NT\$1.72 in 2022. Our asset quality remains strong, with a NPL ratio of 0.10% and a NPL coverage ratio of 1,646.04% as of the end of 2022, showcasing our efficient operations. Furthermore, we are collaborating with the government's initiative to bolster various industries and actively facilitating loans for small and medium-sized enterprises. We are also encouraging investments in Taiwan's three major plans and six core strategic industries. We actively participate in urban renewal financing services, in accordance with the government's promotion of urban renewal and reconstruction policies for old and dangerous buildings, as well as the incentives provided through legislative amendments. Furthermore, we support the development of renewable energy by promoting green finance, in line with international trends. In 2022, the Financial Supervisory Commission (hereinafter referred to as the FSC) recognized the Bank for its exceptional performance in managing loans for small and medium-sized enterprises (SMEs), loans for key industries in startups, and also awarded special recognition for its contributions to green energy technology, biotechnology and pharmaceuticals, and emerging agricultural industries.

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, and others, 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. The Bank is also actively building our patent portfolio in the field of financial technology. As of the end of 2022, we have been granted 398 patents in financial technology.

Sustainable development is a fundamental principle that holds significant importance both internationally and within our nation. In order to maximize its financial impact, the Bank has taken several measures. These include integrating ESG factors into investment and financing evaluations, adhering to the Equator Principle, and issuing sustainability bonds for green investments and social projects for two consecutive years. 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 has gradually adopted its framework. We have integrated climate change risks into our risk management policies and have expedited the implementation of greenhouse gas assessments, encompassing all operational sites nationwide. The National Council for Sustainable Development has awarded the “National Sustainable De-

velopment Award” to several improvements and advancements.

The Bank consistently enhances the quality of our services and maintains a commitment to fair treatment of our clients. We have received recognition for four consecutive years as an exceptional bank for our adherence to the FSC’s Principle for Financial Service Industries, which emphasizes fair treatment of clients. Our goal is to contribute to a thriving society by offering a wide range of financial products and convenient banking services.



Chairperson  
**Hsieh, Chuan-Chuan**

Additionally, we actively support vulnerable groups by providing preferential loans. For instance, we collaborate with senior citizens to develop tailored business plans such as “Reverse Mortgage,” “Retirement Financial Planning,” “Nursing Trust,” and more. These initiatives aim to improve the quality of life for the elderly and safeguard their assets. In addition to being recognized by the FSC as a bank with excellent performance in Phase I of the Trust 2.0 Plan, achieving Level A, and receiving the “Elderly Care Trust Award,” our Bank has also been honored with the Excellent Award in the 5th “Government Service Awards.” The theme of this award was “Nursing Trust for Aging and A New Beginning for Elderly Residential Homes,” 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, our Bank ranked first among the eight state-owned banks in the market share of “Youth Home Loans” in 2022. 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” 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 our 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 2022. 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. 2022 Business Results

### (I) Organizational Change

The Dongmen Branch was consolidated into the Guting Branch on June 20, 2022, based on overall business considerations. Furthermore, on July 1, 2022, the relevant business and personnel of the Maintenance and Repair Section from the Department of General Affairs were transferred to the Department of Property Management.

### (II) Business Plans and Results

#### i. Business Plans

In light of 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 to support national economic growth. Additionally, we have prioritized enhancing our competitiveness and expediting our internationalization efforts, with the aim of becoming a comprehensive and high-quality financial institution. In 2022, the Bank successfully executed its business development plan, meeting 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

Main Business Activities \ Year	2022	2021	Growth Over the Previous Year (%)
Deposits	2,921,967	2,765,714	5.65
Loans	2,272,058	2,167,211	4.84
Foreign Exchange (USD)	114,950	92,998	23.60
Trust	440,253	435,363	1.12
Guarantee	68,210	61,876	10.24
Securities Brokerage	444,085	712,688	-37.69
Profit before tax	14,845	13,239	12.13

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

### (III) Budget Executions

The Company reported NT\$2,921,966,650,000 of deposit volume (111.10% target achievement), NT\$2,272,057,910,000 of loan volume (108.45% target achievement), US\$114,950,170,000 of foreign exchange volume (136.85% target achievement), and NT\$14,845,390,000 of Profit before tax (148.26% target achievement) for 2022.

### (IV) Revenues, Expenses, and Profitability Analysis

The following is an analysis of major variations between 2022 audited figures and 2021 restated figures by the CPA in accordance with the amounts certified by the National Audit Office:

Item		2022	2021	Variation (%)
Net income of interest		33,080	29,414	12.46
Net non interest income		307	2,337	-86.86
Total Interest income		33,387	31,751	5.15
Total bad debts expense and guarantee liability provision		2,263	2,734	-17.23
Operating Expenses		16,279	15,778	3.18
Profit before tax		14,845	13,239	12.13
Profit		11,608	10,476	10.81
Return on Assets	Before Tax	0.44	0.41	0.03
	After Tax	0.34	0.32	0.02
Return on Equity	Before Tax	7.82	7.35	0.47
	After Tax	6.12	5.81	0.31
Net Profit Margin		34.77	32.99	1.78
Earnings per Share Before Tax (NTD)		1.72	1.54	0.18

Description: 1. 2021 figures have been restated by the CPA based on certified figures of the National Audit Office, whereas the 2022 figures are audited.

2. In 2022, the net interest income increased compared to 2021. This increase was primarily driven by the implementation of interest rate hikes in various countries, which led to a rise in net interest revenue from deposits, bills, and bonds.

3. The main reason for the decrease in net income, excluding interest, in 2022 compared to 2021 was primarily attributed to a net exchange loss.

## (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 2022 included: proprietary research reports (5 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 (9 publications), and domestic real estate market survey reports (12 publications). All of which were intended to provide references for sales personnel.

## II. Summary of 2023 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. Comply with financial policies and expand the business scope by developing multiple niche business strategies to achieve overall 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.



President  
He, Ying-Ming

- 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. Seize international financial business opportunities, establish a global network for corporate financial services, and enhance performance in overseas markets.
- vi. 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 2023 have been reported to the competent authorities and transferred to the Executive Yuan for approval.

- i. Deposit Volume: NT\$2,786.9 billion, representing an increase of 5.97% from the statutory target of NT\$2,630 billion in 2022.
  - ii. Loan Volume: NT\$2,177.3 billion, representing an increase of 3.93% from the statutory target of NT\$2,095 billion in 2022.
  - iii. Foreign Exchange Volume: USD 85 billion, representing an increase of 1.19% from the statutory target of USD 84 billion in 2022.
  - iv. Profit before tax: NT\$10,302.43 million, representing an increase of 2.89% from the statutory target of NT\$10,013 million in 2022.
- ※ 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) Continue to attract deposits from individuals and small and medium-sized enterprises (SMEs) while diversifying the deposit concentration to enhance the overall deposit structure. We will gradually adjust our asset and liability structure, strengthen our capital adequacy, enhance our liquidity risk management, and improve our risk management mechanism.
- (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 encourage staff to proactively engage in marketing and promotion efforts to enhance marketing effectiveness and staff productivity. Enhance marketing effectiveness by implementing co-marketing strategies to diversify service fee income, boost non-interest revenue, and increase overall revenue share.

- (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, 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

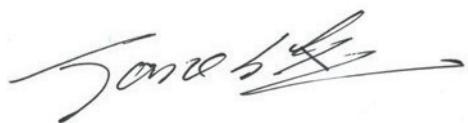
The investment market has faced challenges due to the Russo-Ukrainian War, inflation, interest rate hikes, and lockdown measures in mainland China. However, these interest rate hikes have resulted in a wider interest spread for bank deposits, leading to increased net interest income. As the pandemic 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	2022.7.12	twAA+	twA-1+	Outlook: Stable
S&P	2022.7.12	A	A-1	Outlook: Stable
Moody's	2022.9.23	Aa3	P-1	Outlook: Stable

Chairperson



President

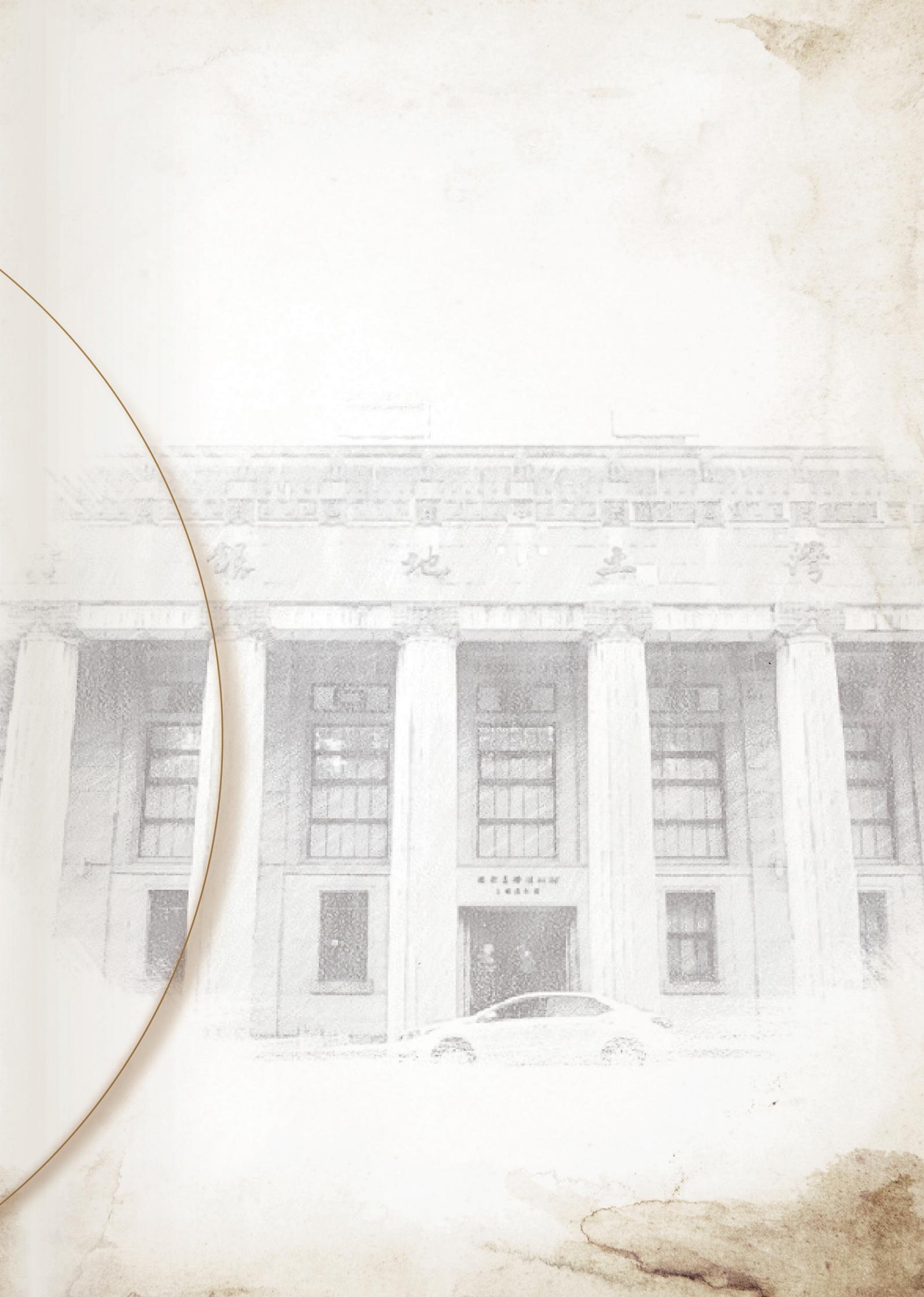


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# Bank Profile

## I. Establishment

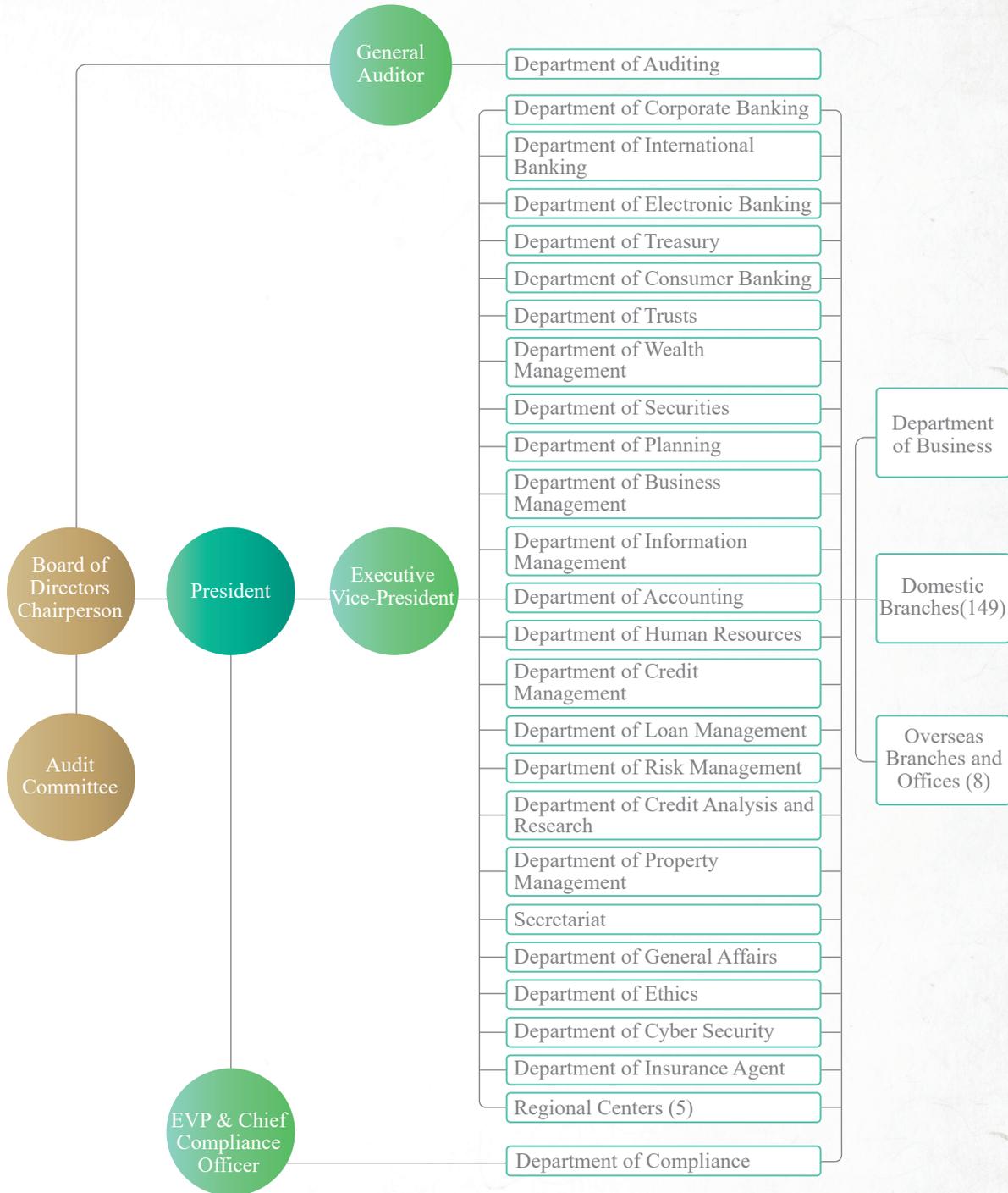
The "Land Bank of Taiwan" was founded on September 1, 1946 specifically for the purpose of enforcing the government's land-related policies such as equalization of land rights and the Land-To-The-Tiller Program introduced in 1945. It was initially funded by the treasury and commenced operations in accordance 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 2022, the Bank had NT\$86.2 billion of share capital (100% owned by the Ministry of Finance) and gained 16.46% market share in construction loans and 9.72% market share in housing loans, making it the leader in real estate-backed lending among all the domestic banks.



- ▲ On December 13, 2022, the chairperson of the bank Chuan-Chuan Hsieh (3rd from left) and the President Ying-Ming He (3rd from right) attended the Land Bank ceremony of “Charitable Trust Donation and Memorandum of Elder Care Trust Cross-Industry Alliance”

## II. Organizational Chart



### III. Employees

Time of Data		End of March 2023	End of 2022	End of 2021
Number of Employees	Staff	5,325	5,391	5,386
	Workers	355	361	382
	Total	5,680	5,752	5,768
Average Age (excluding workers)		43.96	44.07	44.06
Average Years of Service (excluding workers)		16.34	16.38	16.39
Academic Qualifications Distribution	Doctoral Degree	8	8	7
	Master's Degree	1,686	1,697	1,587
	University (college)	3,647	3,692	3,788
	Senior High School	287	301	322
	Below Senior High School	52	54	64

### 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 2023	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"> <li>1. NT\$25 billion contributed by the Treasury.</li> <li>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).</li> <li>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).</li> <li>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).</li> <li>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).</li> <li>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).</li> </ol>

# Directors and Executives

## I. Directors

March 31, 2023

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)	Tien, Chi-Tung	2021.8.17	2024.8.16	Labor Director
Director (Labor Director)	Wu, Chung-Shou	2022.3.4	2024.8.16	Labor Director
Director (Labor Director)	Lin, Jia-Ching	2022.8.26	2024.8.16	Labor Director

## II. Executives

Title	Name	Date Elected/Appointed
President	He, Ying-Ming	2021.3.24
Executive Vice President	Chiu, Tein-Sheng	2020.10.27
Executive Vice President	Tseng, Hsueh-chih	2021.6.28
Executive Vice President	Tang, Chin-Yung	2021.8.27
Executive Vice President	Lin, Kuen-Dih	2022.5.30
General Auditor	Cheng, Pei-Yu	2020.10.27
EVP&Chief Compliance Officer	Yang, Shu-Huan	2021.9.1

# Directors



President  
**He, Ying-Ming**

Chairperson  
**Hsieh, Chuan-Chuan**



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  
**Tseng, Hsueh-chih**



Executive Vice President  
**Tang, Chin-Yung**



Executive Vice President  
**Lin, Kuen-Dih**



General Auditor  
**Cheng, Pei-Yu**



EVP&Chief Compliance Officer  
**Yang, Shu-Huan**

## **028 Corporate Governance**

- 028 I Discrepancies and its causes between Corporate Governance Best-Practice Principles for Banks and the Bank's Corporate Governance
- 046 II Promotion of Sustainable Development
- 055 III Fulfillment of Integrity Management Situation

## **060 Operational Overview**

- 060 I Main Business
- 065 II Market Analysis
- 069 III Overview of Financial Product Research and Business Development



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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
	Yes	No	Summary Description	
I. Bank's Shareholding Structure and Shareholders' Rights			I.	
(I) Has the bank implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	V		(I) Dedicated personnel have been assigned to perform shareholder service and maintain proper communication.	No deviation was found.
(II) Is the bank constantly informed of the identities of its major shareholders and the ultimate controller?	V		(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.	No deviation was found.
(III) Has the bank established and implemented risk management practices and firewalls for companies it is affiliated with?	V		(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 the supervision and management of subsidiaries.	No deviation was found.
II. Composition and Responsibilities of the Board of Directors			II.	
(I) Has the Board of Directors set up a diversification policy and specific management goals for its composition?	V		(I) The Board of Directors will consider diversity when selecting its members, and a suitable diversity policy will be developed. This policy will be based on the company's operations, operating dynamics, and development requirements. It will adhere to the following two overarching criteria:	No deviation was found.

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary Description	
(II) Apart from the Remuneration Committee and Audit Committee, has the bank assembled other functional committees at its own discretion?		V	<p>i. Basic requirements: Gender, age, nationality, etc. It is advisable that female directors account for at least one-third of all directors. As of March 2023, the Bank has a total of 15 directors, comprising 7 females and 8 males. The directors' ages range from 41 to 70 years old, and all hold Republic of China (Taiwanese) nationality.</p> <p>ii. Professional knowledge and skills: A professional background (e.g., real estate, law, accounting, industry, finance, marketing, technology), professional skills, and industry experience. The professional qualifications and experience of the Bank's directors are detailed in the above table.</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
	Yes	No	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.	No deviation was found.
(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.	No deviation was found.

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary Description	
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.
IV. Has the bank provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?	V		<p>IV.</p> <p>(I) The Bank has created a “Stakeholders Engagement” section on its website to offer stakeholders a transparent and efficient means of communication. Additionally, the “Feedback” section now includes mailboxes for customer complaints, customer feedback, and customer satisfaction surveys. Internally, the Bank has established a dedicated grievance section with personnel specifically responsible for addressing complaints or suggestions from customers, employees, and other relevant stakeholders.</p> <p>(II) To enhance enterprise operations and ensure sustainable development, the Bank actively gathers feedback from stakeholders through various communication channels. We then address these concerns in our sustainability report, providing stakeholders with relevant business management updates that meet their needs and expectations. The report is available in electronic format on the sustainability section of the Bank’s corporate website for stakeholders to access and download.</p>	No deviation was found.

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary Description	
V. Information Disclosure			V.	
(I) Has the bank established a website to disclose financial, business, and corporate governance-related information?	V		(I) The Bank has created a portal and uses the website to disclose financial, business, and corporate governance information as instructed by the authority.	No deviation was found.
(II) Has the bank adopted other means to disclose information (e.g. English website, assignment of dedicated personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the bank's website)?	V		(II) The Bank has established an English website and disclosed relevant information on it. The Bank has established "Notes on News Release and Media Contact" as part of its spokesperson system, and appointed a dedicated spokesperson to communicate with the public on major decisions, policies, practices, and measures. The Public Relations Section, Secretariat, is responsible for gathering information and releasing news. Given that the Ministry of Finance is the Bank's sole shareholder, there is no need to convene investor seminars.	No deviation was found.
(III) Does the bank publish and make official filing of annual financial reports according to the Banking Act and Securities and Exchange Act within the required timeframe after the end of an accounting period, and publish/file Q1, Q2, and Q3 financial reports plus monthly business performance before the specified due dates?	V		(III) The Bank publishes and files annual and semi-annual financial reports within the specified due dates according to the Banking Act and Securities and Exchange Act. Monthly disclosures on revenue, endorsements, guarantees, and loans are published over the Market Observation Post System before the due date.	No deviation was found.

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Yes	No	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) The Bank has established the "Land Bank of Taiwan Corporate Governance Code of Conduct" based on Bankers Association's "Corporate Governance Best-Practice Principles for Banks" and related laws as an enhancement to its corporate governance framework and practices. Details of the code of conduct have been disclosed on the Bank's portal and Intranet.</p> <p>(II) Employee Rights and Care:</p> <p>i. Employee Welfare:</p> <p>(i) Employee benefits: loans with a preferential interest rate, paid vacations, subsidized training courses, meetups, and sports and recreational activities such as table tennis, tennis, bowling, golf, badminton, chess, and bridge competitions, as well as staff hikes and staff talent shows, nursing rooms, and three educare centers in our Tainan, Taichung, and Luodong branches.</p> <p>(ii) Benefits provided by the Employee Welfare Committee: Group insurance, holiday bonuses, subsidized education for employees children, hospitalization subsidies for employees' injuries and illnesses, etc.</p>	No deviation was found.

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary Description	
			<ul style="list-style-type: none"> <li>ii. Retirement system: Employees' retirement, redundancy and pension are processed in accordance with the relevant provisions of the "Rules Governing Retirement Pension and Severance Pay of the Financial Insurance Enterprises of the Ministry of Finance" and the "Labor Standards Act" and other related provisions. The Bank will maintain a list of employees who are approaching retirement age, in compliance with regulations for processing the retirement scheme.</li> <li>iii. Agreements of Labor Management               <ul style="list-style-type: none"> <li>(i) In addition to actively negotiating with labor unions and employees, the Bank will also engage in communication with employees through various meetings to address and resolve the problem, aiming to reach a consensus.</li> <li>(ii) In accordance with Article 83 of the "Labor Standards Act," labor-management meetings will be organized to foster harmonious labor relations and unity.</li> </ul> </li> <li>iv. Measures for Safeguarding Employee Rights:               <ul style="list-style-type: none"> <li>(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.</li> </ul> </li> </ul>	

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Yes	No	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: Each unit will annually assign personnel to actively mentor new recruits and guide transferred colleagues in becoming familiar with the environment and daily routines. They will also provide assistance and support as needed, ensuring that all employees are able to perform to the best of their abilities and continue their career development with the Bank.</p> <p>(III) Investor Relations and Stakeholders’ Interests:</p> <p>i. The Ministry of Finance is the Bank’s sole shareholder, for which dedicated personnel have been assigned to carry out shareholder service.</p> <p>ii. Directors’ academic and career background and concurrent employment in other companies are disclosed in Annual Reports to serve as reference for stakeholders.</p>	

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary Description	
			<p>iii. 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.</p> <p>iv. Implement the registration procedures for the “Civil Servant Codes of Ethical Conduct” and establish the “Codes of Ethical Conduct Incident Registration System” on the internal website, ensuring effective implementation.</p> <p>(IV) Directors’ continuing education in 2022:</p> <p>i. The Bank organized two courses: “Corporate Governance Forum - Fair Treatment of Customers and Anti-Money Laundering from a Corporate Governance Perspective” on March 25, 2022, and “Corporate Governance Forum - Financial Friendly Services and Financial Exploitation” on August 26, 2022. These courses featured a total of 6 hours of keynote speeches.</p> <p>ii. Chairman Chuan-Chuan Hsieh participated in the “Sustainable Development Roadmap Industry Theme Advocacy Seminar” organized by the Taiwan Stock Exchange from July 13 to July 20, 2022, for a duration of 2 hours.</p> <p>iii. Managing Director Ying-Ming He participated in the “Sustainable Development Roadmap Industry Theme Advocacy Seminar” organized by the Taiwan Stock Exchange on July 7, 2022, for a duration of 2 hours.</p>	

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary Description	
			<p>iv. Manager Director Yu-Min Chen attended courses titled “How to Analyzing Financial Statements to Evaluate a Company’s Operational Capabilities, Performance, and Risks” held by the Taiwan Independent Director Association on April 7, 2022 for 3 hours ; and the “Corporate Governance Lectures FinTech Series - Trends and Practices in Information Governance” held by the Taiwan Academy of Banking and Finance on June 28, 2022 for 3 hours.</p> <p>v. Director Feng-Yao Chen, an Independent Director, participated in two courses organized by the Taiwan Independent Director Association. The first course, titled “ESG Climate Risk Management - Hedging Applications and Development Trends of Financial Products,” took place on March 9, 2022, and lasted for 3 hours. The second course, titled “How to Analyze Financial Statements to Evaluate a Company’s Operational Capabilities, Performance, and Risks,” was held on April 7, 2022, also for 3 hours. ; the “E-Course on Anti-Money Laundering Measures in the Post-Pandemic Era” held by the Taiwan Academy of Banking and Finance, on October 20, 2022 for 2 hours; the “Principle for Financial Service Industries to Treat Clients Fairly - Financial Friendly Service Guidelines: Elderly and Accessibility” held by the Taipei Foundation of Finance on October 20, 2022 for 2 hours; the “General Course on Sustainable Financial Capacity Certification Program - ESG and Sustainable Finance E-Course (1st Phase)” held by the Taiwan Academy of Banking and Finance from October 6, 2022, to November 5, 2022, for 6 hours ;</p>	

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary Description	
			<p>v. the “General Course on Sustainable Financial Capacity Certification Program - Climate Change Risk and TCFD E-Course (1st Phase)” held by the Taiwan Academy of Banking and Finance from October 6, 2022, to November 5, 2022, for 6 hours; the “General Course on Sustainable Financial Capacity Certification Program - Principles of Responsible Allocation E-Course (1st Phase)” held by the Taiwan Academy of Banking and Finance from October 6, 2022, to November 5, 2022, for 12 hours; and the “How Independent Directors Can Early Detect Financial Crisis in Companies” held by the Taiwan Independent Director Association on November 9, 2022 for 3 hours.</p> <p>vi. Director Chien-Hsien Li participated in three courses related to governance and corporate responsibility. On March 9, 2022, he attended the “Governance Lecture - Future World Amidst Sino-U.S. Competition” organized by the Taiwan Academy of Banking and Finance for a duration of 3 hours. On August 2, 2022, he took part in the “Corporate Directors and Supervisor Workshop - Responsibility for Sanctions Management of Corporate Directors and Supervisors” organized by the Chinese National Association of Industry and Commerce, also for 3 hours. Lastly, on August 24, 2022, he attended the “Corporate Directors and Supervisor Workshop - AI Security (Artificial Intelligence Security)” organized by the Chinese National Association of Industry and Commerce, again for 3 hours.</p>	

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary Description	
			<p>vii. Director Chi-Tung Tien attended several courses related to legal regulations, risk responsibilities, and corporate governance for directors, supervisors, and insiders. These courses included “Legal Regulations and Risk Responsibilities Under Corporate Governance for Directors, Supervisors, and Insiders,” which was held by the Corporate Operating and Sustainable Development Association on October 19, 2022, for a duration of 3 hours. Additionally, Director Tien attended the “Identification Practice of Beneficial Owners (E-Course)” held by the Taiwan Academy of Banking and Finance on November 16, 2022, for 2 hours. Lastly, Director Tien participated in the “Principle for Financial Service Industries to Treat Clients Fairly - Financial Friendly Service Guidelines: Elderly and Accessibility” course held by the Taipei Foundation of Finance on November 18, 2022, for 2 hours.</p> <p>viii. Director Chung-Shou Wu attended two professional development events organized by the Securities and Futures Institute. The first event, titled “Advanced Seminar for Directors, Supervisors, and Corporate Governance Officers - Global Net Zero Emissions Response and Corporate ESG Actions,” took place on October 5, 2022, and lasted for 3 hours. The second event, called “Directors, Supervisors, and Corporate Governance Officers Practice Workshop - Taipei Class,” spanned from October 25 to October 26, 2022, and lasted for 12 hours.</p>	

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary Description	
			<p>ix. Chia-Ching Lin, the Labor Director, attended several courses related to corporate governance and financial services. These include the “Advanced Seminar for Directors’, Supervisors’ (including Independent) and Corporate Governance Officer’s Practices - Money Laundering Prevention and Counter-Terrorist Financing Practices” held by the Securities and Futures Institute on October 21, 2022, for a duration of 3 hours. Additionally, Lin participated in the “Directors, Supervisors (including Independent) and Corporate Governance Officer’s Practice Workshop - Taipei Class” held by the Securities and Futures Institute from October 25 to October 26, 2022, for a total of 12 hours. Lastly, Lin attended the “Principle for Financial Service Industries to Treat Clients Fairly - Financial Friendly Service Guidelines: Elderly and Accessibility” held by the Taipei Foundation of Finance on November 4, 2022, for a duration of 2 hours.</p> <p>(V) Implementation Status of Risk Management Policy and Risk Assessment Standards: In 2022, the Risk Management Committee held seven 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> <p>i. The amended “Credit Risk Management Guidelines” of the Bank was issued according to the Letter dated on January 17, 2022.</p>	

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary Description	
			<ul style="list-style-type: none"> <li>ii. The amended “Operational Risk Management Guidelines” of the Bank was issued according to the Letter dated on January 19, 2022.</li> <li>iii. The amended “List of Significant Operational Risks Detection” as an attachment to the “Key Operational Business Risk Assessment Guidelines” of the Bank was issued according to the Letter dated on April 11, 2022.</li> <li>iv. The amended “Establishment Guidelines of Risk Management Committee” of the Bank was issued according to the Letter dated on September 30, 2022.</li> <li>vi. The amended “Market Risk VaR Management Guidelines” of the Bank and its schedule “Market Risk VaR Limit Table” were issued according to the Letter dated on December 21, 2022.</li> </ul> <p>(VI) Implementation of Customer Policy:</p> <ul style="list-style-type: none"> <li>i. In order to protect the rights of customers and enhance the protection of financial consumers, the Bank established the Customer Care Committee in December 2019 and held a total of four meetings in 2022, with important motions reported to the Board of Managing Directors to implement the principle of fair customer service and enhance the protection of financial consumers.</li> <li>ii. The Bank continued to train its employees on “Fair Customer Treatment Principles - Theory and Practice”; 3 hours of training course were organized in 2022, and a total of 5,233 employees completed the training.</li> </ul>	

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary Description	
			<ul style="list-style-type: none"> <li>ii. The Bank continued to train its employees on “Fair Customer Treatment Principles - Theory and Practice”; 3 hours of training course were organized in 2022, and a total of 5,233 employees completed the training.</li> <li>iii. All service announcements are made over the Bank’s portal and are readily accessible by the general public.</li> <li>iv. In addition to providing a variety of consultation channels, the Bank has set up a customer service center on the Bank’s corporate website to provide 24-hour real-time consultation for a wide range of services such as mortgages, debit cards, and credit cards. Intelligent customer service can be accessed through the Bank’s official website, Facebook Messenger, Personal Internet Banking, and the mobile banking App of the Land Bank of Taiwan, etc. Other than the 24-hour online business consultation services, a “Free Customer Complaint Line (0800-231590)” is available for customers to inquire about business and needs.</li> <li>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.</li> <li>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.</li> </ul>	



Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary Description	
			<ul style="list-style-type: none"> <li>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).</li> <li>viii. To ensure protection of consumers’ interest and in 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.</li> <li>ix. The following actions were taken in 2021 to enforce the Bank’s personal information protection policy: <ul style="list-style-type: none"> <li>(i) The Bank engaged KPMG to conduct a special audit on personal information for the year 2021, and the audit results were later acknowledged by the Financial Supervisory Commission on April 26, 2022.</li> <li>(ii) 6 hours of personal information protection training were organized in 2022, and a total of 639 people were trained.</li> </ul> </li> </ul>	

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary Description	
			<p>(iii) The Personal Information Protection Promotion Committee convenes a meeting once a year on a regular basis. In 2022 the meeting was held on November 22, 2022. The amendment of the “Notes on the Personal Information Protection Operation” of the Bank was submitted to and approved by the Personal Information Protection Promotion Committee and recorded in the minutes of the meeting.</p> <p>(iv) Internal policies were amended so that 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 no report of personal information breach in 2022.</p> <p>(v) Internal policies were amended so that 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 completed the drill in 2022.</p> <p>(vi) Internal policies were amended so that business administration units of the Head Office are required to conduct a review of the BIF and the inventory of personal information files once per year. In 2022 the review was completed on November 23, 2022.</p>	

Assess Criteria	Actual Governance			Deviation and Causes of Deviation From the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary Description	
			<p>(VII) Insurance Against Directors' and Supervisors' Liability: The Bank is 100% state-owned and is neither listed on the TWSE nor TPEX. The Bank has not purchased such an insurance considering the limited yields it may provide (and the fact that the 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 society, improve corporate image, and enhance the public's approval for the brand. Please refer to the implementation of sustainable development promotion.</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		
	Yes	No	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		I <p>(I) The Board meeting held on April 23, 2021 approved the establishment guidelines and formed the Sustainable Development Committee as the central unit responsible for promoting ESG sustainable governance. 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 &amp; 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, each executive group of the Sustainable Development Committee annually develops ESG work items and proposes short-term, medium-term, and long-term goals. These proposals are then submitted to the Department of Planning, which serves as the secretary unit to summarize them. Once reviewed and approved by the Sustainable Development Committee, they are incorporated into 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 “2021 CSR Report” was approved by the Sustainable Development Committee and presented to the Ninth Session of the 7th Term of the Board of Directors on June 24, 2022. 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>

Promotion Item	Implementation		
	Yes	No	Summary Description
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> <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>

Promotion Item	Implementation		
	Yes	No	Summary Description
			<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> <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>III. Environmental Issues</p> <p>(I) Has the bank established environmental policies suitable for its industrial characteristics?</p>	V		<p>III.</p> <p>(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.</p>

Promotion Item	Implementation		
	Yes	No	Summary Description
(II) Is the bank committed to achieving efficient use of energy and using renewable materials that produce less impact on the environment?	V		(II) The Bank's specific acts for improving energy efficiency are as below: i. Accelerate the Replacement of Old Air Conditioning Systems: In 2022, we successfully completed 17 replacement cases, including the Dah An Branch. Moving forward, our goal is to complete a minimum of 12 branches per year, starting from 2023, with the ability to make adjustments as needed. ii. Build Rooftop Solar Power Generation Systems: The construction was completed in a total of six branches, including Yuanlin Branch. The target after 2023 is to complete construction in three business locations per year, with ongoing adjustments. iii. Obtain the Green Building Label: The Bank has obtained the green building labels for five of its branches, namely Taiping, Shalu, Chupei, Nangang, and Yilan Branches.
(III) Does the bank assess potential risks and opportunities associated with climate change, and undertake countermeasures to climate issues?	V		(III) i. The "Preliminary Inventory Report of Climate Risk on the Bank's Assets" has been completed and submitted to the Risk Management Committee and the Board of Directors for record. Additionally, it has been distributed to all business units and related departments to enhance their comprehension of the potential impact of flooding risk on the Bank's assets, considering their geographic location. Furthermore, the report highlights the potential impact of transition risk on lending customers involved in high carbon emission industries. ii. The procurement of climate risk information and consulting services was finalized in April 2022. This was done to support the subsequent inventory and analysis of both physical and transition climate risks. iii. The Bank signed the Task Force on Climate-related Financial Disclosures (TCFD) in April 2022. iv. The "Report on the Impact of Sea Level Rise on the Bank's Real Estate and Business Locations" was completed in April 2022 and submitted to the Risk Management Committee and the Board of Manager Directors for record. v. The Board of Directors approved the incorporation of climate risk into risk management policies and procedures in November 2022. vi. In December 2022, the Bank joined the Partnership for Carbon Accounting Financials (PCAF) and subsequently undertook the calculation and disclosure of carbon emissions for its diverse range of assets. vii. The "Inventory Report of the Bank on Physical and Transition Climate Risks" has been completed and submitted to the Risk Management Committee and the Board of Manager Directors for record. The report references consultants and relevant domestic and foreign materials. viii. To raise awareness of climate change issues within the Bank, we regularly invite external consultants and experts to deliver speeches and provide educational training. Participants and trainees include members of the Climate Change Management Team, relevant departments, and business units.

Promotion Item	Implementation		
	Yes	No	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		(IV) i. Statistical Greenhouse Gas Emissions: (i) Conducting an inventory of the total greenhouse gas emissions for all domestic operational locations in 2021. (ii) Conducting an inventory of the total greenhouse gas emissions for all domestic operational locations in 2022. ii. Conducting monthly statistics on the total water usage and total waste generated by all domestic operational locations. iii. The Bank's specific acts of energy saving and carbon reduction are as below: (i) Annual utility costs and paper consumption: Set up a 2% reduction from the previous year as the target. iv. 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.
IV. Social Issues (I) Has the bank developed its policies and procedures in accordance with laws and the International Bill of Human Rights?	V		IV. (I) i. The Bank has implemented a set of work regulations in compliance with Article 70 of the Labor Standards Act, taking into account the specific characteristics of the banking industry. These regulations are mandatory for both the employer and employees. 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.
(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		(II) 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.

Promotion Item	Implementation		
	Yes	No	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>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:</p> <p>(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. Employees may be eligible for a work bonus equivalent to one month's salary based on their proactive approach, achievement of sales/policy targets, recognition, adherence to discipline, and attendance records.</p> <p>(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:</p> <ol style="list-style-type: none"> <li>1. 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.</li> <li>2. After completing their personal annual evaluation, employees are assigned varying "personal evaluation weights" according to their evaluation outcomes.</li> <li>3. 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.</li> </ol> <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 "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>

Promotion Item	Implementation		
	Yes	No	Summary Description
			<ul style="list-style-type: none"> <li>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 safeguard employees from potential hazards and 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.</li> <li>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 2022, special lectures were conducted on "Prevention of Unlawful Assault in the Performance of Duty," "Prevention of Ergonomic Hazards," and "Occupational Safety and Health Business Promotion Conference" to enhance employees' awareness of occupational safety and health.</li> <li>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 medical 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.</li> <li>v. In 2022, there were a total of 40 occupational accidents involving employees, which accounted for 0.70% of the overall workforce. Out of these incidents, 29 were commuting accidents, 10 occurred while performing work-related duties, and 1 was due to another health condition. The Bank analyzes the types of occupational hazards reported and creates preventive health promotion materials to enhance the work environment. It also conducts internal promotions. Furthermore, a dedicated nurse will be assigned to attend to employees who are injured or become ill while on the job. The nurse will provide individual health education and offer ongoing health follow-ups once the employees return to work.</li> <li>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, at the end of the year, a workplace-wide influenza vaccination campaign was conducted to safeguard the Bank's operations and the health of its personnel, mitigating the risk of influenza viruses.</li> </ul>

Promotion Item	Implementation		
	Yes	No	Summary Description
(IV) Has the bank implemented an effective training program that helps employees develop skills during their career?	V		(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 2022, we have planned a diverse range of training courses, such as new employee orientation, 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 2022, we conducted a total of 99 internal centralized training sessions with 21,682 participants. Furthermore, based on our business needs, we sent employees to domestic training institutions for professional training, resulting in a total of 631 sessions and 2,616 participants.
(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		(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.
(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		(VI) As a government-owned bank, we will maintain our collaboration with the government to enhance transparency in procurement processes. We will strictly adhere to the government procurement act to prevent fraudulent activities, improve procurement efficiency, and establish a transparent procurement environment. All relevant procurement contracts and specifications will be handled in accordance with the Government Procurement Law.

Promotion Item	Implementation		
	Yes	No	Summary Description
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		The Bank's "2021 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.
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 2022:			
(I) 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 at the "Public Welfare Trust Donation" Ceremony.			
(II) Sponsor scholarship: The scholarship was offered to 14 schools in 2022, with a total of NT\$830,000.			
(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 society.			
(IV) 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.			
(V) In response to the Ukrainian refugee crisis, the Bank donated NT\$2.4 million. Deliver the warm love and care from Taiwan to Ukraine, providing timely assistance to refugees.			
(VI) To support farmers and address the Council of Agriculture's enterprise purchase initiatives, the Bank has undertaken public welfare initiatives such as "Support Atemoya Farmers" and "Support Pomelo Farmers." We have procured atemoyas worth NT\$1.36 million and acquired 7.5 metric tons of Pomelos as gifts for esteemed customers and various social welfare organizations. These purchases serve as a tangible demonstration of our support and appreciation for farmers.			
(VII) The Bank conducted a themed public welfare activity called "Support for the Vulnerable" and successfully completed a total of 201 projects aimed at providing care for the vulnerable. 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.			

### III. Fulfillment of Integrity management Situation

Item	Yes	No	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) To foster a corporate culture centered on integrity management and sustainable growth, the Bank has developed the “Ethical Corporate Management Best Practice Principles,” which have been approved by the Board of Directors. These principles serve as a policy that directors, senior management, and employees must adhere to when engaging in business activities. Furthermore, it requires directors and senior management to issue compliance statements to ensure the enforcement of integrity management.
(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) <ul style="list-style-type: none"> <li>i. To uphold the principles of fair client treatment and integrity management, the Bank has implemented a risk assessment mechanism to address unethical behavior. This mechanism aligns with the “Ethical Corporate Management Best Practice Principles for the TWSE/TPEX Listed Companies” and relevant regulations. Additionally, the Bank has developed the “Notes on Risk Assessment of Unethical Conducts” on December 20, 2022. Regular analysis and evaluation of high-risk business activities are conducted to produce reports on the risks associated with unethical behavior.</li> <li>ii. To foster a culture of honesty and transparency, and to ensure the integrity of our business operations, we have implemented a Whistleblowing System in accordance with the “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” and relevant regulations. The system was initially established on September 11, 2018, and subsequently amended on February 24, 2022.</li> </ul>
(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.

Item	Yes	No	Implementation
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.
(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 “2022 Report on the Implementation of Integrity Management “ was submitted for approval by the Thirteenth Session of the 7th Term of the Board of Directors on March 10, 2022.
(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 government-owned financial institution. Its employees are required to adhere to the “Act on Recusal of Public Servants Due to Conflicts of Interest” and recuse themselves when necessary. The Bank also has specialized units that can provide consultation and recommendations in such cases.
(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"> <li>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.</li> <li>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.</li> </ul>

Item	Yes	No	Implementation
(V) Does the bank organize internal or external training on a regular basis to maintain business integrity?	V		<p>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.</p> <p>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.</p> <p>(V) 7 sessions of internal training were held in 2022, and a total number of 403 people were trained.</p>

Item	Yes	No	Implementation
<p>III. Whistleblowing System</p> <p>(I) Does the bank provide incentives and means for employees to report misconduct? Has the bank assigned dedicated personnel to investigate the reported misconduct?</p>	V		<p>III.</p> <p>(I)</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>iii. The reported misconduct is handled by the dedicated personnel assigned by the Department of Compliance of the Bank.</li> <li>iv. 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.</li> </ol>
<p>(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?</p>	V		<p>(II)</p> <ol style="list-style-type: none"> <li>i. The amendments to the “Taiwan Land Bank Whistleblowing System Implementation Guidelines” were submitted and approved by the Audit Committee in its Sixth Session of the 3rd Term and the Board of Directors in its Sixth Session of the 7th Term in 2022. The guidelines 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.</li> <li>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 adheres to Article 10 of the “The Anti-Corruption Informant Rewards and Protection Regulations” established by the Executive Yuan, which governs the confidentiality of reported misconduct.</li> </ol>

Item	Yes	No	Implementation
(III) Has the bank adopted any measures to protect whistleblowers from retaliation for filing reports?			(III) 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. ii. As per Article 12 of “The Anti-Corruption Informant Rewards and Protection Regulations,” the Bank is responsible for ensuring the protection of informants.
(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	2022.12.31		2021.12.31		Variation	Variation (%)
	Amount	Percentage (%)	Amount	Percentage (%)		
Demand deposit	1,117,812,921	38.26	1,062,097,743	38.40	55,715,178	5.25
Time deposit	1,595,404,025	54.60	1,524,331,662	55.12	71,072,363	4.66
Treasury deposit	208,749,701	7.14	179,284,690	6.48	29,465,011	16.43
Total	2,921,966,647	100.00	2,765,714,095	100.00	156,252,552	5.65

### (II) Loans

Unit: NTD thousands; %

Item	2022.12.31		2021.12.31		Variation	Variation (%)
	Amount	Percentage (%)	Amount	Percentage (%)		
Discount	953,227	0.04	781,817	0.04	171,410	21.92
Short-term loans and overdrafts	151,338,836	6.66	141,589,211	6.53	9,749,625	6.89
Medium-term loans	913,306,214	40.20	835,099,816	38.53	78,206,398	9.36
Long-term loans	1,206,459,632	53.10	1,189,739,801	54.90	16,719,831	1.41
Total	2,272,057,909	100.00	2,167,210,645	100.00	104,847,264	4.84

### (III) Foreign Exchange Business

Unit: USD thousands; %

Item	2022		2021		Variation	Variation (%)
	Amount	Percentage (%)	Amount	Percentage (%)		
Exports	6,146,478	5.35	7,891,302	8.48	-1,744,824	-22.11
Imports	22,304,627	19.40	14,029,253	15.09	8,275,374	58.99
Currency exchange	86,499,064	75.25	71,077,886	76.43	15,421,178	21.70
Total	114,950,169	100.00	92,998,441	100.00	21,951,728	23.60

## (IV) Trust Services

### i. Value of Trust Assets

Unit: NTD thousands; %

Item	2022	2021	Variation	Variation(%)
Securities investment Trust	60,216,263	62,069,176	-1,852,913	-2.99
Real estate investment Trust	226,196,284	215,435,250	10,761,034	5.00
Asset securitization	68,001,284	59,871,764	8,129,520	13.58
General property trust service	4,944,314	5,302,135	-357,821	-6.75
Fund custodian service	80,894,917	92,684,563	-11,789,646	-12.72
Accessory services	139,325,225	123,564,230	15,760,995	12.76
Total	579,578,287	558,927,118	20,651,169	3.69

### ii. Commission Income From Trust Services

Unit: NTD thousands; %

Item	2022		2021		Variation (%)
	Amount	As a Percentage of Bank-wide Commission income (%)	Amount	As a Percentage of Bank-wide Commission income (%)	
Real estate investment trust	217,898	5.80	218,374	5.71	-0.22
Asset securitization	37,279	0.99	30,109	0.79	23.81
General property trust service	11,326	0.30	11,863	0.31	-4.53
Fund custodian service	65,495	1.74	65,828	1.72	-0.51
Accessory services	14,083	0.37	12,255	0.32	14.92
Total	346,081	9.21	338,429	8.85	2.26

Note: Bank-wide commission income, including securities brokerage and underwriting services, were reported at NT\$3,759,399,000 at 2022 year-end and NT\$3,824,190,000 at 2021 year-end.

## (V) Wealth Management

Unit: NTD thousands; %

Item	2022		2021		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	219,606	5.84	306,424	8.01	-28.33
Commission income from bank bancassurance (including mortgage life insurance)	459,318	12.22	422,997	11.06	8.59
Commission income from gold account service	2,736	0.07	2,979	0.08	-8.16
Commission income from securities referral	4,308	0.11	6,610	0.17	-34.83
Total	685,968	18.25	739,010	19.32	-7.18

Note: Bank-wide commission income, including securities brokerage and underwriting services, were reported at NT\$3,759,399,000 at 2022 year-end and NT\$3,824,190,000 at 2021 year-end.

## (VI) Digital Banking

### i. Number of Digital Banking Transactions

Item	2022 Number of Account Transfers	2021 Number of Account Transfers	Variation of Transaction Count	Variation(%)
Internet banking	6,718,560	6,170,181	548,379	8.89
Mobile banking	5,328,767	4,085,455	1,243,312	30.43
Enterprise banking	3,333,688	3,018,800	314,888	10.43

Note: To enable comparison, the number of fund transfers completed over Internet banking in 2022 and 2021 exclude mobile banking transactions.

### ii. Commission income From Digital Banking Service

Unit: NTD thousands; %

Item	2022		2021		Variation (%)
	Amount	As a Percentage of Bank-wide Commission income (%)	Amount	As a Percentage of Bank-wide Commission income (%)	
Commission income	127,739	3.4	116,339	3.04	0.36

Note: Bank-wide commission income, including securities brokerage and underwriting services, were reported at NT\$3,759,399,000 at 2022 year-end and NT\$3,824,190,000 at 2021 year-end.

## (VII) Securities Service

### i. Securities Brokerage Volume

Unit: NTD thousands; %

Item	2022	2021	Variation	Variation(%)
Securities brokerage volume	444,084,740	712,687,936	-268,603,196	-37.69

### ii. Commission income From Securities Brokerage and Underwriting

Unit: NTD thousands; %

Item	2022		2021		Variation (%)
	Amount	As a Percentage of Bank-wide Commission income (%)	Amount	As a Percentage of Bank-wide Commission income (%)	
Securities brokerage and underwriting	271,934	7.23	432,803	11.32	-37.17

Note: Bank-wide commission income, including securities brokerage and underwriting services, were reported at NT\$3,759,399,000 at 2022 year-end and NT\$3,824,190,000 at 2021 year-end.

## (VIII) Investments

### i. Securities Investment

Unit: NTD thousands; %

Item	2022.12.31	2021.12.31	Variation	Variation (%)
Government bonds	148,192,881	146,266,394	1,926,487	1.32
Corporate bonds	21,766,716	18,800,009	2,966,707	15.78
Shares (short-term investments)	7,985,783	5,627,880	2,357,903	41.90

### ii. Trading of Short-term Bills

Unit: NTD thousands; %

Item	2022	2021	Variation	Variation (%)
Amount of outright purchases undertaken	307,843,702	296,822,653	11,021,049	3.71
Amount of outright sales undertaken	0	0	0	0.00
Amount of repurchase agreements undertaken	0	0	0	0.00

### iii. Proprietary Trading of Government Bonds

Unit: NTD thousands; %

Item	2022	2021	Variation	Variation (%)
Amount of proprietary trading - government bond outright purchases/sales	6,261,473	5,479,580	781,893	14.27
Amount of proprietary trading - government bond repurchase/resale agreements	77,300,325	87,127,839	-9,827,514	-11.28
Balance of proprietary trading - government bonds	24,288,093	21,413,854	2,874,239	13.42

## (IX) Credit Card Business

Unit: cards, NTD thousands

Item		2022	2021	Variation	Variation(%)
Card Issuance	Outstanding cards	356,026	356,812	-786	-0.22
	Active cards	152,010	146,964	5,046	3.43
	Amount charged	9,401,152	8,956,478	444,674	4.96
	Revolving credit balance	352,639	354,302	-1,663	-0.47
Transaction Acquisition	Amount transacted through offline merchants, online merchants and ATM	26,116,066	26,891,427	-775,361	-2.88

(X) Insurance Agency

i. Insurance Agency Volume

Unit: NTD thousands; %

Item	2022	2021	Variation	Variation(%)
Insurance premium revenue of life insurance	7,020,485	9,400,256	-2,379,771	-25.31
Insurance premium revenue of property insurance	549,047	550,673	-1,626	-0.3
Insurance premium revenue in total	7,569,532	9,950,929	-2,381,397	-23.93

ii. Commission income From Insurance Agency Service

Unit: NTD thousands; %

Item	2022		2021		Variation (%)
	Amount	As a Percentage of Bank-wide Commission income (%)	Amount	As a Percentage of Bank-wide Commission income (%)	
Commission income from life insurance	87,262	2.32	80,753	2.11	8.06
Commission income from property insurance	11,299	0.3	11,003	0.29	2.69
Commission income from insurance agency services in total	98,561	2.62	91,756	2.40	7.42

Note: Bank-wide commission income, including securities brokerage and underwriting services, were reported at NT\$3,759,399,000 at 2022 year-end and NT\$3,824,190,000 at 2021 year-end.

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

Unit: NTD thousands; %

Item	2022		2021	
	Amount	As a Percentage of Net Revenue (%)	Amount	As a Percentage of Net Revenue (%)
Net income of interest	33,079,647	99.08	29,413,819	92.64
Net service fee income	2,605,393	7.80	2,532,170	7.98
Gains on financial assets or liabilities measured at fair value through profit or loss	1,768,852	5.30	314,075	0.99
Realized gain on financial assets at fair value through other comprehensive income, net	434,193	1.30	762,573	2.40
Foreign exchange (losses) gain	-2,814,222	-8.43	468,740	1.48
Reversal of loss on assets (impairment of loss on assets)	-5,500	-0.02	38,131	0.11
Net gain on disposal of property	948	0.00	158,716	0.50
Other miscellaneous loss	-1,682,567	-5.03	-1,937,016	-6.10
Total net income	33,386,744	100.00	31,751,208	100.00

Note: 2021 figures have been restated by the CPA based on certified figures of the National Audit Office, whereas the 2022 figures are audited.

## II. Market Analysis

### (I) Locations of Business Activity

The Bank is Taiwan's sole state-owned bank that focuses on providing credit backed by real estate. It offers a range of services including corporate banking, personal banking, trusts, wealth management, foreign currency services, and e-banking. The Bank operates a wide network of 150 offices, including the Department of Business Management, as well as eight overseas branches in Los Angeles, Singapore, Hong Kong, Shanghai, New York, Tianjin, and Wuhan. Additionally, it has a representative office in Kuala Lumpur. In support of the government's new southbound expansion policy, the Bank successfully applied for and received approval to establish branches in Brisbane, Australia, as well as representative offices in Manila, The Philippines, and Jakarta, Indonesia. This marks a significant expansion of the Bank's network and services in the Asia Pacific region, and represents a significant step towards establishing itself as a respected 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. Growth of Foreign Exchange Operations

Due to the global easing of the pandemic and the anticipated strength of the US dollar, there is a steady influx of funds into US dollar-related assets. This has resulted in increased activity in foreign exchange-related businesses and overall growth in the foreign exchange sector.

### (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. Electronic Finance Transformation

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, JKOPAY, icash Pay, Orange Pay, PXPAY Plus, and Easy Wallet, 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) Thanks to effective pandemic control measures, Taiwan's economy has enjoyed stable growth. Moreover, our central bank has mirrored the Federal Reserve's actions by raising interest rates to counter global inflation. In 2022, the central bank has implemented four interest rate hikes, leading to wider interest rate spreads. Consequently, the demand for private funds has not significantly decreased, thereby enhancing banks' profitability.
- (ii) 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.
- (iii) To effectively integrate financial services into people's lives and offer companies comprehensive cashflow solutions, it is anticipated that banks will 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.

##### ii. Unfavorable Factors

- (i) Despite the easing of the global pandemic, the economic outlook remains uncertain due to ongoing conflicts between Russia and Ukraine, intensifying natural disasters and extreme weather events, inflation and interest rate hikes in Europe and the United States, and rising global geopolitical risks. These factors have heightened the volatility of the stock and exchange markets in the global financial sector, thereby increasing the risk of global investment. Domestic banks are confronted with elevated risks in their investments and lending activities, both domestically and internationally, which poses challenges in generating profits.
- (ii) The growth momentum of the real estate lending business is being affected by regulatory authorities implementing various control measures on financial institutions. In recent years, global trade and supply chain operations have faced disruptions caused by pandemics and military conflicts. Furthermore, the prices of crude oil and steel have been steadily increasing due to external geopolitical risks. These factors have also impacted industry operational costs and the pace of decommodification.
- (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.
- (iv) Due to the rising risk of significant fluctuations in the stock market of major economies, the interference caused by interest rate hikes, and the decrease in marketing opportunities for face-to-face wealth management businesses due to the epidemic, the overall promotion of wealth management business and service fee income has been affected. Additionally, regulatory authorities strictly control the declared interest rates of insurance products offered by insurance companies, which directly impacts the promotion of insurance business and poses challenges for the business.

### iii. Response Strategies

- (i) In order to diversify our business and consistently attract high-quality corporate financial 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 to recruit professional talent and develop a comprehensive system for detecting, reporting, and processing in accordance with external regulatory requirements. Additionally, we will enhance compliance education and raise awareness among employees to ensure the protection of the Bank and its customers. Enhancements will be made to the Bank's information service and security protection to align with information security trends and FinTech risk management requirements. This will ensure a 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 2022:

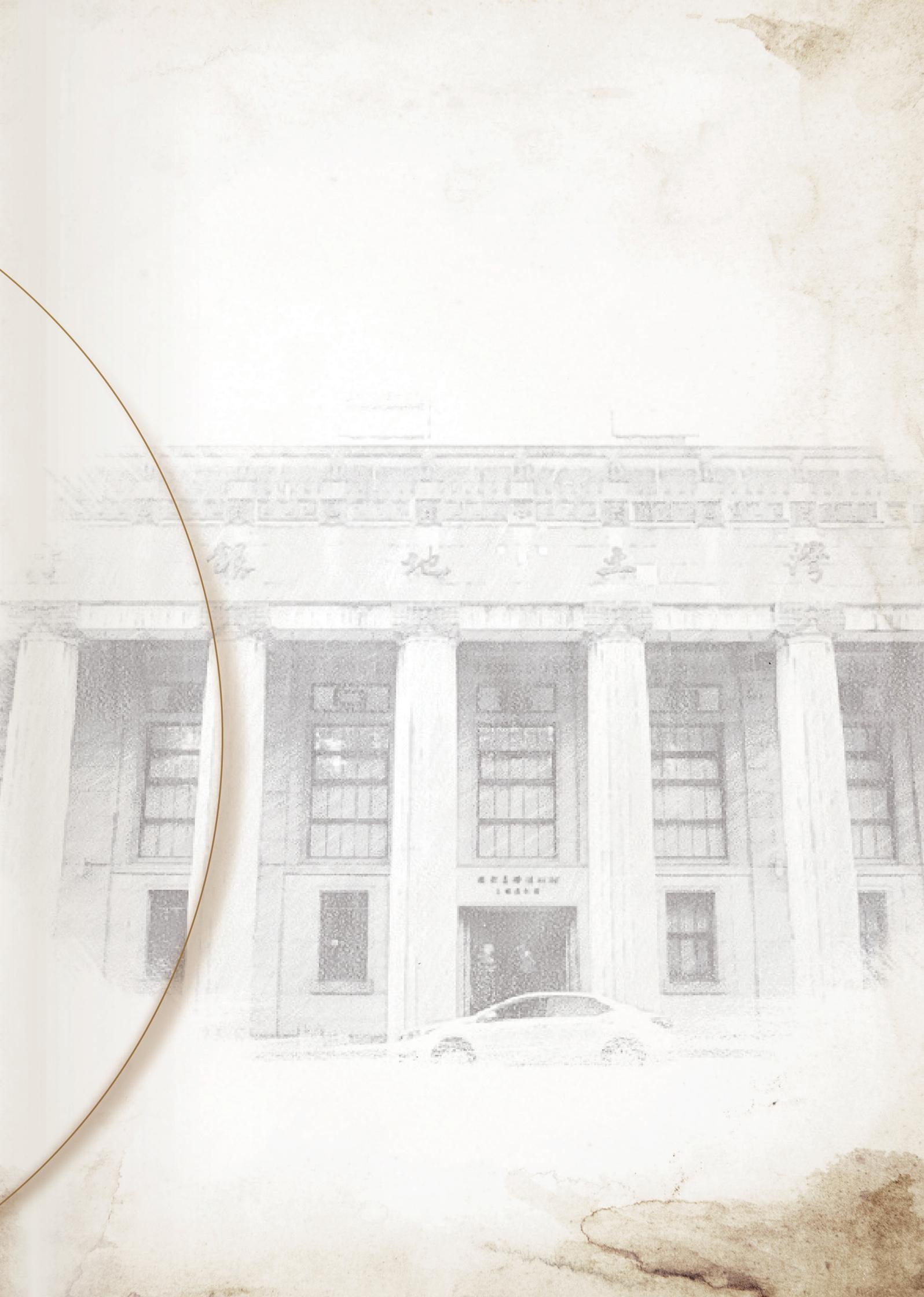
- (i) Construction Loans: Based on the Central Bank's announcement, the domestic construction loans' outstanding balance reached NT\$3.979 trillion by the end of 2022. Our bank's outstanding balance stands at NT\$509.8 billion, representing a market share of 16.46%.
- (ii) SME Loans: According to the announcement by the FSC, the total outstanding balance of SME Loans (including collections) held by domestic banks at the end of 2022 is NT\$9.2833 trillion. The Bank's outstanding balance is NT\$610.7 billion, representing a market share of 6.58%.
- (iii) Loans to Six Core Strategic Industries: Based on the FSC's announcement, domestic banks granted a combined total of NT\$6.7945 trillion in loans to the six core strategic industries by the conclusion of 2022. The Bank's contribution amounted to NT\$347.6 billion, representing a market share of 5.12%.
- (iv) According to syndicated loan statistics from Refinitiv (formerly Thomson Reuters Basis Point), the Bank ranked 6th as the Mandated Lead Arranger and 5th as the Bookrunner in the domestic syndicated loan market at the end of 2022.
- (v) Urban Renewal and Old and Dangerous Buildings Reconstruction Business: As of the end of 2022, the Bank has been approved for NT\$174 billion in urban renewal financing, with a remaining balance of NT\$42.1 billion. The county and city governments have approved a financing limit of NT\$42.2 billion, with a remaining balance of NT\$19.9 billion. This places the Bank in first position among the eight major state-owned banks.
- (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 2022 is NT\$9.633 trillion. The Bank's outstanding balance is NT\$936.7 billion, representing a market share of 9.72% and maintaining its position as the industry leader.
- (vii) Real Estate Trust Business: Based on the Trust Association's 2022 year-end statistics, the Bank is a market leader in several key sectors. We hold a 16.19% market share in the real estate trust sector, a 100% market share in financial asset securitization, and a 55.66% market share in real estate investment securitization.

## **072** Financial Overview and Risk Management

- 072 I Summary Consolidated Balance Sheet and Statement of Comprehensive Income for the Last Five (5) Years
- 078 II Financial Analysis for the Last Five (5) Years
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## **235** Head Office and Global Branches

- 235 I Domestic Head Office and Branches Units
- 245 II Overseas Units



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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 Sheet and Statement of Comprehensive Income

#### Summary Consolidated Balance Sheet

Unit: NTD thousands

Item	Financial Information for the Last 5 Years (Note)				
	2022	2021	2020	2019	2018
Cash, Cash Equivalents, Deposits at CBC and Interbank Lending					275,144,392
Financial Assets at Fair Value Through Profit and Loss					5,253,684
Financial Assets at Fair Value Through Other Comprehensive Income					102,542,129
Debt Instrument Investments Measured at Cost After Amortization					587,049,258
Investment in Resale Bills and Bonds					389,212
Receivables - Net					9,340,345
Current Income Tax Assets					36,287
Loans and Advances - Net	Not Available	Not Available	Not Available	Not Available	1,965,807,233
Investments Accounted Using the Equity Method - Net					0
Other Financial Assets - Net					28,735
Property, Plants and Equipment - Net					22,625,687
Right-of-use Assets - Net					0
Investment Properties - Net					24,229,670
Intangible Assets - Net					858,257
Deferred Tax Assets - Net					2,653,432
Other Assets					9,071,611
Total Assets					3,005,029,932
Deposits From CBC and Peer Banks					287,244,785

Item	Year	Financial Information for the Last 5 Years (Note)				
		2022	2021	2020	2019	2018
Loans From CBC and Interbank Borrowing						1,939,909
Financial Liabilities at Fair Value Through Profit and Loss						9,893,561
Repurchase Bills and Bonds						9,740,281
Payables						26,384,330
Current Income Tax Liabilities						388,148
Deposits						2,426,584,880
Bank Debenture Payables						59,592,857
Other Financial Liabilities						113,986
Liability Reserves						17,852,687
Lease Liabilities						0
Deferred Tax Liabilities		Not Available	Not Available	Not Available	Not Available	6,985,635
Other Liabilities						1,083,013
Total Liabilities	Before Distribution					2,847,804,072
	After Distribution					2,847,804,072
Share Capital	Before Distribution					62,594,000
	After Distribution					62,594,000
Capital Reserve						21,748,869
Retained Earnings	Before Distribution					66,352,145
	After Distribution					66,352,145
Other Equity						6,530,846
Total Equity	Before Distribution					157,225,860
	After Distribution					157,225,860

Note: The CPAs restated the 2018 figures using the certified figures from the National Audit Office. The CPAs based the 2019 figures on the individual audit result from the National Audit Office. The 2020-2022 figures are based on the individual financial statements and are not applicable.

Summary Consolidated Statement of Comprehensive Income

Unit: NTD thousands

Item	Year	Financial Information for the Last 5 Years (Note)				
		2022	2021	2020	2019	2018
Interest Revenue						48,684,757
Less: Interest Expenses						22,061,824
Net Interest Revenue						26,622,933
Non-interest Net Revenue						3,460,744
Net Revenue						30,083,677
Loan Loss and Provision for Commitments and Liabilities						3,173,158
Operating Expenses						14,686,061
Profit before tax (loss) From Continuing Operations						12,224,458
Income Tax Expenses						2,492,163
Current Net Income From Continuing Operations						9,732,295
Gains/Losses From Discontinued Operations	Not Available	Not Available	Not Available	Not Available		0
Current Net Income						9,732,295
Other Comprehensive Income						-756,668
Other Comprehensive Income - Current (net, after tax)						-756,668
Total Current Comprehensive Income						8,975,627
Current Profit (loss) Attributable to Parent Company Shareholders						9,732,295
Current Profit (loss) Attributable to Non-controlling Shareholders						0
Current Comprehensive Income Attributable to Parent Company Shareholders						8,975,627
Current Comprehensive Income Attributable to Non-controlling Shareholders						0
Earnings per Share (NTD) (Note 2)						1.13

Note 1: The CPAs restated the 2018 figures using the certified figures from the National Audit Office. The CPAs based the 2019 figures on the individual audit result from the National Audit Office. The 2020-2022 figures are based on the individual financial statements and are not applicable.

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) for previous years.

Summary Standalone Balance Sheet

Unit: NTD thousands

Item	Year	Financial Information for the Last 5 Years (Note)				
		2022	2021	2020	2019	2018
Cash, Cash Equivalents, Deposits at CBC and Interbank Lending		250,178,195	265,884,052	184,159,613	222,953,062	275,141,211
Financial Assets at Fair Value Through Profit and Loss		2,930,855	4,557,150	3,899,451	4,437,143	5,253,684
Financial Assets at Fair Value Through Other Comprehensive Income		112,658,840	94,277,009	114,068,569	114,603,444	102,542,129
Debt Instrument Investments Measured at Cost After Amortization		700,368,671	749,877,368	660,807,717	597,723,140	587,046,111
Investment in Resale Bills and Bonds		679,308	2,033,693	1,145,103	6,218,350	389,212
Receivables - Net		10,030,035	8,541,961	8,851,799	8,613,679	9,324,614
Current Income Tax Assets		0	19,358	0	20,993	36,287
Loans and Advances - Net		2,270,707,903	2,213,981,336	2,079,869,366	1,986,505,361	1,965,807,233
Investments Accounted Using the Equity Method - Net		0	0	0	40,000	40,000
Other Financial Assets - Net		36,020	36,604	37,294	38,764	28,735
Property, Plants and Equipment - Net		22,286,918	22,293,358	22,543,030	22,516,593	22,622,065
Right-of-use Assets - Net		1,090,387	1,029,873	945,186	1,136,090	0
Investment Properties - Net		23,379,128	23,657,897	23,738,479	23,937,743	24,229,670
Intangible Assets - Net		865,372	798,093	914,924	857,311	849,705
Deferred Income Tax Assets - Net		2,218,715	2,159,996	2,293,784	2,392,843	2,653,432
Other Assets		11,864,744	13,559,407	11,457,337	10,714,152	9,071,471
Total Assets	Before Distribution	3,410,295,091	3,403,707,155	3,114,731,652	3,002,708,668	3,005,035,559
	After Distribution	3,409,295,091	3,402,707,155	3,114,731,652	3,002,708,668	3,005,035,559
Deposits From CBC and Peer Banks		487,882,269	332,250,440	347,507,303	313,577,959	287,244,785
Loans From CBC and Interbank Borrowing		1,279,741	21,013,312	10,591,582	1,723,767	1,939,909
Financial Liabilities at Fair Value Through Profit and Loss		8,359,299	6,853,168	8,942,683	11,468,186	9,893,561
Repurchase Bills and Bonds		5,722,701	12,828,488	18,634,499	7,399,137	9,740,281

Item	Year	Financial Information for the Last 5 Years (Note)				
		2022	2021	2020	2019	2018
Payables		24,459,216	24,692,162	22,180,920	21,235,773	26,372,615
Current Income Tax Liabilities		1,355,230	817,659	857,677	1,185,886	374,278
Deposits		2,594,137,351	2,725,796,242	2,453,872,938	2,396,048,680	2,426,625,298
Bonds Payable		60,233,679	61,836,475	46,294,550	53,293,705	59,592,857
Other Financial Liabilities		71,571	75,950	86,637	95,094	113,986
Liability Reserves		21,792,741	22,249,483	20,662,942	18,953,270	17,843,101
Lease Liabilities		1,110,691	1,040,132	948,767	1,134,259	0
Deferred Income Tax Liabilities		6,909,824	6,907,923	6,914,019	6,914,019	6,985,635
Other Liabilities		1,288,053	1,398,458	1,782,351	1,448,542	1,083,393
Total Liabilities	Before Distribution	3,214,602,366	3,217,759,892	2,939,276,868	2,834,478,277	2,847,809,699
	After Distribution	3,214,602,366	3,217,759,892	2,939,276,868	2,834,478,277	2,847,809,699
Share Capital	Before Distribution	86,200,000	86,200,000	73,200,000	73,200,000	62,594,000
	After Distribution	86,200,000	86,200,000	73,200,000	73,200,000	62,594,000
Capital Reserve		21,748,869	21,748,869	21,748,869	21,748,869	21,748,869
Retained Earnings	Before Distribution	79,853,000	69,128,536	72,596,350	64,809,375	66,352,145
	After Distribution	78,853,000	68,128,536	72,596,350	64,809,375	66,352,145
Other Equity Items		7,890,856	8,869,858	7,909,565	8,472,147	6,530,846
Total Equity	Before Distribution	195,692,725	185,947,263	175,454,784	168,230,391	157,225,860
	After Distribution	194,692,725	184,947,263	175,454,784	168,230,391	157,225,860

Note: The CPAs restated the 2018-2021 figures using the certified figures from the National Audit Office, while the 2022 figures are audited.

## Summary Standalone Statement of Comprehensive Income

Unit: NTD thousands

Item	Year	Financial Information for the Last 5 Years (Note 1)				
		2022	2021	2020	2019	2018
Interest Revenue		55,095,108	41,288,142	42,617,177	51,461,783	48,684,017
Less: Interest Expenses		22,015,461	11,874,323	16,205,670	23,350,609	22,061,854
Net Interest Revenue		33,079,647	29,413,819	26,411,507	28,111,174	26,622,163
Non-interest Net Revenue		307,097	2,337,389	2,908,379	3,117,577	3,368,674
Net Revenue		33,386,744	31,751,208	29,319,886	31,228,751	29,990,837
Loan Loss and Provision for Commitments and Liabilities		2,263,189	2,734,172	2,659,125	2,907,339	3,173,158
Operating Expenses		16,278,170	15,778,119	15,547,863	15,302,374	14,615,896
Profit before tax (loss) From Continuing Operations		14,845,385	13,238,917	11,112,898	13,019,038	12,201,783
Income Tax Expenses		3,237,014	2,762,664	2,404,893	2,952,442	2,469,488
Current Net Income From Continuing Operations		11,608,371	10,476,253	8,708,005	10,066,596	9,732,295
Gains/Losses From Discontinued Operations		0	0	0	0	0
Current Net Income		11,608,371	10,476,253	8,708,005	10,066,596	9,732,295
Other Comprehensive Income		-862,909	16,226	-1,483,612	937,935	-756,668
Other Comprehensive Income - Current (net, after tax)		-862,909	16,226	-1,483,612	937,935	-756,668
Total Current Comprehensive Income		10,745,462	10,492,479	7,224,393	11,004,531	8,975,627
Current Profit (loss) Attributable to Parent Company Shareholders		11,608,371	10,476,253	8,708,005	10,066,596	9,732,295
Current Profit (loss) Attributable to Non-controlling Shareholders		0	0	0	0	0
Current Comprehensive Income Attributable to Parent Company Shareholders		10,745,462	10,492,479	7,224,393	11,004,531	8,975,627
Current Comprehensive Income Attributable to Non-controlling Shareholders		0	0	0	0	0
Earnings per Share (NTD) (Note 2)		1.35	1.22	1.01	1.17	1.13

Note 1: The CPAs restated the 2018-2021 figures using the certified figures from the National Audit Office, while the 2022 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

### Consolidated Financial Analysis

Analysis	Year	Financial Analysis for the Last 5 Years				
		2022	2021	2020	2019	2018
Operating Efficiency	Loan-to-deposit Ratio					82.26
	Overdue Loan Ratio					0.19
	Interest Expenses as a % of Yearly Average Deposit Balance					0.72
	Interest Revenue as a % of Yearly Average Loan Balance					2.00
	Total Asset Turnover (times)					1.02
	Revenue per Employee					5,285.26
	Net Profit per Employee					1,709.82
Profitability	Return on Tier 1 Capital (%)					8.08
	Return on Assets (%)					0.33
	Return on Equity (%)					6.45
	Net Profit Margin (%)					32.35
	Earnings per Share (NTD)					1.13
Financial Position	Debt to Assets Ratio					94.75
	Property, Plants and Equipment to Equity Ratio	Not Available	Not Available	Not Available	Not Available	14.39
Growth Rate	Asset Growth Rate					4.21
	Profit Growth Rate					2.89
Cash Flow	Cash Flow Ratio					-4.15
	Cash Flow Adequacy Ratio					872.74
	Cash Flow Reinvestment Ratio					3,105.83
Liquidity Reserve Ratio						27.45
Outstanding Secured Loans to Stakeholders (NTD thousands)						11,113,600
Outstanding Secured Loans to Stakeholders as a Percentage of Total Loan Balance (%)						0.61
Business Scale	Market Share of Assets					3.84
	Market Share of Equity					2.56
	Market Share of Deposits					5.83
	Market Share of Loans					6.85

Note 1: The CPAs restated the 2018 figures using the certified figures from the National Audit Office. The CPAs based the 2019 figures on the individual audit result from the National Audit Office. The 2020-2022 figures are based on the individual financial statements and are not applicable.

Note 1: Formulas of Financial Ratios:

1. Operating Efficiency

- (1) Loan to Deposit Ratio = total loan/total deposit
- (2) Overdue Loan Ratio = total overdue loan/total loan
- (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 2: Total liabilities are net of provision for guarantee, loss provision for bill trading and provision for accidental loss.

Note 3: 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 4: 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.

Standalone Financial Analysis

Analysis	Year	Financial Analysis for the Last 5 Years				
		2022	2021	2020	2019	2018
Operating Efficiency	Loan-to-deposit Ratio	89.06	82.59	86.17	84.23	82.25
	Overdue Loan Ratio	0.10	0.12	0.15	0.18	0.19
	Interest Expenses as a % of Yearly Average Deposit Balance	0.65	0.38	0.53	0.75	0.72
	Interest Revenue as a % of Yearly Average Loan Balance	1.97	1.63	1.71	2.05	2.00
	Total Asset Turnover (times)	0.98	0.97	0.96	1.04	1.02
	Revenue per Employee	5,804.37	5,504.72	5,095.57	5,396.36	5,297.80
	Net Profit per Employee	2,018.15	1,816.27	1,513.38	1,739.52	1,719.18
Profitability	Return on Tier 1 Capital (%)	7.20	6.82	6.03	7.89	8.07
	Return on Assets (%)	0.34	0.32	0.28	0.34	0.33
	Return on Equity (%)	6.12	5.81	5.07	6.19	6.45
	Net Profit Margin (%)	34.77	32.99	29.70	32.24	32.45
	Earnings per Share (NTD)	1.35	1.22	1.01	1.17	1.13
Financial Position	Debt to Assets Ratio	94.27	94.54	94.35	94.38	94.75
	Property, Plants and Equipment to Equity Ratio	11.45	12.05	12.85	13.38	14.39
Growth Rate	Asset Growth Rate	0.19	9.25	3.73	-0.08	4.21
	Profit Growth Rate	12.13	19.13	-14.64	6.70	2.85
Cash Flow	Cash Flow Ratio	2.53	47.54	-30.95	-26.67	-4.15
	Cash Flow Adequacy Ratio	-488.41	153.39	-2,276.98	49.59	873.07
	Cash Flow Reinvestment Ratio	-1,343.03	-11,883.31	5,963.50	18,612.67	3,164.82
Liquidity Reserve Ratio		26.14	26.08	25.73	27.34	27.45
Outstanding Secured Loans to Stakeholders (NTD thousands)		21,256,011	15,495,716	45,657,760	11,860,020	11,113,600
Outstanding Secured Loans to Stakeholders as a Percentage of Total Loan Balance (%)		0.99	0.74	2.32	0.63	0.61
Business Scale	Market Share of Assets	3.42	3.63	3.52	3.62	3.84
	Market Share of Equity	2.59	2.17	2.17	2.30	2.56
	Market Share of Deposits	4.78	5.36	5.17	5.52	5.83
	Market Share of Loans	6.17	6.46	6.53	6.63	6.85

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 2022, as compared to 2021, 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 2022 compared to 2021, primarily due to the higher interest revenue generated from loans in 2022 as compared to 2021.

The decrease in the asset growth rate in 2022, compared to 2021, is primarily attributed to a decline in due amounts from the central bank and call loans to banks, as well as a reduction in investments in debt instruments measured at amortized cost in 2022.

The decrease in the profit growth rate for 2022, as compared to 2021, is primarily attributed to the net exchange loss incurred in 2022. This loss has impacted the overall magnitude of the net profit before tax growth.

The decrease in the cash flow ratio in 2022, compared to 2021, is primarily attributed to the decline in net cash flow from operating activities during the same period.

The decrease in the cash flow adequacy ratio in 2022, compared to 2021, is primarily attributed to the decline in net cash inflow from operating activities. 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 2022, compared to 2021, is mainly due to the decrease in net cash inflow from operating activities.

Note 1: 2018-2021 figures were restated by CPAs based on certified figures of the National Audit Office, whereas the 2022 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)					
			2022	2021	2020	2019	2018	
Capital	Common Share Equity		185,214,173	174,968,126	163,781,292	148,770,884	139,676,435	
	Tier 1 Non-common Share Equity		26,000,000	26,000,000	23,500,000	26,656,700	15,305,736	
	Tier 2 Capital		40,409,102	35,941,302	39,563,919	40,159,744	42,610,688	
	Equity Capital		251,623,275	236,909,428	226,845,211	215,587,328	197,592,859	
Risk Weighted Assets	Credit Risk	Standard Approach	1,806,426,697	1,718,430,284	1,678,232,260	1,613,839,876	1,557,243,212	
		Internal Ratings Based Approach						
		Asset Securitization						
	Operational Risks	Basic Indicator Approach						
		Standardized Approach/ Alternative Standardized Approach	57,508,329	55,075,223	53,293,052	52,002,585	51,132,125	
		Advanced Measurement Approach						
	Market Risk	Standard Approach	35,952,595	31,149,417	27,960,577	25,450,118	25,093,998	
		Internal Model Approach						
	Total Risk Weighted Assets			1,899,887,621	1,804,654,924	1,759,485,889	1,691,292,579	1,633,469,335
	Capital Adequacy Ratio			13.24	13.13	12.89	12.75	12.10
Tier 1 Capital as a % of Risky Assets			11.12	11.14	10.64	10.37	9.49	
Common Share Equity as a % of Risky Assets			9.75	9.70	9.31	8.80	8.55	
Leverage Ratio			5.99	5.70	5.81	5.64	4.99	
Reasons for Changes in Capital Adequacy in the Last 2 Years (unnecessary if the variation was less than 20%)								

Note 1: Figures between 2018 and 2022 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 2022 Business Report (January 1 to December 31, 2022), 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-Guang and Yu Chi-Lung. The above statements and reports were reviewed in the Thirteen Session of the 3rd Term of the Audit Committee on March 3, 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)

March 3, 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. (collectively, the "Bank"), which comprise the statement of financial position as of December 31, 2022 and 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2022 and 2021, and notes to the financial statements, including a summary of significant 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, 2022 and 2021, and its financial performance and its cash flows for the year ended December 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers 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 audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants", the approval letter Jin-Guan-Yin-Fa-Zi No.10802731571 and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 consolidated financial statements for 2021 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) reviewing whether the loan is subject to objective evidence of impairment, and inspecting the calculation of impairment via sampling. (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) reviewing relevant credit files, overdue aging, collateral value, historical default and loss probability. (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 or the assessment 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 Consolidated 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, Regulations Governing the Preparation of Financial Reports by Securities Firms and IFRSs, 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-Guang and Yu Chi-Lung.

KPMG

Taipei, Taiwan (Republic of China)  
March 10, 2023

#### 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.

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

	2022		2021		Change
	Amount	%	Amount	%	%
<b>Interest incomes:</b>					
41000 Total interest income	\$ 55,095,108	165	41,288,142	130	33
51000 Gains: Total interest expenses	<u>22,015,461</u>	<u>66</u>	<u>11,874,323</u>	<u>36</u>	85
Net income of interest (note 6(aa))	33,079,647	99	29,413,819	94	12
Net non-interest income					
49100 Net service fee income (note 6(ab))	2,605,393	8	2,532,170	8	3
49200 Gains on financial assets or liabilities measured at fair value through profit or loss (notes 6(c) and (ac))	1,768,852	5	314,075	1	463
49310 Realized gain on financial assets at fair value through other comprehensive income, net (note 6(ad))	434,193	1	762,573	2	(43)
49600 Foreign exchange (losses) gain	(2,814,222)	(8)	468,740	1	(700)
49700 Reversal of loss on assets (impairment of loss on assets) (note 6(ae))	(5,500)	-	38,131	-	(114)
49863 Net gain on disposal of property	948	-	158,716	-	(99)
49899 Other miscellaneous loss (note 6(af))	<u>(1,682,567)</u>	<u>(5)</u>	<u>(1,937,016)</u>	<u>(6)</u>	13
	<u>33,386,744</u>	<u>100</u>	<u>31,751,208</u>	<u>100</u>	5
58200 Total bad debts expense and guarantee liability provision (note 6(h))	<u>2,263,189</u>	<u>7</u>	<u>2,734,172</u>	<u>9</u>	(17)
<b>Operating Expenses:</b>					
58500 Total employee benefits expenses (note 6(ag))	9,504,231	28	9,509,397	30	-
59000 Total depreciation and amortization expense (note 6(ah))	1,493,978	4	1,527,311	5	(2)
59500 Total other general and administrative expense (note 6(ai))	<u>5,279,961</u>	<u>16</u>	<u>4,741,411</u>	<u>15</u>	11
	<u>16,278,170</u>	<u>48</u>	<u>15,778,119</u>	<u>50</u>	3
<b>Profit from continuing operations before tax</b>	14,845,385	45	13,238,917	41	12
61003 Less: Income tax expenses	<u>3,237,014</u>	<u>10</u>	<u>2,762,664</u>	<u>9</u>	17
<b>Profit</b>	<u>11,608,371</u>	<u>35</u>	<u>10,476,253</u>	<u>32</u>	11
65000 <b>Other comprehensive income:</b>					
65200 <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
65201 Gains (losses) on remeasurements of defined benefit plans	546,573	2	(971,994)	(3)	156
65204 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(601,958)	(2)	3,057,786	10	(120)
65220 Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
	<u>(55,385)</u>	<u>-</u>	<u>2,085,792</u>	<u>7</u>	(103)
65300 <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
65301 Exchange differences on translation of foreign financial statements (note 6(y))	2,692,236	8	(380,077)	(1)	808
65308 Unrealized gains from investments in debt instruments measured at fair value through other comprehensive income	(3,499,760)	(10)	(1,689,489)	(5)	(107)
65320 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
Components of other comprehensive income that will be reclassified to profit or loss	<u>(807,524)</u>	<u>(2)</u>	<u>(2,069,566)</u>	<u>(6)</u>	61
65000 <b>Other comprehensive income</b>	<u>(862,909)</u>	<u>(2)</u>	<u>16,226</u>	<u>1</u>	(5,418)
<b>Total comprehensive income</b>	<u>\$ 10,745,462</u>	<u>33</u>	<u>10,492,479</u>	<u>33</u>	2
Basic earnings per share (note 6(z))	<u>\$ 1.35</u>		<u>1.22</u>		

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
LAND BANK OF TAIWAN CO., LTD.  
Statements of Changes in Equity  
For the years ended December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Retained earnings	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	Total equity
<b>Balance at January 1, 2021</b>	\$ 73,200,000	21,748,869	38,892,388	28,594,807	5,109,155	10,476,253	(2,617,156)	10,526,721	7,909,565	175,454,784
Profit	-	-	-	-	-	10,476,253	-	-	-	10,476,253
Other comprehensive income	-	-	-	-	(971,994)	-	(380,077)	1,368,297	988,220	16,226
Total comprehensive income	-	-	-	-	-	9,504,259	(380,077)	1,368,297	988,220	10,492,479
Capital increase out of earnings or capital reserves	13,000,000	-	-	(13,000,000)	-	-	-	-	-	-
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	2,861,046	-	(2,861,046)	-	-	-	-	-
Special reserve appropriated	-	-	-	3,814,730	(3,814,730)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,000,000)	-	-	-	-	(1,000,000)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	27,927	-	-	(27,927)	(27,927)	-
Disposal of special reserves transferred from land	-	-	-	(4,637)	4,637	-	-	-	-	-
<b>Balance at December 31, 2021</b>	\$ 86,200,000	21,748,869	41,753,434	19,404,900	6,970,202	11,867,091	(2,997,233)	11,867,091	8,869,858	184,947,263
Profit	-	-	-	-	11,608,371	-	-	-	-	11,608,371
Other comprehensive income	-	-	-	-	546,573	-	2,692,236	(4,101,718)	(1,409,482)	(862,909)
Total comprehensive income	-	-	-	-	12,154,944	-	2,692,236	(4,101,718)	(1,409,482)	10,745,462
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	3,517,375	-	(3,517,375)	-	-	-	-	-
Special reserve appropriated	-	-	-	4,689,832	(4,689,832)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,000,000)	-	-	-	-	(1,000,000)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(430,480)	-	-	430,480	430,480	-
Disposal of special reserves transferred from land	-	-	-	(117)	117	-	-	-	-	-
<b>Balance at December 31, 2022</b>	\$ 86,200,000	21,748,869	45,270,809	24,094,615	9,487,576	9,487,576	(304,997)	8,195,853	7,890,856	194,692,725

See accompanying notes to financial statements.

(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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
<b>Cash flows from (used in) operating activities:</b>		
Profit (loss) before tax	\$ 14,845,385	13,238,917
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	1,245,520	1,241,183
Amortization expense	288,876	328,853
Provision for bad debt expense	2,263,189	2,734,172
Interest expense	22,015,461	11,874,323
Interest income	(55,095,108)	(41,288,142)
Dividend income	(1,034,151)	(682,552)
Net change in provisions for guarantee liabilities	121	(406)
Net change in other provisions	944	(261)
Losses on disposal of property and equipment	4	292
Gains on disposal of investment properties	(948)	(158,716)
Impairment (gains) losses on assets	5,500	(38,131)
Other adjustments to reconcile profit	39,441	(525)
<b>Total adjustments to reconcile loss</b>	<u>(30,271,151)</u>	<u>(25,989,910)</u>
<b>Changes in operating assets and liabilities:</b>		
Increase in due from the central bank and call loans to banks	(394,045)	(7,954,612)
(Increase) decrease in financial assets at fair value through profit or loss	1,626,295	(657,699)
(Increase) decrease in financial assets at fair value through other comprehensive income	(22,484,465)	21,167,659
(Increase) decrease in investments in debt instruments measured at amortised cost	49,504,184	(89,040,150)
Decrease in receivables	1,153,584	205,554
Increase in discounts and loans	(59,165,985)	(136,659,792)
Decrease in other financial assets	3,069	14,813
Decrease (increase) in other assets	1,013,002	(2,193,172)
<b>Total changes in operating assets</b>	<u>(28,744,361)</u>	<u>(215,117,399)</u>
Increase (decrease) in deposits from the central bank and banks	155,631,829	(15,256,863)
Increase (decrease) in financial liabilities at fair value through profit or loss	1,506,131	(2,089,515)
Decrease in notes and bonds issued under repurchase agreement	(7,105,787)	(5,806,011)
Increase (decrease) in payable	(3,021,036)	2,336,371
Increase (decrease) in deposits and remittances	(131,658,891)	271,923,304
Increase in provisions for employee benefits	156,332	495,225
Increase (decrease) in other liabilities	78,112	(58,530)
<b>Total changes in operating liabilities</b>	<u>15,586,690</u>	<u>251,543,981</u>
<b>Total adjustments</b>	<u>(43,428,822)</u>	<u>10,436,672</u>
Cash inflow (outflow) generated from operations	(28,583,437)	23,675,589
Interest received	52,465,183	41,385,452
Dividends received	1,034,151	682,552
Interest paid	(19,213,070)	(11,684,593)
Income taxes paid	(2,736,903)	(2,694,350)
<b>Net Cash flows used in operating activities</b>	<u>2,965,924</u>	<u>51,364,650</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property and equipment	(547,752)	(507,744)
Decrease in refundable deposits	681,661	91,102
Acquisition of intangible assets	(355,148)	(212,173)
Acquisition of investment properties	(980)	(586)
Proceeds from disposal of investment properties	1,380	197,159
<b>Net cash flows used in investing activities</b>	<u>(220,839)</u>	<u>(432,242)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in due to the central bank and banks	(19,733,571)	10,421,730
Proceeds from issuing bank notes payable	8,694,545	23,037,490
Repayments of bank notes payable	(10,300,000)	(7,500,000)
Decrease in guarantee deposits received	(188,517)	(325,361)
Payment of lease liabilities	(454,502)	(445,701)
Decrease in other financial liabilities	(4,379)	(10,687)
Cash dividends paid	(1,000,000)	(1,000,000)
<b>Net cash flows from (used in) financing activities</b>	<u>(22,986,424)</u>	<u>24,177,471</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>2,786,989</u>	<u>(454,777)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(17,454,350)</u>	<u>74,655,102</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>171,197,216</u>	<u>96,542,114</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 153,742,866</u>	<u>171,197,216</u>
<b>Composition of cash and cash equivalents:</b>		
Cash and cash equivalents reported in the statement of financial position	\$ 36,461,814	29,780,147
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	116,601,744	139,383,376
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	679,308	2,033,693
<b>Cash and cash equivalents at end of period</b>	<u>\$ 153,742,866</u>	<u>171,197,216</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**LAND BANK OF TAIWAN CO., LTD.**

**Notes to the Financial Statements**

**For the years ended December 31, 2022 and 2021**

**(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 is in Taipei, in addition to Department of Business, Department of Finance, Department of International Banking, Department of Trusts and Department of Securities, the Bank also has many domestic branches and overseas branches to expand various banking services. As of December 31, 2022 there were 149 domestic branches, an offshore banking branch and 7 overseas branches.

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

These consolidated financial statements were authorized for issuance by the Bank’s BoD on March 10, 2023.

**(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. which have already been adopted.

The Bank has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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**Notes to the Financial Statements**

- (b) The impact of IFRS issued by the FSC but not yet effective

The Bank assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

- 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”

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Bank 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 IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

**(4) Summary of significant 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, and Interpretations endorsed by the FSC (hereinafter referred to as the IFRS endorsed by the FSC).

- (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 (Derivative financial instruments included);
- 2) Financial assets at fair value through other comprehensive income;

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

- 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, 2021, 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 2021, 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.

**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) available-for-sale equity investment;
- 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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**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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**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

The Bank recognizes loss allowances for expected credit losses on financial assets measured at amortized cost and debt investments measured at FVOCI. The loss allowance of debt investment measured at FVOCI should be recognized in other comprehensive income, instead of reducing the carrying amount of financial assets on the balance sheet.

(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.

**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. The Bank also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

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–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.

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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.

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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.

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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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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.

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**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 calculation is performed annually by a qualified actuary using the projected unit credit method. At each reporting date, 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.

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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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 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 COVID-19 and 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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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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash on hand	\$ 18,792,798	11,506,928
Checks for clearing	10,879,589	11,185,251
Due from banks	6,789,427	7,087,968
	<b>\$ 36,461,814</b>	<b>29,780,147</b>

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash and cash equivalents in the statement of financial position	\$ 36,461,814	29,780,147
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	116,601,744	139,383,376
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	<u>679,308</u>	<u>2,033,693</u>
Total	<u><u>\$ 153,742,866</u></u>	<u><u>171,197,216</u></u>

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Reserves for deposits - a/c B	\$ 71,154,753	70,760,708
Reserves for deposits - a/c A	33,293,656	47,844,341
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))	(167)	(96)
Deposits in the authorities in the oversea	1,178,538	1,753,682
Call loans to banks	82,129,550	89,785,353
Less: Allowance for doubtful accounts (note 6(h))	<u>(39,949)</u>	<u>(40,083)</u>
	<u><u>\$ 213,716,381</u></u>	<u><u>236,103,905</u></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.

For the detail of due from the Central Bank and call loans to banks were pledged as collateral for business reserves and guarantees to other parties as of December 31, 2022 and 2021, please refer to note 8.

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

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Financial assets designated as at fair value through profit or loss:		
Corporate bonds	\$ -	553,946
Financial institution bond	-	304,509
Subtotal	-	858,455
Mandatorily measured at fair value through profit or loss:		
Government bonds	-	83,250
Corporate bonds	2,975	27,941
Beneficiary certificates	15,794	93,562
Ordinary share/ Preference share	674,825	1,698,045
Commercial papers	139,826	1,112,846
Options	2,643	1,137
Forward exchange contracts	17,705	4,674
Foreign-currency swap contracts	2,076,921	227,611
Asset swap	-	449,463
Futures margin	166	166
Subtotal	2,930,855	3,698,695
Total	<b>\$ 2,930,855</b>	<b>4,557,150</b>

(ii) Financial liabilities at fair value through profit or loss (FVTPL):

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Designated as financial liabilities at FVTPL:		
Financial bonds	\$ 5,519,699	5,972,309
Available-for-sale financial liabilities:		
Options	2,894	1,109
Forward exchange contracts	9,899	28,936
Foreign-currency swap contracts	2,174,861	841,342
Interest rate swap contracts	-	9,472
Asset Swap	651,946	-
Subtotal	2,839,600	880,859
Total	<b>\$ 8,359,299</b>	<b>6,853,168</b>

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Options	\$ 431,010	132,744
Forward exchange contracts	2,416,846	5,951,865
Foreign-currency swap contracts	147,450,759	103,440,329
Interest rate swap contracts	-	857,305
Asset Swap	6,145,000	5,531,000

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

	<b>2022</b>	<b>2021</b>
Financial assets at fair value through profit or loss	\$ 3,030,497	(1,385,493)
Financial liabilities at fair value through profit or loss	(1,261,645)	1,699,568
Total	<u>\$ 1,768,852</u>	<u>314,075</u>

(v) Financial asset at fair value through profit and loss were not pledged at December 31, 2022, and 2021.

(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)

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Debt instruments at FVOCI:		
Government bonds	\$ 58,641,188	31,453,192
Corporate bonds	4,466,245	4,803,520
Financial institution bonds	26,718,617	38,269,683
Negotiable certificates of deposit	767,399	829,227
Subtotal	<u>90,593,449</u>	<u>75,355,622</u>
Equity instruments at FVOCI:		
Listed common shares- domestic company	14,325,821	11,166,205
Unlisted common shares- domestic company	7,739,570	7,755,182
Subtotal	<u>22,065,391</u>	<u>18,921,387</u>
Total	<u>\$ 112,658,840</u>	<u>94,277,009</u>

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(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 financial assets at FVOCI were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Financial assets at FVOCI (note 6(ae) and(ak))	\$ 2,011	1,061

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).

(ii) Equity investment at fair value through other comprehensive income (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:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Dividend income	\$ 902,518	649,177
Gains (Losses) arising from disposal	(430,480)	27,927

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, 2022 and 2021, please refer to note 8.

(e) Debt investment at amortized cost

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Government bonds	\$ 165,210,616	150,937,495
Corporate bonds	26,757,251	22,375,001
Financial institution bonds	30,990,569	17,514,540
Treasury Affairs	483,331	-
Commercial papers	44,948,153	45,724,312
Domestic negotiable certificates of deposit	431,987,221	513,330,000
	700,377,141	749,881,348
Less: Loss allowance (note 6(ae) and (ak))	(8,470)	(3,980)
	<b>\$ 700,368,671</b>	<b>749,877,368</b>

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- (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 information of credit risk, please refer to note 6 (ak).
- (iii) 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, 2022 and 2021, please refer to note 8.
- (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, 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, 2023
Repurchase agreement:				
Government bonds	\$ <u>5,602,800</u>	<u>(5,722,701)</u>	<u>(5,726,621)</u>	Repurchase gradually before June 20, 2023
December 31, 2021				
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>2,036,600</u>	<u>2,033,693</u>	<u>2,034,113</u>	Resell gradually before January 24, 2022
Repurchase agreement:				
Government bonds	\$ <u>12,301,000</u>	<u>(12,828,488)</u>	<u>(12,834,811)</u>	Repurchase gradually before June 24, 2022

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(g) Receivables, net

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 1,654,458	1,601,324
Client's Position - Debit	1,009,624	1,921,380
Earned income receivable	15,291	11,001
Interest receivable	6,269,631	3,639,706
Receivables from acceptance bills	625,086	988,590
Other receivables	<u>510,948</u>	<u>446,695</u>
Total	10,085,038	8,608,696
Less: Allowance for doubtful accounts (note 6(h))	<u>(55,003)</u>	<u>(66,735)</u>
Net	<u>\$ 10,030,035</u>	<u>8,541,961</u>

(h) Discounts and loans, net

	December 31, 2022	December 31, 2021
Import and export bills negotiated	\$ 390,635	767,095
Margin loans receivables	1,089,522	1,724,508
Discounted bills	588,729	1,003,808
Overdrafts	9,730	229,345
Secured overdrafts	398,566	386,029
Short-term loans	96,130,936	116,244,341
Short-term secured loans	33,734,251	41,306,424
Medium-term loans	356,044,558	299,125,268
Medium-term secured loans	588,643,534	586,208,788
Long-term loans	24,451,472	19,158,402
Long-term secured loans	1,206,608,520	1,182,708,347
Overdue loans	<u>2,208,243</u>	<u>2,413,037</u>
Total	2,310,298,696	2,251,275,392
Less: allowance for uncollectible accounts - discounts and loans	<u>(39,598,628)</u>	<u>(37,303,700)</u>
Add: Adjustment for discounts and premiums	<u>7,835</u>	<u>9,644</u>
Net	<u>\$ 2,270,707,903</u>	<u>2,213,981,336</u>

- (i) As of December 31, 2022 and 2021, the balances of loans for which accrual of interest revenues was discontinued were \$2,223,962, and \$2,429,153, respectively. The unrecognized interest revenues on these loans were \$43,812 and \$39,595 for the years ended December 31, 2022 and 2021, respectively.

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

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

	<u>2022</u>	<u>2021</u>
Call loans to banks:		
Beginning balance	\$ 40,083	42,570
Reversal	(3,709)	(705)
Effects of changes in exchange rates	<u>3,575</u>	<u>(1,782)</u>
Ending balance	<u><u>\$ 39,949</u></u>	<u><u>40,083</u></u>
Receivables (including other financial assets):		
Beginning balance	\$ 124,592	134,653
Reversal	(14,019)	(6,747)
Write off	(20,756)	(20,616)
Recoveries	25,454	17,701
Effects of changes in exchange rates	<u>(199)</u>	<u>(399)</u>
Ending balance	<u><u>\$ 115,072</u></u>	<u><u>124,592</u></u>
Loans:		
Beginning balance	\$ 37,303,700	34,549,864
Provision for possible losses and doubtful accounts	2,348,483	2,621,635
Write off	(797,932)	(847,787)
Recoveries	653,442	1,053,799
Effects of changes in exchange rates	<u>90,935</u>	<u>(73,811)</u>
Ending balance	<u><u>\$ 39,598,628</u></u>	<u><u>37,303,700</u></u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Call loans to banks (note 6(b))	\$ 39,949	40,083
Receivables (note 6(g))	55,003	66,735
Discounts and loans	39,598,628	37,303,700
Other financial assets (note 6 (i))	<u>60,069</u>	<u>57,857</u>
Total	<u><u>\$ 39,753,649</u></u>	<u><u>37,468,375</u></u>

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

- (iv) The summary of the provision for loan losses and credit related losses in comprehensive income statement for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Reversal of provision for losses on call loans to banks	\$ (3,709)	(705)
Provision for losses on discounts and loans	2,334,464	2,614,888
Provision (reversal of provision) for financial commitments	(2,910)	6,455
Provision (reversal of provision) for losses on guarantees	(62,294)	107,419
Provision (reversal of provision) for other	<u>(2,362)</u>	<u>6,115</u>
Total	<u>\$ 2,263,189</u>	<u>2,734,172</u>

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

- (i) Other financial assets, net

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets carried at cost	\$ 96,089	94,461
Less: accumulated impairment - financial assets carried at cost (note 6(h))	<u>(60,069)</u>	<u>(57,857)</u>
Total	<u>\$ 36,020</u>	<u>36,604</u>

- (j) Property and Equipment, net

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

Asset	<u>December 31, 2022</u>			
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Net</u>
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>\$ 31,803,827</u>	<u>(9,515,883)</u>	<u>(1,026)</u>	<u>22,286,918</u>

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

Asset	December 31, 2021			
	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	\$ 14,476,776	-	(1,026)	14,475,750
Land improvements	11,748	(11,748)	-	-
Buildings	12,295,542	(6,652,388)	-	5,643,154
Machinery and computer equipment	2,934,713	(1,546,979)	-	1,387,734
Transportation equipment	394,673	(289,770)	-	104,903
Miscellaneous equipment	821,557	(575,972)	-	245,585
Leasehold improvements	123,316	(69,963)	-	53,353
Construction in progress	45,284	-	-	45,284
Machinery on order	337,595	-	-	337,595
<b>Total</b>	<b>\$ 31,441,204</b>	<b>(9,146,820)</b>	<b>(1,026)</b>	<b>22,293,358</b>

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

	Land	Buildings	Others	Total
Cost:				
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	<b>\$ 14,630,136</b>	<b>12,474,795</b>	<b>4,698,896</b>	<b>31,803,827</b>
Balance at January 1, 2021	\$ 14,476,776	12,226,937	4,876,277	31,579,990
Additions	-	54,231	453,513	507,744
Write-offs	-	-	(99)	(99)
Transfer in at current period	-	(850)	(644,854)	(645,704)
Reclassification	-	15,224	(15,224)	-
Exchange rate changes and others	-	-	(727)	(727)
Balance at December 31, 2021	<b>\$ 14,476,776</b>	<b>12,295,542</b>	<b>4,668,886</b>	<b>31,441,204</b>
Depreciation and Amortization:				
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	<b>\$ 1,026</b>	<b>6,926,682</b>	<b>2,589,201</b>	<b>9,516,909</b>

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

	<u>Land</u>	<u>Buildings</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2021	\$ 1,026	6,386,867	2,649,067	9,036,960
Depreciation	-	266,371	490,585	756,956
Write-offs	-	-	(99)	(99)
Transfer in at current period	-	(850)	(644,562)	(645,412)
Exchange rate changes and others	-	-	(559)	(559)
Balance at December 31, 2021	<u>\$ 1,026</u>	<u>6,652,388</u>	<u>2,494,432</u>	<u>9,147,846</u>
Carrying amounts:				
December 31, 2022	<u>\$ 14,629,110</u>	<u>5,548,113</u>	<u>2,109,695</u>	<u>22,286,918</u>
December 31, 2021	<u>\$ 14,475,750</u>	<u>5,643,154</u>	<u>2,174,454</u>	<u>22,293,358</u>

(iii) Property and equipment were not pledged at December 31, 2022 and 2021.

(iv) The Bank had no sale-leaseback at December 31, 2022 and 2021.

(k) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Total</u>
Cost:				
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>
Balance at January 1, 2021	\$ 7,741	1,711,311	7,982	1,727,034
Additions	782	555,957	-	556,739
Deduction	(828)	(328,954)	(4,789)	(334,571)
Effects of exchange rate change	-	(1,345)	(12)	(1,357)
Balance at December 31, 2021	<u>\$ 7,695</u>	<u>1,936,969</u>	<u>3,181</u>	<u>1,947,845</u>

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Total</u>
Accumulated depreciation and impairment losses:				
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>
Balance at January 1, 2021	\$ 3,685	772,694	5,469	781,848
Depreciation	2,538	437,741	1,223	441,502
Deduction	(828)	(298,981)	(4,810)	(304,619)
Effects of exchange rate change	-	(760)	1	(759)
Balance at December 31, 2021	<u>\$ 5,395</u>	<u>910,694</u>	<u>1,883</u>	<u>917,972</u>
Carrying amounts:				
Balance at December 31, 2022	<u>\$ 5,598</u>	<u>1,082,872</u>	<u>1,917</u>	<u>1,090,387</u>
Balance at December 31, 2021	<u>\$ 2,300</u>	<u>1,026,275</u>	<u>1,298</u>	<u>1,029,873</u>

(l) Investment Property, net

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

<u>Assets</u>	<u>December 31, 2022</u>			
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Accumulated impairment</u>	<u>Carrying amounts</u>
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>
<u>Assets</u>	<u>December 31, 2021</u>			
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Accumulated impairment</u>	<u>Carrying amounts</u>
Land	\$ 22,673,220	-	(99,393)	22,573,827
Buildings	1,889,331	(805,261)	-	1,084,070
Total	<u>\$ 24,562,551</u>	<u>(805,261)</u>	<u>(99,393)</u>	<u>23,657,897</u>

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

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

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
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>
Balance at January 1, 2021	\$ 22,713,450	1,888,745	24,602,195
Additions	-	586	586
Disposals	(40,230)	-	(40,230)
Balance at December 31, 2021	<u>\$ 22,673,220</u>	<u>1,889,331</u>	<u>24,562,551</u>
Depreciation and Amortization:			
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>
Balance at January 1, 2021	\$ 101,180	762,536	863,716
Depreciation	-	42,725	42,725
Disposals	(1,787)	-	(1,787)
Balance at December 31, 2021	<u>\$ 99,393</u>	<u>805,261</u>	<u>904,654</u>
Carrying amounts:			
December 31, 2022	<u>\$ 22,356,487</u>	<u>1,022,641</u>	<u>23,379,128</u>
December 31, 2021	<u>\$ 22,573,827</u>	<u>1,084,070</u>	<u>23,657,897</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, 2022 and 2021, the fair values of investment properties are \$44,812,368 and \$45,341,811, respectively.

(iv) The rental revenues of investment property for the years ended 2022 and 2021 were \$252,655 and \$250,194, respectively.

(v) The depreciation expenses of investment property for the years ended 2022 and 2021 were \$40,418 and \$42,725, respectively.

(vi) Investment property were not pledged at December 31, 2022 and 2021.

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

(m) Intangibles assets

		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>
		December 31, 2021		
Assets	Cost	Accumulated Amortization	Accumulated Impairment loss	Carrying amounts
Computer Software	<u>\$ 3,199,673</u>	<u>(2,401,580)</u>	<u>-</u>	<u>798,093</u>

The changes in intangible assets were as follows:

	Computer Software
Costs:	
Balance at January 1, 2022	\$ 3,199,673
Additions	355,148
Effects of changes in exchange rates	<u>3,776</u>
Balance at December 31, 2022	<u>\$ 3,558,597</u>
Balance at January 1, 2021	\$ 2,987,837
Additions	212,173
Effects of changes in exchange rates	<u>(337)</u>
Balance at December 31, 2021	<u>\$ 3,199,673</u>
Accumulated Amortization:	
Balance at January 1, 2022	\$ 2,401,580
Amortization	288,876
Effects of changes in exchange rates	<u>2,769</u>
Balance at December 31, 2022	<u>\$ 2,693,225</u>
Balance at January 1, 2021	\$ 2,072,913
Amortization	328,853
Effects of changes in exchange rates	<u>(186)</u>
Balance at December 31, 2021	<u>\$ 2,401,580</u>
Carrying amounts:	
December 31, 2022	<u>\$ 865,372</u>
December 31, 2021	<u>\$ 798,093</u>

**LAND BANK OF TAIWAN CO., LTD.**  
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(n) Other assets, net

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Prepayment	\$ 10,161,758	10,017,010
Refundable deposits	1,305,214	1,986,875
Operating bond	31,405	27,084
Temporary payments and suspense accounts	96,094	1,366,583
Project funds	270,273	161,855
Total	<b>\$ 11,864,744</b>	<b>13,559,407</b>

For the details of other assets pledged in reserves of business as of December 31, 2022 and 2021, please refer to note 8.

(o) Due to the Central Bank and other banks

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Due to the Central Bank	\$ 614,682	460,472
Due to other banks	5,553,745	9,375,141
Due to Taiwan Post Co., Ltd.	378,438,553	234,048,728
Overdrafts from banks	415,495	1,497,399
Call loans from banks	102,859,794	86,868,700
Total	<b>\$ 487,882,269</b>	<b>332,250,440</b>

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

(p) Payable

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Accounts payable	\$ 134,824	137,989
Brokering transactions credit balance	1,011,127	1,914,677
Accrued expenses	2,489,811	2,333,735
Accrued interest	5,678,901	2,890,811
Acceptances	803,329	1,052,386
Collection received on behalf of customers	970,944	1,231,393
Deposits received from securities borrowers	121,638	64,056
Guaranteed price deposits received from securities borrowers	104,727	69,891
Checks for clearing	11,235,324	11,542,560
Payable of compensation to land prices	89,436	89,436
Payable of short-term compensated absences	842,116	823,803
Other payables	977,039	2,541,425
Total	<b>\$ 24,459,216</b>	<b>24,692,162</b>

(q) Deposits and remittances

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Check deposits	\$ 30,557,769	43,889,597
Government deposits	224,823,581	172,436,983
Demand deposits	491,374,715	550,041,057
Time deposits	666,860,442	790,497,481
Savings deposits	1,180,488,590	1,168,834,799
Remittances outstanding and Remittances under custody	32,254	96,325
Total	<b>\$ 2,594,137,351</b>	<b>2,725,796,242</b>

(r) Bank debentures

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Senior secured bank debentures	\$ 15,550,000	13,050,000
Subordinated bank debentures	44,700,000	48,800,000
Less: unamortized issuance costs	(16,321)	(13,525)
Total	<b>\$ 60,233,679</b>	<b>61,836,475</b>

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

Details are as follows:

Bonds	Terms of Transaction			Type	Bond Issued	
	Issue date	Maturity date	Interest Rate		Amount	
					December 31, 2022	December 31, 2021
Land Bank of Taiwan 4th Subordinated Financial Debentures Issue in 2012	2012/12/26	2022/12/26	interest rate1.55%	unsecured subordinated financial debentures	\$ -	10,300,000
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	-
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	-
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	-
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	-
Total					\$ 60,250,000	61,850,000

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(3) for the principal financial liabilities that are designated at fair value through profit or loss.

(s) Other financial liabilities

	December 31, 2022	December 31, 2021
Cumulative earnings on appropriated loan fund	\$ (71,571)	(75,950)

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

(t) Provision

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Employee benefit (note 6(v))	\$ 21,123,779	21,514,020
Reserve for loan commitment(Note 6(ak))	31,205	33,228
Reserve for guarantee liabilities(Note 6(ak))	616,370	678,543
Other reserve-receivables from credit loan(Note 6(ak))	21,387	23,692
<b>Total</b>	<b>\$ 21,792,741</b>	<b>22,249,483</b>

(u) Employee benefit

(i) Defined Contribution Plan:

The Bank sets aside 6% of the contribution rate of the employee's monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. The Bank sets aside a fixed amount to the Bureau of the Labor Insurance without the payment of additional legal or constructive obligations.

The Bank's pension expenses under defined contribution pension plan were as \$2,756 and \$2,623 for the years ended 2022 and 2021, respectively. Payment was made to the Bureau of the Labor Insurance.

(ii) Provision for employee benefit:

The Bank's employee benefits were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Defined benefit plans	\$ 14,220,065	15,047,961
Employee benefit savings account	6,894,625	6,455,485
Three important festivals bonus	9,089	10,574
<b>Total</b>	<b>\$ 21,123,779</b>	<b>21,514,020</b>

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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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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total present value of obligations	\$ 15,509,070	15,925,286
Fair value of plan assets	(1,289,005)	(877,325)
Recognized liabilities for defined benefit obligations	<u>\$ 14,220,065</u>	<u>15,047,961</u>

i) Composition of plan assets

The retirement fund of the Bank's Employee Retirement Fund Management Committee account balance amounted to \$813,350 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 \$475,655 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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### 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 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Defined benefit obligations on January 1	\$ 15,925,286	14,973,278
Current service costs and interests	869,079	869,309
Remeasurement of net defined benefit liabilities		
— Changes in financial assumption	(1,095,034)	617,207
— Experience adjustment	583,549	358,652
Benefits paid by the plan	<u>(773,810)</u>	<u>(893,160)</u>
Defined benefit obligations on December 31	<u>\$ 15,509,070</u>	<u>15,925,286</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 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets on January 1	\$ 877,325	650,635
Interest revenue	7,406	6,369
Remeasurement of net defined benefit liabilities (assets)		
— Expected returns on plan assets(exclude current interest)	34,610	4,371
Contributions made	1,130,989	1,095,832
Benefits paid by the plan	<u>(761,325)</u>	<u>(879,882)</u>
Fair value of plan assets on December 31	<u>\$ 1,289,005</u>	<u>877,325</u>

#### iv) Expense recognized in profit or loss

Expense recognized in profit or loss for the years ended 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current service costs and interest cost	<u>\$ 861,673</u>	<u>862,940</u>

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**Notes to the Financial Statements**

- v) Remeasurement of the net defined benefit liabilities (assets) - recognized in other comprehensive income

The remeasurements of the net defined benefit liability or asset recognized in other comprehensive income are as follows:

	<u>2022</u>	<u>2021</u>
Accumulated balance at January 1	\$ 4,298,950	3,327,462
Recognition	<u>(546,095)</u>	<u>971,488</u>
Accumulated balance at December 31	<u>\$ 3,752,855</u>	<u>4,298,950</u>

- vi) Actuarial assumptions

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.250 %	0.750 %
Expected return on plan assets	1.250 %	0.750 %
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 \$1,153,610.

The weighted average duration of the defined benefit plan is 5.5 to 16.9 years.

- vii) 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:

	<u>Impact of defined benefit obligations</u>	
	<u>Add 0.25%</u>	<u>Less 0.25%</u>
December 31, 2022		
Discount rate	\$ (536,504)	595,101
December 31, 2021		
Discount rate	(647,561)	726,241

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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.

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:

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 2022 and 2021 were as follows:

	2022	2021
Defined benefit obligations on January 1	\$ 6,455,485	5,712,954
Current service cost and interest cost	1,783,034	1,715,918
Remeasurement of net defined benefit liabilities (assets)		
— Experience adjustment	(36,627)	335,582
Benefits paid by the plan	(1,307,267)	(1,308,969)
Defined benefit obligations on December 31	\$ 6,894,625	6,455,485

ii) Expense recognized in profit or loss

Expense recognized in profit or loss for the years ended 2022 and 2021 were as follows:

	2022	2021
Current service cost and interest cost	\$ 1,783,034	1,715,918
Remeasurement of net defined benefit liabilities (assets)	(36,627)	335,582
	\$ 1,746,407	2,051,500

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

iii) Actuarial assumptions

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	4.00 %	4.00 %
Expected rate of return on funds deposited	1.250 %	0.750 %
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 %

The weighted average duration of the defined benefit plan is 9.3~11.5 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:

	<u>Impact of defined benefit obligations</u>	
	<u>Add 0.25%</u>	<u>Less 0.25%</u>
December 31, 2022		
Discount rate	\$ (138,436)	143,892
December 31, 2021		
Discount rate	(112,546)	128,268

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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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 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Defined benefit obligations on January 1	\$ 10,574	11,204
Current service costs and interests	74	105
Remeasurment of net defined benefit liabilities		
– Changes in financial assumption	(876)	224
– Experience adjustment	398	282
Benefits paid by the plan	<u>(1,081)</u>	<u>(1,241)</u>
Defined benefit obligations on December 31	<u>\$ 9,089</u>	<u>10,574</u>

ii) Expense recognized in profit or loss

Expense recognized in profit or loss for the years ended 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current service costs and interests costs	<u>\$ 74</u>	<u>105</u>

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

	<u>2022</u>	<u>2021</u>
Accumulated balance at January 1	\$ 33,410	32,904
Recognition	<u>(478)</u>	<u>506</u>
Accumulated balance at December 31	<u>\$ 32,932</u>	<u>33,410</u>

iv) Actuarial assumptions

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.250 %	0.750 %
Future salary increase	2.000 %	2.000 %

**LAND BANK OF TAIWAN CO., LTD.**  
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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.

	<b>Impact of defined benefit obligations</b>	
	<b>Add 0.25%</b>	<b>Less 0.25%</b>
December 31, 2022		
Discount rate	\$ (111)	114
December 31, 2021		
Discount rate	(180)	205

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.

(v) Lease liabilities

The lease liabilities of the Bank were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Lease liabilities	<u>\$ 1,110,691</u>	<u>1,040,132</u>

The amounts recognized in profit or loss were as follows:

	<b>2022</b>	<b>2021</b>
Interest on lease liabilities	<u>\$ 11,642</u>	<u>10,424</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 8,273</u>	<u>8,805</u>
Expenses relating to short-term leases	<u>\$ 9,215</u>	<u>7,527</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 7,276</u>	<u>7,102</u>

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

	<b>2022</b>	<b>2021</b>
Total cash outflow for leases	<u>\$ 454,502</u>	<u>445,701</u>

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

(i) Real estate leases

As of December 31, 2022 and 2021, 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.

(w) Income Tax Expenses

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

	<u>2022</u>	<u>2021</u>
Current income tax expense		
current period	\$ 2,961,481	2,249,083
Overseas branches' income tax expense	<u>332,351</u>	<u>385,889</u>
	<u>3,293,832</u>	<u>2,634,972</u>
Deferred income tax expense		
Recognition and reversal of temporary differences	80,094	(36,574)
Overseas branches' income tax expense	<u>(136,912)</u>	<u>164,266</u>
	<u>(56,818)</u>	<u>127,692</u>
Income tax expense	<u>\$ 3,237,014</u>	<u>2,762,664</u>

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

	<u>2022</u>	<u>2021</u>
Net income before income tax	\$ <u>14,845,385</u>	<u>13,238,917</u>
Income tax expense before income tax at statutory rate 20%	\$ 2,969,077	2,647,783
Overseas branches' income tax expense	195,439	550,155
Tax-exempt gains and other	<u>72,498</u>	<u>(435,274)</u>
Income tax expense	<u>\$ 3,237,014</u>	<u>2,762,664</u>

**LAND BANK OF TAIWAN CO., LTD.**  
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(ii) Deferred income tax assets and liabilities

1) Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2022 and 2021 were as follows:

a) Deferred Tax Assets:

	<b>Defined benefit plans</b>	<b>Allowance for bad debts</b>	<b>Others</b>	<b>Total</b>
Balance at January 1, 2022	\$ 1,865,096	136,362	158,538	2,159,996
Recognized in profit or loss	<u>(52,676)</u>	<u>(136,362)</u>	<u>247,757</u>	<u>58,719</u>
December 31, 2022	<u><b>\$ 1,812,420</b></u>	<u><b>-</b></u>	<u><b>406,295</b></u>	<u><b>2,218,715</b></u>
Balance at January 1, 2021	\$ 1,812,542	-	481,242	2,293,784
Recognized in profit or loss	<u>52,554</u>	<u>136,362</u>	<u>(322,704)</u>	<u>(133,788)</u>
December 31, 2021	<u><b>\$ 1,865,096</b></u>	<u><b>136,362</b></u>	<u><b>158,538</b></u>	<u><b>2,159,996</b></u>

b) Deferred Tax Liabilities:

	<b>Reserve for land value increment tax</b>	<b>Others</b>	<b>Total</b>
Balance at January 1, 2022	\$ 6,907,644	279	6,907,923
Recognized in profit or loss	<u>(115)</u>	<u>2,016</u>	<u>1,901</u>
December 31, 2022	<u><b>\$ 6,907,529</b></u>	<u><b>2,295</b></u>	<u><b>6,909,824</b></u>
Balance at January 1, 2021	\$ 6,914,019	-	6,914,019
Recognized in profit or loss	<u>(6,375)</u>	<u>279</u>	<u>(6,096)</u>
December 31, 2021	<u><b>\$ 6,907,644</b></u>	<u><b>279</b></u>	<u><b>6,907,923</b></u>

2) Unrecognized deferred income tax assets

As of December 31, 2022 and 2021 the Unrecognized deferred income tax assets were \$4,527,367 and \$3,964,293, respectively.

(iii) The income tax returns for the year 2020 have been assessed by the Tax Authorities.

**LAND BANK OF TAIWAN CO., LTD.**  
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(x) Other Liabilities

	December 31, 2022	December 31, 2021
Revenue received in advance	\$ 467,132	417,080
Guarantee deposits	695,651	884,168
Temporary receipts and suspense accounts	87,032	67,005
Deferred revenue	38,196	30,205
Others	42	-
Total	<u>\$ 1,288,053</u>	<u>1,398,458</u>

(y) Stockholders' Equity

(i) Capital stock

On August 26, 2021, the Bank's BoD decided to transfer the special reserve of \$1,300,000 and accumulated earnings of \$13,000,000 to issue common stocks; the registration process had been completed.

On December 31, 2022 and 2021, 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.

(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.

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

(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 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.

2) Special reserve

a) The special reserves are summarized as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Provision for the purpose of strengthening the self-owned capital	\$ 17,048,662	12,358,830
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
Revisal of the disposed land to special reserve	<u>(115,299)</u>	<u>(115,182)</u>
	<u>\$ 24,094,615</u>	<u>19,404,900</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 "Regulations Governing Securities Firms", the reserve for losses on trading securities and the reserve for default losses are no longer required since January 1, 2011. The remaining balance should be reclassified as special reserve in 2011 according to the Jin Guan Zheng Quan Zi No. 1030053861 issued by Securities and Futures Bureau of the FSC dated January 13, 2011. The special reserve may be used at any time to offset the accumulated deficit, if any. Once the legal reserve reaches one-half of the paid-in capital, up to 50% of the special reserve may be transferred to capital stock. 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.

**LAND BANK OF TAIWAN CO., LTD.**  
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- c) First-time adoption of IFRS for provision of special reserve and reversal of the disposed land to special reserve

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, 2022 and 2021, 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 \$117 and \$4,637, 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. In order to enhance its capital structure in 2015, the earnings and over-budget earnings have not yet been appropriated to the government.

**LAND BANK OF TAIWAN CO., LTD.**  
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The total available for distribution surplus is \$18,694,783, including undistributed surplus of \$6,970,202 as of December 31, 2021, net income after tax \$11,608,371 and transfer in other comprehensive income \$116,093 (determined gain of the welfare plan \$546,573 and the loss of equity instruments measured at fair value through other comprehensive gains of \$430,480), and special reserve on disposal of land \$117 of 2022. The Bank distributed as follows: Recognized the provision of statutory surplus reserve of \$3,517,375, the special surplus reserve of \$4,689,832, the dividends distribution of \$1,000,000, and left an undistributed surplus of \$9,487,576 as of December 31, 2022.

(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, 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	-	(4,101,718)	(4,101,718)
Disposal of equity instrument at FVOCI	-	430,480	430,480
Balance as of December 31, 2022	<u>\$ (304,997)</u>	<u>8,195,853</u>	<u>7,890,856</u>
	Exchange differences on translation of foreign financial statements	Unrealized gains or losses on financial assets at FVOCI	Total
Balance as of January 1, 2021	\$ (2,617,156)	10,526,721	7,909,565
Exchange differences on translation of foreign financial statements	(380,077)	-	(380,077)
Unrealized gains or losses on financial assets at FVOCI	-	1,368,297	1,368,297
Disposal of equity instrument at FVOCI	-	(27,927)	(27,927)
Balance as of December 31, 2021	<u>\$ (2,997,233)</u>	<u>11,867,091</u>	<u>8,869,858</u>

**LAND BANK OF TAIWAN CO., LTD.**  
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(z) Earnings per share

Basic earnings per share (New Taiwan dollars):

	<u>2022</u>	<u>2021</u>
Net income	\$ <u>11,608,371</u>	<u>10,476,253</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>1.35</u>	<u>1.22</u>

(aa) Net interest

	<u>2022</u>	<u>2021</u>
Interest revenue:		
Discounts and loans	\$ 44,663,162	35,338,635
Due from the banks and call loans to banks	2,334,538	804,858
Bonds and notes	7,615,227	4,776,038
Others	<u>482,181</u>	<u>368,611</u>
Subtotal	<u>55,095,108</u>	<u>41,288,142</u>
Interest expenses:		
Deposits	(18,928,439)	(10,454,566)
Due to the Central Bank and call loans from banks	(2,071,595)	(388,164)
Bonds and notes	(990,816)	(1,015,553)
Others	<u>(24,611)</u>	<u>(16,040)</u>
Subtotal	<u>(22,015,461)</u>	<u>(11,874,323)</u>
Total	\$ <u>33,079,647</u>	<u>29,413,819</u>

(ab) Service fees income, net

	<u>2022</u>	<u>2021</u>
Service fees income:		
Agency of housing loans	\$ 74,779	96,292
Agency of insurance	464,261	449,034
Guarantee	364,967	362,278
Syndicated Loans	593,313	440,822
Trust	493,622	573,655
Credit card	452,622	496,404
Start-up	187,511	173,068
Custodian	144,843	143,623
Others	<u>671,616</u>	<u>636,001</u>
Subtotal	<u>3,447,534</u>	<u>3,371,177</u>

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	<u>2022</u>	<u>2021</u>
Service fees:		
Credit card	(466,210)	(506,400)
Interbank	(170,568)	(152,741)
Foreign exchange	(71,781)	(62,417)
Trust	(21,672)	(29,567)
Others	(111,910)	(87,882)
Subtotal	<u>(842,141)</u>	<u>(839,007)</u>
Total	<u>\$ 2,605,393</u>	<u>2,532,170</u>

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

	<u>2022</u>	<u>2021</u>
Net Gain (Loss) on financial assets at fair value through profit or loss:		
Government bonds	\$ 3,736	3,067
Corporate bonds	2,186	23,990
Financial debentures	(300)	(12,472)
Beneficiary certificate	(84,382)	25,721
Commercial paper	202	(200)
Ordinary share/ Preference share	(1,036,724)	228,740
Option	(5,108)	(1)
Forward exchange contracts	368,150	(31,039)
Foreign-currency swap contracts	3,797,375	(1,627,480)
Interest rate swap contracts	-	5,873
Asset swap	<u>(165,054)</u>	<u>(76,227)</u>
Subtotal	<u>2,880,081</u>	<u>(1,460,028)</u>
Net Gain (Loss) on financial liabilities at fair value through profit or loss:		
Government bonds	18,507	5,538
Option	2,746	(1,683)
Forward exchange contracts	19,037	(14,736)
Foreign-currency swap contracts	(1,335,428)	1,647,865
Interest rate swap contracts	(76)	(5,954)
Asset swap	(733,010)	2,735
Senior secured bank debentures	<u>1,066,610</u>	<u>333,753</u>
Subtotal	<u>(961,614)</u>	<u>1,967,518</u>

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	<b>2022</b>	<b>2021</b>
Interest revenue on financial assets at fair value through profit or loss	18,783	41,160
Dividend income from financial assets at FVTPL	131,633	33,375
Interest expense on financial assets at fair value through profit or loss	(300,031)	(267,950)
<b>Total</b>	<b>\$ 1,768,852</b>	<b>314,075</b>

(ad) Realized gains on financial assets at FVOCI

	<b>2022</b>	<b>2021</b>
Dividend income	\$ 902,518	649,177
Gains (Losses) on disposal of financial assets at FVOCI:		
Government bonds	(278,753)	39,089
Corporate bonds	(192,066)	70,040
Financial debentures	2,494	4,267
Subtotal	(468,325)	113,396
<b>Total</b>	<b>\$ 434,193</b>	<b>762,573</b>

(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:

	<b>2022</b>	<b>2021</b>
Beginning balance	\$ 5,137	43,114
Provision (reversal of provision) for possible losses and doubtful accounts	5,500	(38,131)
Effects of changes in exchange rates and others	11	154
<b>Ending balance</b>	<b>\$ 10,648</b>	<b>5,137</b>

Accumulated impairment of ending balance were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Deposits in Central Bank (note 6(b) and (ak))	\$ 167	96
Debt instrument at FVOCI (note 6(d) and (ak))	2,011	1,061
Financial assets measured at amortized cost (note 6(h) and (ak))	8,470	3,980
<b>Ending balance</b>	<b>\$ 10,648</b>	<b>5,137</b>

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(af) Other miscellaneous loss

	<u>2022</u>	<u>2021</u>
Brokerage	\$ 204,860	349,048
Lease	107,092	98,161
Interest Employee benefit savings account(note 6(u))	(2,043,274)	(2,357,056)
Depreciation of investment property	(40,418)	(42,725)
Others	89,173	15,556
Total	<u>\$ (1,682,567)</u>	<u>(1,937,016)</u>

(ag) Employee benefits expenses

	<u>2022</u>	<u>2021</u>
Salaries	\$ 8,135,631	8,163,438
Labor and health insurance	366,623	372,378
Pension	866,100	867,628
Director's remuneration	2,996	2,995
Others	132,881	102,958
Total	<u>\$ 9,504,231</u>	<u>9,509,397</u>

(ah) Depreciation and amortization expenses

	<u>2022</u>	<u>2021</u>
Depreciation- Property and Equipment	\$ 755,907	756,956
Depreciation- Right-of-use asset	449,195	441,502
Amortization	288,876	328,853
Total	<u>\$ 1,493,978</u>	<u>1,527,311</u>

(ai) Other general and administrative expenses

	<u>2022</u>	<u>2021</u>
Taxes	\$ 2,639,427	2,171,436
Rental	187,358	181,225
Insurance	498,041	471,192
Professional service	241,103	240,300
Postage and phone	197,291	189,898
Marketing	222,939	226,179
Utilities	124,431	123,853
Repair and maintenance	193,726	194,301
Outsourcing	174,237	179,394
Donation	137,776	125,885
Others	663,632	637,748
Total	<u>\$ 5,279,961</u>	<u>4,741,411</u>

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(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, 2022 and 2021 are as follows:

	December 31, 2022		December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:	3,086,702,289	3,080,379,729	3,062,729,467	3,068,697,405
Derivative financial assets at FVTPL, net	2,097,435	2,097,435	683,051	683,051
Non-derivative financial assets at FVTPL, net	833,420	833,420	3,874,099	3,874,099
Financial assets at FVOCI	112,658,840	112,658,840	94,277,009	94,277,009
Financial assets at amortized cost	700,368,671	694,046,111	749,877,368	755,845,306
Discounts and loans	2,270,707,903	2,270,707,903	2,213,981,336	2,213,981,336
Other financial assets	36,020	36,020	36,604	36,604
Financial Liabilities:	69,775,240	69,775,240	69,805,725	69,805,725
Derivative financial liabilities at FVTPL	2,839,600	2,839,600	880,859	880,859
Non-derivative financial liabilities at FVTPL, net	5,519,699	5,519,699	5,972,309	5,972,309
Bank debentures	60,233,679	60,233,679	61,836,475	61,836,475
Other financial liabilities	71,571	71,571	75,950	75,950
Lease liability	1,110,691	1,110,691	1,040,132	1,040,132

(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 estimates of the fair values of financial instruments at fair value through profit or loss, available-for-sale financial instruments and held-to-maturity financial assets. If no quoted market prices exist for certain of the financial instruments, the fair value of such instruments has been derived based on pricing models. A pricing model incorporates all factors that market participants would consider in setting a price.
- 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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- 4) Bank debentures refer to the convertible corporate bonds and financial bonds issued by the Bank and its subsidiary. Their coupon rates are almost equal to the market interest rate, so 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) 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.

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

Financial instruments measured at fair value	December 31, 2022			
	Total	Level 1 (Note 1)	Level 2 (Note 2)	Level 3 (Note 3)
<b><u>Non-derivative financial instruments</u></b>				
<b>Assets:</b>				
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 comprehensive income:				
Bonds	90,593,449	-	90,593,449	-
Stocks	22,065,391	14,325,821	-	7,739,570
Subtotal	112,658,840	14,325,821	90,593,449	7,739,570
<b>Liabilities:</b>				
Designation as at fair value through profit or loss	5,519,699	-	5,519,699	-
<b><u>Derivative financial instruments</u></b>				
<b>Assets:</b>				
Financial assets at fair value through profit or loss	\$ 2,097,435	-	2,097,435	-
<b>Liabilities:</b>				
Financial liabilities at fair value through profit or loss	2,839,600	-	2,839,600	-

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Financial instruments measured at fair value	December 31, 2021			
	Total	Level 1 (Note 1)	Level 2 (Note 2)	Level 3 (Note 3)
<b><u>Non-derivative financial instruments</u></b>				
<b>Assets:</b>				
Financial assets at fair value through profit or loss:				
Bonds	\$ 969,646	-	969,646	-
Stocks	1,698,045	1,698,045	-	-
Others	<u>1,206,408</u>	<u>-</u>	<u>1,206,408</u>	<u>-</u>
Subtotal	<u>3,874,099</u>	<u>1,698,045</u>	<u>2,176,054</u>	<u>-</u>
Financial assets at fair value through other:				
Bonds	75,355,622	-	75,355,622	-
Stocks	<u>18,921,387</u>	<u>11,166,205</u>	<u>-</u>	<u>7,755,182</u>
Subtotal	<u>94,277,009</u>	<u>11,166,205</u>	<u>75,355,622</u>	<u>7,755,182</u>
<b>Liabilities:</b>				
Designation as at fair value through profit or loss	5,972,309	-	5,972,309	-
<b><u>Derivative financial instruments</u></b>				
<b>Assets:</b>				
Financial assets at fair value through profit or loss	\$ 683,051	-	683,051	-
<b>Liabilities:</b>				
Financial liabilities at fair value through profit or loss	880,859	-	880,859	-

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:

- 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:

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- 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 2022 and 2021, 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 \$545,144 and gains \$816,667, respectively are recognized as profit or loss for that period.
- (v) As of December 31, 2022 and 2021, there was no transfer of financial instruments between Level 1 and Level 2. As of December 31, 2022 and 2021, there were no transfer to Level 3.
- (vi) Reconciliation of Level 3 fair values

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

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	<b>Fair value through other comprehensive income</b>
	<b>Equity instrument without public quotation</b>
January 1, 2021	\$ 5,727,570
Recognized as other comprehensive income	2,022,817
Purchase	4,795
December 31, 2021	<b>\$ 7,755,182</b>

For the years ended December 31, 2022 and 2021, 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:

	<b>2022</b>	<b>2021</b>
Total gains and losses recognized		
In other comprehensive income, and presented in unrealized gains and losses from financial assets at FVOCI	\$ (15,612)	2,022,817

- (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:

<b>Item</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between significant unobservable inputs and fair value measurement</b>
Financial assets at FVOCI— equity instrument without an active market	Comparable listed company approach	Lack of marketability discount (8.65%~35.12% as of December 31, 2022 and 7.10%~35.05% as of December 31, 2021)	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"> <li>Discount rate ( 11.17%~12.89% as of December 31, 2022 and 10.32%~12.18% as of December 31, 2021)</li> <li>Sustainable growth rate ( 0%~1.49% as of December 31, 2022 and 0%~1.36% as of December 31, 2021)</li> </ul>	<ul style="list-style-type: none"> <li>The estimated fair value would decrease if the discount rate was higher;</li> <li>The estimated fair value would increase if the sustainable growth rate was higher;</li> </ul>
	Net asset value approach	<ul style="list-style-type: none"> <li>Lack of marketability discount ( 20.62% as of December 31, 2022 and 21.23% as of December 31, 2021)</li> </ul>	<ul style="list-style-type: none"> <li>The estimated fair value would decrease if the lack of marketability discount was higher</li> </ul>

(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
<b>December 31, 2022</b>						
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%				
<b>December 31, 2021</b>						
Financial assets at FVOCI	Non-public transaction equity discount	±2.5%	-	-	227,538	226,417
	Discount rate	±1%	-	-	18,920	14,490
	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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(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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(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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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 of the past seven years. 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 Directorate-General of Budget, Accounting and Statistics, and World Economic

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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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- 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.

**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.

**LAND BANK OF TAIWAN CO., LTD.**  
**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, 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	Total
<u>On-balance sheet items</u>						
Debt investments as FVOCI (Note1)	\$ 90,593,449	-	-	-	-	90,593,449
Debt investments at amortized cost	726,377,141	-	-	-	(8,637)	726,368,504
Accounts receivables and other financial assets	10,067,590	20,306	93,231	-	(115,072)	10,066,055
Loans and receivables (Note2)	2,287,576,909	6,836,174	15,885,613	-	(39,598,628)	2,270,700,068
<b>Total</b>	<b>\$ 3,114,615,089</b>	<b>6,856,480</b>	<b>15,978,844</b>	<b>-</b>	<b>(39,722,337)</b>	<b>3,097,728,076</b>
<u>Off-balance sheet items</u>						
Receivables from guarantees and commercial letter of credits	\$ 69,475,971	23,703	10,028	-	(637,757)	68,871,945
Loan commitments	34,484,992	23,190	1,242	-	(31,205)	34,478,219
<b>Total</b>	<b>\$ 103,960,963</b>	<b>46,893</b>	<b>11,270</b>	<b>-</b>	<b>(668,962)</b>	<b>103,350,164</b>

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

The Bank's maximum exposures at credit risk of financial assets as of December 31, 2021 were as follow:

	December 31, 2021					
	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)	\$ 75,355,622	-	-	-	-	75,355,622
Debt investments at amortized cost	775,881,348	-	-	-	(4,076)	775,877,272
Accounts receivables and other financial assets	8,603,734	23,952	75,471	-	(124,592)	8,578,565
Loans and receivables (Note2)	2,225,242,987	10,156,411	15,875,994	-	(37,303,700)	2,213,971,692
<b>Total</b>	<b>\$ 3,085,083,691</b>	<b>10,180,363</b>	<b>15,951,465</b>	<b>-</b>	<b>(37,432,368)</b>	<b>3,073,783,151</b>
<u>Off-balance sheet items</u>						
Receivables from guarantees and commercial letter of credits	\$ 77,558,131	51,176	46,526	-	(702,235)	76,953,598
Loan commitments	32,105,660	17,250	1,382	-	(33,228)	32,091,064
<b>Total</b>	<b>\$ 109,663,791</b>	<b>68,426</b>	<b>47,908</b>	<b>-</b>	<b>(735,463)</b>	<b>109,044,662</b>

Note 1: The loss allowance of investments in debt instruments measured at FVOCI, amounting to \$1,061, 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 \$9,644.

**LAND BANK OF TAIWAN CO., LTD.**

**Notes to the Financial Statements**

- 7) Reconciliation of loss allowance
- a) Reconciliation of loss allowance for debt investment at fair value through other comprehensive income
- i) The following table reconciles the beginning amount of loss allowance for debt investment at fair value through other comprehensive income to the ending amount as of December 31, 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, 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	\$ <u>2,011</u>	-	-	-	-	<u>2,011</u>	<u>2,011</u>

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

The following table reconciles the beginning amount of loss allowance for debt investment at fair value through other comprehensive income to the ending amount as of December 31, 2021:

	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, 2021	\$ 8,824	-	-	-	-	8,824	8,824
Changes from financial instruments recognized at the beginning of period:							
— derecognition	(1,434)	-	-	-	-	(1,434)	(1,434)
Initial or purchased financial assets	293	-	-	-	-	293	293
Effects of changes in exchange rates and others	(6,622)	-	-	-	-	(6,622)	(6,622)
December 31, 2021	\$ <u>1,061</u>	-	-	-	-	<u>1,061</u>	<u>1,061</u>

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

ii) The following table reconciles the beginning carrying amount of debt investment at fair value through other comprehensive income to the amount as of December 31, 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, 2022	\$ 75,355,622	-	-	-	-	75,355,622
Changes from financial instruments recognized at the beginning of period:						
Derecognition	(36,387,830)	-	-	-	-	(36,387,830)
Initial or purchased financial assets	57,000,906	-	-	-	-	57,000,906
Others	(5,375,249)	-	-	-	-	(5,375,249)
December 31, 2022	\$ <u>90,593,449</u>	-	-	-	-	<u>90,593,449</u>

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

The following table reconciles the beginning carrying amount of debt investment at fair value through other comprehensive income to the amount as of December 31, 2021:

	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, 2021	\$ 99,525,490	-	-	-	-	99,525,490
Changes from financial instruments recognized at the beginning of period:						
Derecognition	(26,525,645)	-	-	-	-	(26,525,645)
Initial or purchased financial assets	6,593,504	-	-	-	-	6,593,504
Others	(4,237,727)	-	-	-	-	(4,237,727)
December 31, 2021	\$ <u>75,355,622</u>	-	-	-	-	<u>75,355,622</u>

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

- b) Reconciliation of loss allowance for debt investment at amortized cost
- i) The following table reconciles the beginning amount of loss allowance for debt investment at amortized cost to the ending amount as of December 31, 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, 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	<u>\$ 8,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,637</u>	<u>8,637</u>

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

The following table reconciles the beginning amount of loss allowance for debt investment at amortized cost to the ending amount as of December 31, 2021:

	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, 2021	\$ 34,290	-	-	-	-	34,290	34,290
Changes from financial instruments recognized at the beginning of period:							
— derecognition	(23,637)	-	-	-	-	(23,637)	(23,637)
Initial or purchased financial assets	27,942	-	-	-	-	27,942	27,942
Effects of changes in exchange rates and others	(34,519)	-	-	-	-	(34,519)	(34,519)
December 31, 2021	\$ 4,076	-	-	-	-	4,076	4,076

**LAND BANK OF TAIWAN CO., LTD.**

**Notes to the Financial Statements**

ii) The following table reconciles the beginning carrying amount of debt investment at amortized cost to the amount as of December 31, 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, 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
Others	(2,375,271)	-	-	-	-	(2,375,271)
December 31, 2022	\$ <u>726,377,141</u>	-	-	-	-	<u>726,377,141</u>



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

The following table reconciles the beginning carrying amount of debt investment at amortized cost to the amount as of December 31, 2021:

	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, 2021	\$ 686,841,085	-	-	-	-	686,841,085
Changes from financial instruments reorganized at the beginning of period:						
Derecognition	(6,347,379,670)	-	-	-	-	(6,347,379,670)
Initial or purchased financial assets	6,440,322,081	-	-	-	-	6,440,322,081
Others	(3,902,148)	-	-	-	-	(3,902,148)
December 31, 2021	\$ <u>775,881,348</u>	-	-	-	-	<u>775,881,348</u>

**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, 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 Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	Total
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

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Notes to the Financial Statements

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, 2021:

	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 Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	Total
January 1, 2021	\$ 12,284	8,450	-	111,036	-	131,770	2,883	134,653
Changes from financial instruments recognized at the beginning of period:								
— transfer to life time ECL	51	(4,861)	-	-	-	(4,810)	-	(4,810)
— transfer to credit-impaired financial assets	2	-	-	(862)	-	(860)	-	(860)
— transfer to 12-month ECL	(12)	1,495	-	22	-	1,505	-	1,505
— derecognition	(3,349)	(380)	-	(4,044)	-	(7,773)	-	(7,773)
Initial or purchased financial assets	2,535	1,266	-	3,047	-	6,848	-	6,848
Difference with the impairment under Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	-	-	-	-	-	-	(1,657)	(1,657)
Write off	-	-	-	(20,616)	-	(20,616)	-	(20,616)
Recoveries	-	-	-	17,701	-	17,701	-	17,701
Effects of changes in exchange rates and others	76	(234)	-	(241)	-	(399)	-	(399)
December 31, 2021	\$ 11,587	5,736	-	106,043	-	123,366	1,226	124,592

**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, 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, 2022	\$ 8,603,734	23,952	-	75,471	-	8,703,157
Changes from financial instruments recognized at the beginning of period:						
Individual financial assets transfer to life time ECL	(12,347)	16,114	-	-	-	3,767
Individual financial assets transfer to credit-impaired financial assets	(753)	-	-	1,511	-	758
Individual financial assets transferred from credit-impaired financial assets	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

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

The following table reconciles the beginning carrying amount of accounts receivables ( other financial assets included) to the amount as of December 31, 2021:

	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, 2021	\$ 8,983,719	10,001	-	30,026	-	9,023,746
Changes from financial instruments recognized at the beginning of period:						
Individual financial assets transfer to life time ECL	(9,626)	13,708	-	-	-	4,082
Individual financial assets transfer to credit-impaired financial assets	(801)	-	-	1,861	-	1,060
Individual financial assets transferred from credit-impaired financial assets	4,758	(7,905)	-	(48)	-	(3,195)
Derecognition	(32,794,369)	(29,450)	-	(25,082)	-	(32,848,901)
Initial or purchased financial assets	33,000,466	37,871	-	107,153	-	33,145,490
Write off	-	-	-	(20,616)	-	(20,616)
Others	(580,413)	(273)	-	(17,823)	-	(598,509)
December 31, 2021	\$ <b>8,603,734</b>	<b>23,952</b>	-	<b>75,471</b>	-	<b>8,703,157</b>

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

d) Reconciliation of loss allowance for loans and receivable

i) The following table reconciles the beginning amount of loss allowance for loans and receivables to the ending amount as of December 31, 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 Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	Total
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

LAND BANK OF TAIWAN CO., LTD.  
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The following table reconciles the beginning amount of loss allowance for loans and receivables to the ending amount as of December 31, 2021:

	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 Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	Total
January 1, 2021	\$ 22,798,707	2,416,767	-	9,334,390	-	34,549,864	-	34,549,864
Changes from financial instruments recognized at the beginning of period:								
— transfer to life time ECL	(39,350)	414,634	-	(510,825)	-	(135,541)	-	(135,541)
— transfer to impaired financial assets	(23,261)	(180,713)	-	3,041,606	-	2,837,632	-	2,837,632
— transfer to 12-month ECL	106,745	(1,183,417)	-	(319,261)	-	(1,395,933)	-	(1,395,933)
— derecognition	(4,044,864)	(403,464)	-	(1,966,593)	-	(6,414,921)	-	(6,414,921)
Initial or purchased financial assets	6,013,479	85,316	-	1,631,603	-	7,730,398	-	7,730,398
Write off	-	-	-	(847,787)	-	(847,787)	-	(847,787)
Recoveries	-	-	-	1,053,799	-	1,053,799	-	1,053,799
Effects of changes in exchange rates and others	(12,589)	(39,189)	-	(22,033)	-	(73,811)	-	(73,811)
December 31, 2021	\$ 24,798,867	1,109,934	-	11,394,899	-	37,303,700	-	37,303,700

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

ii) The following table reconciles the beginning carrying amount of loans and receivables to the amount as of December 31, 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, 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:						
Individual financial asset transfers to life time ECL	(1,573,600)	1,477,185	-	(74,946)	-	(171,361)
Individual financial asset transfers to credit-impaired financial assets	(1,431,873)	(2,452,884)	-	3,641,335	-	(243,422)
Individual financial asset transferred from credit-impaired financial asset	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)
Others	(118,359,802)	3,213,481	-	970,484	-	(114,175,837)
December 31, 2022	\$ <u>2,287,576,909</u>	<u>6,836,174</u>	-	<u>15,885,613</u>	-	<u>2,310,298,696</u>

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

The following table reconciles the beginning carrying amount of loans and receivables to the amount as of December 31, 2021:

	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, 2021	\$ 2,079,332,409	23,952,066	-	11,128,154	-	2,114,412,629
Changes from financial instruments recognized at the beginning of period:						
Individual financial asset transfers to life time ECL	(2,668,705)	3,000,864	-	(488,441)	-	(156,282)
Individual financial asset transfers to credit-impaired financial assets	(4,620,397)	(2,532,333)	-	6,628,263	-	(524,467)
Individual financial asset transferred from credit-impaired financial asset	7,955,393	(7,845,287)	-	(580,176)	-	(470,070)
Derecognition	(450,629,480)	(2,704,792)	-	(2,809,957)	-	(456,144,229)
Initial or purchased loans and receivables	679,721,118	4,870,025	-	1,959,471	-	686,550,614
Write off	-	-	-	(847,787)	-	(847,787)
Others	(83,847,351)	(8,584,132)	-	886,467	-	(91,545,016)
December 31, 2021	\$ 2,225,242,987	10,156,411	-	15,875,994	-	2,251,275,392

**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 guarantees and commercial letter of credits to the amount as of December 31, 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 Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	Total
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	(39,284)	(1,847)	-	(5,553)	-	(46,684)	-	(46,684)
December 31, 2022	\$ 117,790	5,363	-	4,969	-	128,122	509,635	637,757

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

The following table reconciles the beginning carrying amount of guarantee liability provision and other provision of receivables from guarantees and commercial letter of credits to the amount as of December 31, 2021:

	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 Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	Total
January 1, 2021	\$ 140,693	5,004	-	15,512	-	161,209	428,604	589,813
Changes from financial instruments recognized at the beginning of period:								
— transfer to life time ECL	(47)	1,967	-	-	-	1,920	-	1,920
— transfer to credit-impaired financial assets	(46)	-	-	10,083	-	10,037	-	10,037
— transfer to 12-month ECL	(66)	(551)	-	-	-	(617)	-	(617)
— derecognition	(53,977)	(2,360)	-	-	-	(56,337)	-	(56,337)
Initial or purchased financial assets	100,812	599	-	-	-	101,411	-	101,411
Difference with the impairment under Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non- accrual Loans	-	-	-	-	-	-	58,239	58,239
Effects of changes in exchange rates and others	(4,237)	(952)	-	2,958	-	(2,231)	-	(2,231)
December 31, 2021	\$ 183,132	3,707	-	28,553	-	215,392	486,843	702,235

## 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, 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, 2022	\$ 77,558,131	51,176	-	46,526	-	77,655,833
Changes from financial instruments recognized at the beginning of period:						
Derogation	(48,589,830)	(39,029)	-	(36,651)	-	(48,665,510)
Initial or purchased financial assets	39,689,162	11,208	-	-	-	39,700,370
Others	818,508	348	-	153	-	819,009
December 31, 2022	<u>\$ 69,475,971</u>	<u>23,703</u>	<u>-</u>	<u>10,028</u>	<u>-</u>	<u>69,509,702</u>

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

The following table reconciles the beginning carrying amount of receivables from guarantees and commercial letter of credits to the amount as of December 31, 2021:

	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, 2021	\$ 64,957,037	137,952	-	38,363	-	65,133,352
Changes from financial instruments recognized at the beginning of period:						
Derecognition	(35,420,852)	(187,848)	-	-	-	(35,608,700)
Initial or purchased financial assets	62,437,061	14,275	-	18,803	-	62,470,139
Others	(14,415,115)	86,797	-	(10,640)	-	(14,338,958)
December 31, 2021	\$ <u>77,558,131</u>	<u>51,176</u>	-	<u>46,526</u>	-	<u>77,655,833</u>

**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, 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 Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	Total
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	1,290	(1,740)	-	(127)	-	(577)	-	(577)
December 31, 2022	\$ 29,030	1,850	-	325	-	31,205	-	31,205

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

The following table reconciles the beginning carrying amount of provisions for loan commitments to the amount as of December 31, 2021:

	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 Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	Total
January 1, 2021	\$ 22,187	3,312	-	829	-	26,328	-	26,328
Changes from financial instruments reclassified at the beginning of period:								
— transfer to life time ECL	(19)	1,268	-	-	-	1,249	-	1,249
— transfer to credit-impaired financial assets	-	-	-	215	-	215	-	215
— transfer to 12-month ECL	10	(800)	-	(32)	-	(822)	-	(822)
— derecognition	(2,434)	(429)	-	(403)	-	(3,266)	-	(3,266)
Initial or purchased financial assets	9,742	130	-	35	-	9,907	-	9,907
Effects of changes in exchange rates and others	(336)	(45)	-	(2)	-	(383)	-	(383)
December 31, 2021	\$ 29,150	3,436	-	642	-	33,228	-	33,228

**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, 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, 2022	\$ 32,105,660	17,250	-	1,382	-	32,124,292
Changes from financial instruments recognized at the beginning of period:						
Individual financial assets transfer to life time ECL	(22,548)	17,509	-	-	-	(5,039)
Individual financial assets transfer to credit-impaired financial assets	(781)	-	-	201	-	(580)
Individual financial assets transfer from credit-impaired financial assets	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
Others	(289,544)	(4,720)	-	419	-	(293,845)
December 31, 2022	<u>\$ 34,484,992</u>	<u>23,190</u>	<u>-</u>	<u>1,242</u>	<u>-</u>	<u>34,509,424</u>

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**Notes to the Financial Statements**

The following table reconciles the beginning carrying amount of loan commitments to the amount as of December 31, 2021:

	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, 2021	\$ 30,940,128	15,076	-	1,672	-	30,956,876
Changes from financial instruments recognized at the beginning of period:						
Individual financial assets transfer to life time ECL	(17,649)	13,509	-	-	-	(4,140)
Individual financial assets transfer to credit-impaired financial assets	(1,089)	-	-	557	-	(532)
Individual financial assets transfer from credit-impaired financial assets	11,982	(10,678)	-	-	-	1,304
Derecognition	(28,140,868)	(13,731)	-	(2,349)	-	(28,156,948)
Initial or purchased financial assets	30,940,128	15,076	-	1,672	-	30,956,876
Others	(1,626,972)	(2,002)	-	(170)	-	(1,629,144)
December 31, 2021	\$ 32,105,660	17,250	-	1,382	-	32,124,292

**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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Irrevocable loan commitments	\$ 6,521,597	3,652,126
Unused credit card	27,987,827	28,472,166
Guarantees	60,730,919	65,929,707
Letters of credit	8,778,783	11,726,126

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)

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Private enterprises	\$ 900,387,197	39.02	845,575,504	37.61
Government owned enterprises	35,187,145	1.52	36,083,917	1.61
Government	19,785,615	0.86	39,687,272	1.77
Non-profit organizations	570,752	0.02	797,905	0.04
Individual	1,235,995,631	53.56	1,227,154,935	54.59
Others	115,773,478	5.02	98,795,727	4.38
Total	<u>\$ 2,307,699,818</u>	<u>100.00</u>	<u>2,248,095,260</u>	<u>100.00</u>

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, 2022		December 31, 2021	
	Amount	%	Amount	%
Domestic	\$ 2,202,744,750	95.45	2,105,128,413	93.64
Foreign	104,955,068	4.55	142,966,847	6.36
Total	<u>\$ 2,307,699,818</u>	<u>100.00</u>	<u>2,248,095,260</u>	<u>100.00</u>

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

	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
Non-collateral	\$ 364,604,881	15.78	348,908,338	15.50
Collateral				
Financial collateral	8,090,459	0.35	6,302,564	0.28
Receivables	2,006,579	0.09	1,122,751	0.05
Property	1,780,244,317	77.06	1,718,522,347	76.34
Guarantee	54,401,449	2.35	75,455,234	3.35
Other	100,951,011	4.37	100,964,158	4.48
	<u>\$ 2,310,298,696</u>	<u>100.00</u>	<u>2,251,275,392</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, 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 %
Items		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)		-	-	-	-	-

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

Period		December 31, 2021					
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	1,146,826	774,527,229	0.15 %	12,391,621	1,080.51 %	
	Unsecured	130,425	394,035,121	0.03 %	10,136,324	7,771.76 %	
Consumer Banking	Mortgage loans (Note 4)	910,414	913,150,436	0.10 %	14,258,065	1,566.11 %	
	Cash card	123	6,713	1.83 %	351	285.37 %	
	Small-scale credit loans (Note 5)	11,692	2,505,585	0.47 %	15,036	128.60 %	
	Other (Note 6)	Secured	450,037	125,069,500	0.36 %	440,083	97.79 %
		Unsecured	24,509	41,980,808	0.06 %	62,220	253.87 %
Total loans		2,674,026	2,251,275,392	0.12 %	37,303,700	1,395.04 %	
		Non-performing Receivables	Receivables	Ratio of Non-performing Receivables	Allowance for Possible Losses	Coverage Ratio	
Credit cards		3,300	1,313,016	0.25 %	45,655	1,383.48 %	
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, 2022		December 31, 2021	
	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)	32,025	2,613	33,662	1,347
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	1,826	24,990	1,903	27,028
Total	33,851	27,603	35,565	28,375

**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 (Ref. No. 09700318940)

c) Concentration of credit extensions

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	16.06
2	B Group- Real Estate Development Industry	26,476,180	13.60
3	C Company- Rail Transportation Industry	26,209,776	13.46
4	D Group- Real Estate Development Industry	23,946,594	12.30
5	E Group- Real Estate Development Industry	20,423,805	10.49
6	F Group- Real Estate Development Industry	14,419,425	7.41
7	G Group-Smelting and Refining of Iron and Steel Industry	13,363,370	6.86
8	H Group- Real Estate Development Industry	12,723,060	6.53
9	I Group-Smelting and Refining of Iron and Steel Industry	12,328,492	6.33
10	J Group- Private Financing Industry	11,761,593	6.04

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

December 31, 2021			
Rank	Business Groups' Standard Industrial Classification and Symbol	Total Amount of Credit Endorsement or Other Transactions	Percentage of the Group's Equity (%)
1	C Company- Rail Transportation Industry	29,219,776	15.80
2	A Group- Real Estate Development Industry	28,548,039	15.44
3	E Group- Real Estate Development Industry	18,595,897	10.05
4	B Group- Real Estate Development Industry	17,650,948	9.54
5	D Group- Real Estate Development Industry	15,266,791	8.25
6	G Group-Smelting and Refining of Iron and Steel Industry	13,851,083	7.49
7	K Group- Air Transportation Industry	13,688,355	7.40
8	I Group-Smelting and Refining of Iron and Steel Industry	11,356,868	6.14
9	L Group- Real Estate Development Industry	10,848,139	5.87
10	F Group- Real Estate Development Industry	10,843,397	5.86

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.

**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.

**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, 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
<b>Total</b>	<b>658,086,466</b>	<b>842,529,205</b>	<b>590,921,980</b>	<b>946,219,411</b>	<b>142,659,856</b>	<b>3,180,416,918</b>

December 31, 2021	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	96,526,895	163,618,469	69,717,322	2,387,754	-	332,250,440
Funds borrowed from the Central Bank and other banks	-	-	62,887	19,798,548	1,151,877	21,013,312
Non-derivative financial liability at fair value through profit or loss	-	-	-	-	5,972,309	5,972,309
Securities sold under repurchase agreements	5,843,951	6,168,158	816,379	-	-	12,828,488
Payables	4,926,892	1,645,268	2,391,961	6,501,250	9,226,791	24,692,162
Deposits and remittances	546,380,256	643,490,310	673,532,444	802,059,530	60,333,702	2,725,796,242
Bank debentures	-	-	-	10,299,999	51,536,476	61,836,475
Other financial liabilities	700	1,351	2,027	4,176	67,696	75,950
Lease liability	50,695	82,787	57,765	119,667	729,218	1,040,132
<b>Total</b>	<b>653,729,389</b>	<b>815,006,343</b>	<b>746,580,785</b>	<b>841,170,924</b>	<b>129,018,069</b>	<b>3,185,505,510</b>

**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, 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

December 31, 2021	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	3,307	7,583	(266,251)	19,404	(204,033)	(439,990)
Total	3,307	7,583	(266,251)	19,404	(204,033)	(439,990)

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, cash settled interest rate swaps and other interest rate contract.

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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<b>December 31, 2022</b>	<b>0~30 days</b>	<b>31~90 days</b>	<b>91~180 days</b>	<b>181 days ~ 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
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 inflow	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)

<b>December 31, 2021</b>	<b>0~30 days</b>	<b>31~90 days</b>	<b>91~180 days</b>	<b>181 days ~ 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
Derivative financial liabilities at FVTPL						
– Cash outflow	37,257,977	6,223,564	3,963,238	20,624,891	13,991,165	82,060,835
– Cash inflow	36,695,825	6,204,030	3,942,739	20,485,392	13,908,511	81,236,497
Net cash flow	(562,152)	(19,534)	(20,499)	(139,499)	(82,654)	(824,338)

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.

<b>December 31, 2022</b>	<b>0~30 days</b>	<b>31~90 days</b>	<b>91~180 days</b>	<b>181 days ~ 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
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

<b>December 31, 2021</b>	<b>0~30 days</b>	<b>31~90 days</b>	<b>91~180 days</b>	<b>181 days ~ 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
Undrawn loan commitments	136,616	8,403	213,821	128,915	3,164,371	3,652,126
Undrawn credit cards commitments	69,458	620,804	1,229,189	2,215,907	24,336,808	28,472,166
Guarantees	10,529,407	11,240,901	2,732,853	10,221,594	31,204,952	65,929,707
Undrawn letters of credit	2,074,653	6,312,676	1,321,627	1,797,828	219,342	11,726,126
Total	12,810,134	18,182,784	5,497,490	14,364,244	58,925,473	109,780,125

**LAND BANK OF TAIWAN CO., LTD.**  
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6) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Maturity analysis of assets and liabilities

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)

December 31, 2021	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	239,081,468	383,611,403	155,406,840	159,837,085	227,208,923	1,952,699,326	3,117,845,045
Main capital outflow on maturity	101,835,263	208,544,067	568,868,653	671,473,189	948,933,342	1,170,947,471	3,670,601,985
Gap	137,246,205	175,067,336	(413,461,813)	(511,636,104)	(721,724,419)	781,751,855	(552,756,940)

b) Maturity analysis of assets and liabilities in US Dollars

(in thousands of U.S. dollars)

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)

December 31, 2021	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Main capital inflow on maturity	5,518,490	1,656,206	1,545,394	1,532,841	3,682,082	13,935,013
Main capital outflow on maturity	6,466,327	3,464,723	2,570,290	1,410,945	1,353,592	15,265,877
Gap	(947,837)	(1,808,517)	(1,024,896)	121,896	2,328,490	(1,330,864)

(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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**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.

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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  $\beta$  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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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 or the bank's published foreign currency credit rate on the reporting date.

The Bank is in the process of promoting the LIBOR discontinuation, as of December 31, 2021, some joint loan cases have not been completed contract conversion it is planned to continue to count the USD LIBOR exposure amount until June 30, 2023.

The Bank expects that the change of interest rate index will affect some operations, because 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.

The Bank established a LIBOR discontinuation team in November 2020, which is responsible for monitoring and managing the progress of alternative rate conversion, allocating work and resources to relevant business units, ensuring that LIBOR conversion risks, risk mitigation plans and relevant response measures, and regularly reporting interest rate risk, risks arising from changes in interest rate indicators, and the progress of conversion plans to the BoD or the executive BoD of the Company. The transition plan and schedule for LIBOR's exit have been submitted to the executive Managing Director of the Board report in January 2021.

The Bank regards contracts whose interest rates will still be affected by changes in interest rate indicators as contracts that have not been converted to another alternative benchmark interest rate. Even if the contract may contain a contingency clause for the exit of the existing interest rate index (hereinafter referred to as the "unchanged contract"), the Bank regularly reviews the contract amount that has not been converted to another benchmark rate and the contract amount that incorporates appropriate contingency clauses to monitor the conversion to the progress of the new benchmark interest rate.

The following table shows the total amounts of unreformed contracts and those with appropriate fallback language on January 1, 2021 and on December 31, 2021. The amounts of financial assets and financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

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	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
<b>December 31, 2022</b>						
<b>Financial assets</b>						
Loan	22,941,866	19,469,878	-	-	-	-
Bond	83,632,329	57,028,093	-	-	-	-
<b>Derivatives</b>						
Derivatives	6,145,000	6,145,000	-	-	-	-
<b>December 31, 2021</b>						
<b>Financial assets</b>						
Loan	33,901,824	24,756,334	-	-	-	-
Bond	107,790,692	64,190,445	84,597	25,100	35,940	35,940
<b>Derivatives</b>						
Derivatives	6,388,310	6,388,310	-	-	-	-

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.

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.

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### Notes to the Financial Statements

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.

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.

**LAND BANK OF TAIWAN CO., LTD.**  
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## 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  $\beta$  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.

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, 2022 and 2021 will decrease by \$143 and \$10,310, respectively, while the other comprehensive statement of income will decrease by \$2,706,013 and \$2,833,843, respectively. If the yield curve of security market decreases by 150 bps, the profit or loss as of December 31, 2022 and 2021 will increase by \$132 and \$8,976, respectively, while other comprehensive income or loss will increase \$2,921,222 and \$1,708,275, respectively.

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

ii) Exchange rate risk

The Bank assumes other risk factors remain constant, if USD against TWD depreciates by 5%, the profit or loss as of December 31, 2022 and 2021 will decrease by \$32,594 and \$39,753, respectively; if EUR against TWD appreciates by 5%, the profit or loss as of December 31, 2022 and 2021 will decrease by \$3,294 and increase by \$861; if JPY against TWD appreciates by 5%, the profit or loss as of December 31, 2022 and 2021 will decrease in \$3,467 and \$1,501, respectively; if CNY against TWD depreciates by 5%, the profit or loss as of December 31, 2022 and 2021 will decrease by \$8,883 and \$1,658, respectively, and vice versa.

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, 2022 and 2021 will decrease by \$104,039 and \$272,932, respectively, while items other comprehensive income or loss will decrease by \$1,005,555 and \$522,739, respectively, and vice versa.

iv) Summary of sensitivity analysis is as follows:

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
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)
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)

**LAND BANK OF TAIWAN CO., LTD.**  
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December 31, 2021			
Main Risk	Sensitivity to change	Amount	
		Equity	Equity
Currency Risk	USD/TWD increase 5%	-	39,753
	EUR/TWD increase 5%	-	861
	JPY/TWD increase 5%	-	(1,501)
	CNY/TWD increase 5%	-	1,658
Currency Risk	USD/TWD decrease 5%	-	(39,753)
	EUR/TWD decrease 5%	-	(861)
	JPY/TWD decrease 5%	-	1,501
	CNY/TWD decrease 5%	-	(1,658)
Interest Risk	Yield curve increase 150BPS	(2,833,843)	(10,310)
Interest Risk	Yield curve decrease 150BPS	1,708,275	8,976
Equity securities price risk	Price of equity securities increase 15%	522,739	272,932
Equity securities price risk	Price of equity securities decrease 15%	(522,739)	(272,932)

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, 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

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

December 31, 2022	(USD)	(JPY)	(EUR)	(AUD)	(CNY)	Other	Total
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
Other liabilities- Refundable deposits	18,043,526	1,926	142,884	12,338	3,261,536	78,017	21,540,227
<b>Total liabilities</b>	<b>488,800,269</b>	<b>6,255,317</b>	<b>5,755,644</b>	<b>32,746,096</b>	<b>21,684,348</b>	<b>8,937,273</b>	<b>564,178,947</b>

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: 32.76; AUD /TWD: 20.780; CNY /TWD: 4.411.

December 31, 2021	(USD)	(JPY)	(EUR)	(AUD)	(CNY)	Other	Total
Foreign currency financial assets							
Cash and cash equivalents	2,713,749	223,659	617,529	124,111	3,704,668	205,041	7,588,757
Due from the Central Bank and call loans to banks	79,266,501	-	-	-	14,418,123	178,800	93,863,424
Financial assets at fair value through profit or loss	953,619	-	-	-	41	-	953,660
Financial assets at fair value through other comprehensive income	30,297,278	-	282,224	14,368,667	607,740	26,744	45,582,653
Investment in debt instruments measured at amortized cost	19,591,258	-	-	4,981,736	4,271,531	4,189,565	33,034,090
Receivables	94,123,759	3,686,437	2,861,886	1,094,057	558,759	1,571,647	103,896,545
Discounts and loans	153,814,752	1,000,914	1,849,497	1,469,691	25,111,033	3,214,509	186,460,396
Other financial assets	116	-	-	-	-	-	116
Other assets	184,570	21,797	770	-	1,747,598	267,411	2,222,146
<b>Total assets</b>	<b>380,945,602</b>	<b>4,932,807</b>	<b>5,611,906</b>	<b>22,038,262</b>	<b>50,419,493</b>	<b>9,653,717</b>	<b>473,601,787</b>
Foreign currency financial liabilities							
Deposits from the central bank and banks	95,524,886	70,958	470,700	9,432,255	16,829,176	632,781	122,960,756
Financial liabilities at fair value through profit or loss	21,773	-	-	-	-	-	21,773
Payables	36,687,260	610,663	751,637	8,330,748	862,588	3,459,918	50,702,814
Deposits and remittances	212,478,977	3,841,787	2,961,936	4,220,266	22,727,093	4,647,848	250,877,907
Other liabilities- Refundable deposits	15,139,960	7,010	78,802	54,981	4,721,245	30,708	20,032,706
<b>Total liabilities</b>	<b>359,852,856</b>	<b>4,530,418</b>	<b>4,263,075</b>	<b>22,038,250</b>	<b>45,140,102</b>	<b>8,771,255</b>	<b>444,595,956</b>

Note: As of December 31, 2021 the exchange rates of different currencies against the TWD are as follows: USD/TWD:27.655; JPY /TWD: 0.2405; EUR /TWD: 31.380; AUD /TWD: 20.090; CNY /TWD: 4.341.

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

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, 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					194,692,725
Ratio of interest-rate-sensitive assets to liabilities (%)					106.83
Ratio of interest rate sensitivity gap to net worth (%)					94.72

December 31, 2021					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest-rate-sensitive assets	\$ 2,657,964,513	55,540,912	48,790,466	178,511,157	2,940,807,048
Interest-rate-sensitive liabilities	1,122,329,881	1,294,976,266	262,347,147	78,857,035	2,758,510,329
Interest rate sensitivity gap	1,535,634,632	(1,239,435,354)	(213,556,681)	99,654,122	182,296,719
Net worth					184,947,263
Ratio of interest-rate-sensitive assets to liabilities (%)					106.61
Ratio of interest rate sensitivity gap to net worth (%)					98.57

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.

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

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)

<b>December 31, 2022</b>					
<b>Items</b>	<b>1 to 90 Days</b>	<b>91 to 180 Days</b>	<b>181 Days to 1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
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					6,336,622
Ratio of interest-rate-sensitive assets to liabilities (%)					102.46
Ratio of interest rate sensitivity gap to net worth (%)					5.70
<b>December 31, 2021</b>					
<b>Items</b>	<b>1 to 90 Days</b>	<b>91 to 180 Days</b>	<b>181 Days to 1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Interest-rate-sensitive assets	\$ 10,017,717	1,458,066	1,014,419	560,394	13,050,596
Interest-rate-sensitive liabilities	9,156,494	2,335,381	800,221	200,050	12,492,146
Interest rate sensitivity gap	861,223	(877,315)	214,198	360,344	558,450
Net worth					6,687,661
Ratio of interest-rate-sensitive assets to liabilities (%)					104.47
Ratio of interest rate sensitivity gap to net worth (%)					8.35

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.

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

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.

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

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)		net amount (e)=(c)-(d)
				Financial instrument (Note)	cash collateral received	
Derivative financial assets	\$ 2,995,895	3,647,841	(651,946)	-	-	(651,946)
Reverse and Securities lending agreement	679,308	-	679,308	679,308	-	-
Total	\$ 3,675,203	3,647,841	27,362	679,308	-	(651,946)

December 31, 2021						
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)		net amount (e)=(c)-(d)
				Financial instrument (Note)	cash collateral received	
Derivative financial assets	\$ 842,975	393,512	449,463	-	-	449,463
Reverse repurchase and securities borrowing agreement	2,033,693	-	2,033,693	2,033,693	-	-
Total	\$ 2,876,668	393,512	2,483,156	2,033,693	-	449,463

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

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, 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

December 31, 2021					
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	\$ 12,834,811	12,828,488	12,834,811	12,828,488	6,323

(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.

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

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".
    - 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, 2022 and 2021 are in compliance with regulations of authorities.

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

Items		Year	December 31, 2022	December 31, 2021
Eligible Capital	Common equity tier 1 capital		185,214,173	174,968,126
	Additional tier 1 capital		26,000,000	26,000,000
	Tier 2 capital		40,409,102	35,941,302
	Eligible capital		251,623,275	236,909,428
Risk- weighted Assets	Credit risk	Standardized approach	1,806,426,697	1,718,430,284
		Internal rating-based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	-	-
		Standardized approach/Alternative standardized approach	57,508,329	55,075,223
		Advanced measurement approach	-	-
	Market risk	Standardized approach	35,952,595	31,149,417
		Internal model approach	-	-
Risk-weighted assets		1,899,887,621	1,804,654,924	
Capital adequacy ratio		13.24	13.13	
Ratio of common stock equity to risk-weighted assets (%)		9.75	9.70	
Ratio of tier 1 capital to risk-weighted assets (%)		11.12	11.14	
Leverage (%)		5.99	5.70	

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.

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

- 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, 2022 and 2021, please refer to note 6(k) for more details.

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

	January 1, 2022	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>

	January 1, 2021	Cash flows	Non-cash changes			December 31, 2021
			Acquisition	Foreign exchange movement	Fair value changes	
Lease liabilities (note 6(v))	\$ <u>948,767</u>	<u>(445,701)</u>	<u>556,739</u>	<u>10,424</u>	<u>(30,097)</u>	<u>1,040,132</u>

**(7) Related-party transactions:**

- (a) Name and relation of related parties

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

- (b) Transactions with Key Management Personnel

Key management personnel compensation comprised:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 22,415	19,620
Post-employment benefits	11,678	339
	<u>\$ 34,093</u>	<u>19,959</u>

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

- (i) Deposits

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Key management personnel	<u>\$ 1,025,116</u>	<u>0.04</u>	<u>928,103</u>	<u>0.03</u>

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

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, 2022		December 31, 2021	
	Amount	%	Amount	%
Key management personnel	\$ 800,499	0.03	677,156	0.03

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.

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

December 31, 2021							
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	46	\$ 21,618	20,330	20,330	-	Credit etc.	None
Private housing mortgage loan	97	401,489	401,489	401,489	-	Real estate	None
Other loans	70	259,322	255,337	255,337	-	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.

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

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.

**(8) Pledged assets:**

<u>Pledged assets</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>Guarantee pledged</u>
Reserves Account B	\$ -	30,000,000	Reservation for Project Financing from Central Bank
	-	-	
Negotiable certificate of time deposits (recorded as financial assets at FVOCI)	613,141	553,373	Operating guarantees of U.S. FINRA
Government bonds (recorded as debt investment at amortized cost)	199,432	183,432	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)	251,920	255,039	Operating guarantees of securities
Government bonds (recorded as debt investment at amortized cost)	338,758	329,799	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)	18,000,000	18,000,000	Operating guarantees of U.S. FINRA
Refundable deposit-other	1,188,750	160,399	Guarantees for asset exchange valuation
Refundable deposit-other	-	1,736,400	Certificate of deposit for CNY overdraft
Total	<u>\$ 25,661,839</u>	<u>56,288,280</u>	

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

**(9) Commitments and contingencies:**

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Loan commitments	\$ 6,521,597	3,652,126
Unused credit card	27,987,827	28,472,166
Guarantees	60,730,919	65,929,707
Unused commercial letters of credits	8,778,783	11,726,126
Trust liabilities	441,750,396	435,240,234
Securities under custody for customers payable	15,301,296	15,443,962
Property under custody for customers	649,498	871,113
Collections for customers	63,751,375	55,488,412
Agency loans	34,661,064	37,872,477
Government bond under custody for customers	169,656,600	163,401,500
Consigned manager of bills	96,526,777	83,902,277
Consigned manager of bonds	638,934	179,621
Consigned sales of goods	10,449	10,973
Securities sold under repurchase agreement	5,726,621	12,834,811
<b>Total</b>	<b>\$ 932,692,136</b>	<b>915,025,505</b>

- (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, 2022 and 2021**

<b>Trust Assets</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash in bank	\$ 31,754,657	37,765,618
Bond	2,754,279	1,748,549
Mutual funds	57,474,402	60,327,751
Stocks	291,384	1,546,419
Beneficial securities	882,892	950,411
Asset-backed securities	10,665,646	5,314,560
Structured products	15,977	20,465
Receivable account	175,010	243,398
Prepaid account	21,625	17,685
Real property	250,925,360	228,967,873
Intangible assets	5,343,495	5,403,531
Other assets	550,752	249,411
Securities under custody	80,894,917	92,684,563
<b>Total trust assets</b>	<b>\$ 441,750,396</b>	<b>435,240,234</b>

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

<b>Trust Liabilities</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Borrowed	\$ 3,884,353	2,949,599
Accounts payable	613,132	47,433
Tax payable	178	49
Advance receipts	9,792	7,027
Withholding	6,874	3,218
Other liabilities	1,210,972	1,169,887
Securities under custody	80,894,917	92,684,563
Trust capital	351,581,996	335,562,978
Reserve account	336,926	310,266
Guarantee deposits received	1,699,050	1,059,222
Net income	1,176,047	1,155,729
Accumulated loss	336,159	290,263
Total trust liabilities	<u>\$ 441,750,396</u>	<u>435,240,234</u>

Trust Property List

December 31, 2022 and 2021

<b>Trust Assets</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash in bank	\$ 31,754,657	37,765,618
Bond	2,754,279	1,748,549
Mutual funds	57,474,402	60,327,751
Stock	291,384	1,546,419
Beneficial securities	882,892	950,411
Asset-backed securities	10,665,646	5,314,560
Structured products	15,977	20,465
Receivable products	175,010	243,398
Prepaid account	21,625	17,685
Real property	250,925,360	228,967,873
Intangible assets	5,343,495	5,403,531
Other assets	550,752	249,411
Securities under custody	80,894,917	92,684,563
Total	<u>\$ 441,750,396</u>	<u>435,240,234</u>

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

**Statements of Income on Trust Accounts**  
**For the years ended December 31, 2022 and 2021**

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Revenues		
Interest revenues	\$ 802,470	473,180
Rental revenues	1,561,666	1,500,612
Revenues from cash dividend	18,379	13,507
Other revenues		
Realized gains on investment	17,079	59,492
Others	<u>24,658</u>	<u>28,699</u>
Total	<u>2,424,252</u>	<u>2,075,490</u>
Expenses		
Interest fees	708,408	419,003
Insurance fees	21,914	21,963
Management and maintenance fees		
Management fees	145,382	136,740
Maintenance fees	71,365	68,051
Service charges	5,059	5,491
Levies	140,214	127,023
Other expenses		
Others	<u>155,863</u>	<u>141,490</u>
Total	<u>1,248,205</u>	<u>919,761</u>
Income before income tax	1,176,047	1,155,729
Income tax expense	<u>-</u>	<u>-</u>
Net income	<u><u>\$ 1,176,047</u></u>	<u><u>1,155,729</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**

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:

	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Personnel expenses						
Salaries	-	8,135,631	8,135,631	-	8,163,438	8,163,438
Insurance	-	366,623	366,623	-	372,378	372,378
Pension	-	866,100	866,100	-	867,628	867,628
Employee benefit saving account	-	2,996	2,996	-	2,995	2,995
Other employee benefits expenses	-	132,881	132,881	-	102,958	102,958
Depreciation expenses	40,418	1,205,102	1,245,520	42,725	1,198,458	1,241,183
Amortization expenses	-	288,876	288,876	-	328,853	328,853

For 2022 and 2021, the Bank has 5,683 and 5,711 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 2021 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, 2021	Adjustments- Increase (Decrease)	Accounts examined by the MOA December 31, 2021
Balance sheet			
Total Asset	\$ <u>3,402,863,765</u>	<u>(156,610)</u>	<u>3,402,707,155</u>
Total liability	\$ 3,217,746,025	13,867	3,217,759,892
Total Equity	185,117,740	(170,477)	184,947,263
Total Liability and Equity	\$ <u>3,402,863,765</u>	<u>(156,610)</u>	<u>3,402,707,155</u>

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

Item	Audited financial statements December 31, 2021	Adjustments- Increase (Decrease)	Accounts examined by the MOA December 31, 2021
Income statement			
Interest income	\$ 31,746,812	4,396	31,751,208
Total bad debts expense and guarantee liability provision	2,734,172	-	2,734,172
Operating expense	15,771,197	6,922	15,778,119
Profit from continuing operations before tax	13,241,443	(2,526)	13,238,917
Income tax expense	2,602,576	160,088	2,762,664
Profit	<u>\$ (10,638,867)</u>	<u>162,614</u>	<u>(10,476,253)</u>
Other comprehensive income	<u>24,089</u>	<u>(7,863)</u>	<u>16,226</u>
Total comprehensive income	<u>\$ 10,662,956</u>	<u>(170,477)</u>	<u>10,492,479</u>

The financial statements for 2021 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) National Audit Office adjusted the Bank's overseas branches from this examination that result in interest income increased \$4,396, operating expense increased \$6,922, income tax expense increased \$160,088, net income decreased \$162,614, and other comprehensive income decreased \$7,863 in statement of comprehensive income in 2021. In addition, related adjustments effected asset decreased \$156,610, liability increased \$13,867 and equity decreased \$170,477 in balance sheet in 2021.
- (ii) Equity decreased \$170,477, mainly due to net income of the year decreased \$162,614, exchange differences on translation of the year decreased \$4,396, debt instrument at fair value through other comprehensive income of the year decreased \$3,467. 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 2021 retroactively, cause legal reserve of the income distribution decreased \$48,785, special reserve of the income distribution decreased \$65,045, and unappropriated earnings of the income distribution decreased \$48,784.

**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, 2022		December 31, 2021	
	Average balance	Average rates (%)	Average balance	Average rates (%)
Interest-earning assets:				
Due from the Central Bank	\$ 141,010,711	0.41	137,229,396	0.25
Due from banks and call loans to banks	128,542,392	1.36	84,130,950	0.56
Financial assets at fair value through profit or loss	854,086	2.20	2,100,978	1.96
Financial assets at fair value through other comprehensive income	87,326,849	1.93	85,533,769	1.02
Debt instruments invest at amortised cost	710,743,690	0.83	676,867,465	0.58
Securities bought under resale agreements	1,576,160	0.58	1,297,195	0.24
Loans	2,272,564,681	1.97	2,167,512,744	1.63
Interest-bearing liabilities:				
Due to banks and call loans from banks	161,089,441	1.27	164,101,773	0.23
Funds borrowed from the Central Bank and other banks	11,867,647	0.27	15,375,414	0.11
Government deposits	208,749,701	0.45	179,284,690	0.27
Demand deposits	500,458,666	0.29	465,910,802	0.07
Time deposits	742,249,175	0.92	712,876,209	0.48
Due to Taiwan Post Co., Ltd.	272,423,816	0.85	234,238,243	0.44
Saving deposits	1,171,528,500	0.81	1,146,567,045	0.66
Bank debentures	64,667,260	1.47	51,410,411	1.92

(ii) Net Position of Main Foreign Currencies

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

Currency	December 31, 2022		Currency	December 31, 2021	
	Original currency amount	TWD amount		Original currency amount	TWD amount
(USD)	\$ 576,052	17,699,211	(USD)	524,436	14,503,270
(CNY)	739,215	3,260,677	(CNY)	1,081,970	4,696,832
(SGD)	11,514	263,321	(SGD)	10,061	206,058
(HKD)	24,732	97,442	(EUR)	1,863	58,455
(GBP)	2,124	78,734	(AUD)	2,468	49,587

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.

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

(iii) Profitability

Items		December 31, 2022	December 31, 2021
Return on total assets	Before income tax	0.44	0.41
	After income tax	0.34	0.32
Return on equity	Before income tax	7.82	7.35
	After income tax	6.12	5.81
Net income ratio		34.77	32.99

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:**

(a) Information on significant transactions:None

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for The Bank:

- (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
- (vi) Information on NPL disposal transaction:None
  - 1) Summary table of NPL disposal:None
  - 2) Disposal of a single batch of NPL up to NT\$1 billion and information on each transaction:None

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

(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) Other significant transactions that may have substantial influence upon the decisions made by financial report users:None

(b) Information on investees:None

(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, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	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	(34,857)	100.00%	(34,857)	6,249,119	-
Taiwan Land Bank Tianjin Branch	Banking business approved by local government	4,861,745	( 3 )	4,861,745	-	-	4,861,745	(24,184)	100.00%	(24,184)	5,823,757	-
Taiwan Land Bank Wuhan Branch	Banking business approved by local government	5,141,281	( 3 )	5,141,281	-	-	5,141,281	(80,510)	100.00%	(80,510)	5,572,181	-

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, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
14,691,728	19,160,728	116,815,635

## LAND BANK OF TAIWAN CO., LTD.

### Notes to Consolidated Financial Statements

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.

#### (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 Treasury: The department mainly manages the funds of New Taiwan dollars and foreign currencies used in operating, financing and investing activities.
- (b) Business of Corporate Banking: The department mainly provides plans for corporate banking; researching, developing and marketing of its products; and establishing and managing its own regulations.
- (c) Business of Consumer Banking: The department mainly provides plans for consumer banking; researching, developing and marketing of its products; and establishing and managing its own regulations.
- (d) Business of Business Management: The department mainly provides service of wealth management and deposits planning.
- (e) Other: The assets, liabilities, revenues and expenses which cannot be attributed to only one operating business may be Bank under this category.
- (f) Segment Financial Information

	For the year ended December 31, 2022					
	Department of Treasury	Department of Corporate Banking	Department of Consumer Banking	Department of Business Management	Other	Total
Net interest income	\$ 6,616,183	19,715,121	17,938,139	(14,805,856)	3,616,060	33,079,647
Net segment profit (loss)	(3,982,464)	(12,398,755)	(11,434,759)	28,244,668	(428,690)	-
Net fee income (loss)	(25,245)	1,111,240	249,250	150,689	1,119,459	2,605,393
Net other income (loss)	3,542,616	-	-	(107,700)	(5,733,212)	(2,298,296)
Net operating income	6,151,090	8,427,606	6,752,630	13,481,801	(1,426,383)	33,386,744
Bad debt expense and guarantee liability provisions	-	-	-	-	(2,263,189)	(2,263,189)
Operating expenses	-	-	-	-	(16,278,170)	(16,278,170)
Inter expenses allocated	(117,243)	(3,231,820)	(4,462,875)	(6,068,049)	13,879,987	-
	<u>\$ 6,033,847</u>	<u>5,195,786</u>	<u>2,289,755</u>	<u>7,413,752</u>	<u>(6,087,755)</u>	<u>14,845,385</u>

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

For the year ended December 31, 2021

	Department of Treasury	Department of Corporate Banking	Department of Consumer Banking	Department of Business Management	Other	Total
Net interest income	\$ 3,961,478	15,976,562	15,031,364	(9,451,687)	3,896,102	29,413,819
Net segment profit (loss)	(2,907,613)	(8,187,097)	(8,159,035)	18,745,509	508,236	-
Net fee income (loss)	(27,138)	920,038	295,076	157,647	1,186,547	2,532,170
Net other income (loss)	(506,640)	-	-	(103,158)	415,017	(194,781)
Net operating income	520,087	8,709,503	7,167,405	9,348,311	6,005,902	31,751,208
Bad debt expense and guarantee liability provisions	-	-	-	-	(2,734,172)	(2,734,172)
Operating expenses	-	-	-	-	(15,778,119)	(15,778,119)
Inter expenses allocated	(106,911)	(3,017,880)	(4,369,844)	(6,036,912)	13,531,547	-
	<u>\$ 413,176</u>	<u>5,691,623</u>	<u>2,797,561</u>	<u>3,311,399</u>	<u>1,025,158</u>	<u>13,238,917</u>

The Bank was in accordance with IFRS 8, not reported in Segment Information, because of the Company 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 (2022)

Item	Summary
<p>I. Credit Risk Strategies, Goals, Policies and Procedures</p>	<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 will establish operational rules for managing credit risk in accordance with the “Risk Management Policy and Procedures,” “Credit Risk Management Guidelines,” “Credit and Investment Policies,” and approved risk management strategies and guidelines from the Board of Directors. These rules will also align with the Basel Capital Accords and regulatory requirements to ensure compliance.</p> <p>(II) In order to optimize capital utilization, the Bank will formulate credit risk strategies and operational guidelines in compliance with the Basel Capital Accords and regulatory requirements. These strategies and guidelines will be developed considering the macroeconomic environment, the Bank’s business objectives, risk costs, and potential returns. They will be regularly reviewed and adjusted as necessary. Prior to implementation, these strategies and guidelines will be submitted to the Board of Directors and senior management for approval.</p> <p>IV. Credit Risk Management Procedures: The business administration departments/divisions at the Head Office, regional centers, and business units must identify, measure, monitor, report, control, assess, and examine potential credit risks related to their credit and investment services. This will help facilitate credit risk management at the Bank level.</p>
<p>II. Credit Risk Management Framework and Organization</p>	<p>The Bank’s credit risk management/control framework and organization consist of 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>

Item	Summary
	<p>II. The Second Line of Defense (Department of Risk Management): 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> <ul style="list-style-type: none"> <li>(i) The Risk Management Department plays an independent and specialized role in evaluating, overseeing, managing, reviewing, and reporting on the overall business risks of the entire bank.</li> <li>(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.</li> </ul> <p>III. The 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>
<p>III. Scope and Features of credit Risk Reporting and Measurement System</p>	<p>I. Credit Risk Reporting:</p> <ul style="list-style-type: none"> <li>(i) Scope: Information covered in regular credit risk monitoring reports submitted to the management includes asset quality and exposure by country, industry, group, large borrowers and collateral, etc.</li> <li>(ii) Features: The system allows for the real-time monitoring of credit risk. Any notable changes or breaches of limits will be promptly communicated to the relevant business administration unit and escalated to senior management to ensure effective control of credit risk.</li> </ul> <p>II. Credit Risk Measurement System:</p> <ul style="list-style-type: none"> <li>(i) Scope: The Bank currently employs the standard method for calculating the necessary capital for credit risk. Our risk management system generates monthly statements, which are then used to create monitoring reports that are presented to senior managers, the Risk Management Committee, and the Board of Directors. The Bank also utilizes internal credit rating models to enhance credit risk measurement. These models include a mortgage application scorecard, mortgage behavior scorecard, consumer loan scorecard, credit card scorecard, and corporate banking scorecard. These models enable the Bank to segregate borrower risk, while the mortgage LGD model is currently used to aid in approval decisions. The Bank will further introduce quantitative credit risk models for other services to strengthen overall credit risk management capabilities.</li> <li>(ii) Features: By integrating pertinent information systems, such as the credit rating system and credit assessment system, the Bank can access extensive credit risk data. This data can be utilized to effectively monitor credit risk limits and enable the segmentation of customers based on their default level. This segmentation enhances credit risk management.</li> </ul>
<p>IV. Credit Risk Avoidance or Mitigation Policies, and Strategies and Procedures for Monitoring the Effectiveness of Risk Mitigation Tools</p>	<p>I. Hedging or Risk Mitigation Policies for Credit Risk:</p> <ul style="list-style-type: none"> <li>(i) To mitigate credit risk and prevent potential losses resulting from breaches of contract by borrowers or trading counterparties, the Bank will require collateral, a guarantor, or a guarantee from a credit guarantee agency.</li> <li>(ii) In order to accurately calculate the effectiveness of credit risk reduction, the Bank must include the operation methods outlined in Basel Accord II and the regulations of the competent authorities in its information systems. These methods include the use of qualified collaterals and guarantee agencies to comply with regulatory requirements.</li> </ul>

Item	Summary
	II. Credit Risk Hedge or Risk Reduction Policy: This policy outlines the strategy and processes for continuously and effectively monitoring and reducing credit risk. It involves post-lending management and review, which focuses on the credit customers' operations, collateral status, guarantors' credit status, and cases guaranteed by guarantee agencies. These inspections ensure compliance with the Bank's and guarantee agencies' regulations and maintain the effectiveness of risk reduction measures.
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, 2022

Unit: NTD thousands

Exposure Type	Exposure Net of Risk Offset	Capital Requirement (Note)
Sovereignty	777,270,853	0
Non-government Public Organization	22,870,169	365,923
Banks (includes multilateral development banks)	164,875,841	4,882,819
Corporations (includes securities brokerage and insurance companies)	425,494,972	27,475,180
Retail Loans	81,142,081	3,269,649
Real Estate Loans	1,846,060,188	102,722,969
Investment in Equity Securities	15,035,229	1,202,818
Other Assets	139,083,761	4,563,948
Total	3,471,833,095	144,483,305

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 (2022)

Item	Summary
<p>I. Asset Securitization Management Strategies and Procedures</p>	<p>I. Asset Securitization Management Strategy: 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” specify that when the Bank invests in beneficiary securities or asset-backed securities (not as the originator) or acts as an underwriter (originating bank) for asset-backed commercial paper, the underlying investment must meet the minimum credit rating requirement, and levels of approval authority must be predetermined. In the event that the credit rating agency downgrades the underlying investment, the “Security Investment Team” will promptly hold a meeting to address the situation and obtain approval from the President for appropriate countermeasures.</p> <p>(II) In line with the Bank’s “Guidelines for Handling Foreign Currency Fund Transactions,” when a business unit acquires financial instruments in foreign currency for business purposes, such as convertible bonds, asset securitization, or linked bonds (e.g., CDO, SIV, etc.), the business unit must present them to the “Investment Review Committee” for assessment and approval. Subsequently, the business unit must seek approval from the Board of Directors or the Standing Board of Directors before proceeding with the purchase.</p>
<p>II. Asset Securitization Management Framework and Organization</p>	<p>A risk management framework and organization have been established, consisting of the Board of Directors, the Risk Management Committee, the Department of Risk Management, the business administration units of the Head Office, the business (trading) units, and the Department of Auditing. This structure operates on the principle of three lines of defense.</p> <p>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.</p> <p>II. The Second Line of Defense (risk control and management unit): The Department of Risk Management and business administration units will support and oversee the primary line of defense in identifying, measuring, and managing the risks associated with asset securitization activities within their respective business areas.</p> <p>(I) The Department of Risk Management operates as an independent and dedicated entity, responsible for assessing, supervising, controlling, reviewing, and reporting on the Bank’s asset securitization business.</p> <p>(II) The other business supervision unit will identify, assess, and control the risk associated with the asset securitization business of the business it oversees. It will develop and implement management regulations and mechanisms for managing the risk of asset securitization in the business it oversees. It will also supervise the business’s ability to undertake risk and its current risk-bearing status. The unit will make decisions based on its responsibility.</p> <p>III. The Third Line of Defense (Internal Audit Unit): 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. It also examines its suitability, reliability, and compliance with legal requirements.</p>

Item	Summary
<p>III. Asset Securitization Risk Reporting, System Coverage, and Features</p>	<p>I. Risk report of asset securitization:</p> <p>(I) Scope: Regularly state and report the scope of the assessment report of asset securitization that the Bank invested which includes investment category, amount credit rating and evaluation, etc.</p> <p>(II) Features: The Bank has developed loss control standards and corresponding solutions for investments in real estate investment trust beneficiary certificates, domestic beneficiary certificates, asset-backed securities, and foreign currency asset securitization products in order to manage risk.</p> <p>II. Asset securitization measurement system:</p> <p>(I) Scope: According to the “Guideline Governing Investment in Beneficiary Certificate and Asset Backed Security” of the Bank and relevant regulations, manually and regularly monitor the status of securitization target exposure (such as credit rating, the state of compliance, market transaction information, etc.) and accrued capital accordingly.</p> <p>(II) Features: The results of the monitoring conducted in accordance with the aforementioned regulations will be summarized and regularly included in the risk monitor report. This report will be submitted to the Board of Directors and the Risk Management Committee. If any significant abnormal situations arise, the business supervision unit will report to the chief in accordance with the regulations, in order to study and develop appropriate countermeasures.</p>
<p>IV. Risk Avoidance or Mitigation Policies Relating to Asset Securitization, and Strategies and Procedures for Monitoring the Effectiveness of Risk Mitigation Tools</p>	<p>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.</p> <p>II. Strategies and Processes for the Continuous Effectiveness of Asset Securitization Monitoring and Risk Reduction 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.</p>
<p>V. Methods for Calculating Capital Requirements</p>	<p>Asset Securitization Standard Approach.</p>

(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 (2022)

Disclosures	Summary
<p>I. Operational Risk Management Strategies and Procedures</p>	<p>I. Operational Risk Management Strategy: 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 regulations, an internal control system, and standard operating processes for all its products and operating activities, ensuring compliance within its business units. It employs risk identification, measurement, monitoring, reporting, and control measures to assess and review all significant operational risks.</p> <p>(II) Formulate a comprehensive Business Continuity Plan to ensure uninterrupted operations in the event of natural disasters or severe accidents. Additionally, establish appropriate regulations for outsourced business activities conducted by the Bank.</p>
<p>II. Operational Risk Management Framework and Organization</p>	<p>The Bank's operational risk management framework and organization consist of the Board of Directors, Risk Management Committee, Auditing Department, Risk Management Department, business administration units (including Head Office and regional centers), treasury trading units, and business units.</p> <p>The Bank identifies the operational risk management responsibility for each unit with three lines of defense:</p> <p>I. The First Line of Defense (the department that generates or bears the risk):</p> <p>(I) Each unit within the Bank is responsible for managing operational risks that arise from their routine activities. Units designated as the first line of defense are tasked with identifying and managing these risks. They must develop and implement internal control procedures that effectively cover all relevant business activities, taking into account the specific nature of the risks involved. These units are also required to exercise control over operational risks in compliance with laws and internal regulations, utilizing appropriate tools as necessary. Additionally, they must submit operational risk management reports to the appropriate business administration unit in accordance with established 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 shall 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>I. The Second Line of Defense (risk management unit, namely Department of Risk Management and business administration units):</p> <p>(I) The second line of defense will support and oversee the first line of defense in identifying, measuring, and managing operational risk, as well as monitoring the progress of self-assessment.</p> <p>(II) The Risk Management Department plays a distinct and specialized role in evaluating, overseeing, managing, reviewing, and reporting operational risks across the entire bank.</p> <p>(III) Other business administration units will identify, measure, assess, and control the operations of the business under their supervision, including core products, operating activities, operational processes, information systems, and newly developed business or financial products. They will formulate management regulations and mechanisms for operational risk in their business and operating activities. They will supervise the risk-taking ability and risk tolerance status for various business units and ensure that employees at all levels are fully aware of their responsibility to cooperate in implementing operational risk management and fulfilling their duties accordingly.</p> <p>III. The Third Line of Defense (Department of Auditing):</p> <p>(I) The Auditing Department functions as the third line of defense. Its role is to audit and evaluate the operational risk management system implemented by the first and second lines of defense, and to suggest enhancements when necessary.</p> <p>(II) The audit department is responsible for ensuring the effectiveness of operational risk implementation throughout all units of the Bank. This includes regularly auditing the execution status of the operational risk management system and process control. The department also inspects the follow-up actions taken to rectify or improve any operational risk defects identified within the Bank.</p>
<p>III. Scope and Features of Operational Risk Reporting and Measurement Systems</p>	<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 as needed when significant operational risk issues arise. Operational risk monitoring reports also disclose any internal or external changes in circumstances that impact risk exposure, control, or assessment.</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
<p>IV. Operational Risk Avoidance or Mitigation Policies, and Strategies and Procedures for Monitoring the Effectiveness of Risk Mitigation Tools</p>	<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> <p>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.</p> <p>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.</p> <p>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.</p> <p>iv. Risks with low frequency and low potential risk can be accepted.</p> <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>
<p>V. Methods for Calculating Capital Requirements</p>	<p>Operational Risk Standard Approach.</p>

(ii) Capital Requirement for Operational Risks

Unit: NTD thousands

Year	Gross Profit	Capital Requirement
2020	31,168,727	
2021	33,875,857	
2022	35,831,207	
Total	100,875,791	4,600,666

#### iv. Market Risk Management System and Capital Requirement

##### (i) Market Risk Management System (2022)

Item	Summary
I. Market Risk Management Strategies and Procedures	<p>I. Market Risk Management Strategy: 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> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>iii. Market Risk Measurement: Develop a quantitative model to measure market risk and integrate with daily risk limit management.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ol>

Item	Summary
<p>II. Market Risk Management Framework and Organization</p>	<p>A market risk management framework and organization have been established, 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. This structure follows a three lines of defense approach.</p> <p>I. The 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.</p> <p>II. The Second Line of Defense (Department of Risk Management and business administration units at the Head Office):</p> <p>(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 execution status 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.</p> <p>(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.</p> <p>III. The Third Line of Defense (Department of Auditing): 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.</p>
<p>III. Scope and Features of Market Risk Reporting and Measurement Systems</p>	<p>I. Market Risk Reporting:</p> <p>(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.</p> <p>(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, <math>\beta</math>, DVO1, duration, gap analysis, and simulation. The report not only shows the company's market risk exposure, but also gives management an overview of profitability, limit utilization, investment performance, market trends, and more. This helps management make adjustments to the market risk management policy, procedures, and limits.</p> <p>II. Market Risk Measurement System:</p> <p>(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.</p>

Item	Summary
	(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 can also present VaR based on factors such as interest rate, exchange rate, and securities. This allows management to adjust investment strategy and risk tolerance based on market risk measurements.
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 Ensuring the Effectiveness of Market Risk Monitoring, 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, 2022s

Unit: NTD thousands

Risk Category	Capital Requirement
Interest Rate Risk	1,358,400
Equity Security Risk	1,113,702
Foreign exchange Risk	404,063
Commodity Risk	
Options Accounted For Using the Simple Method	43
Total	2,876,208

v. Liquidity Risk Disclosure

(i) Table of the Maturity Period Structure of the New Taiwan Dollar (December 31, 2022)

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	3,068,690,276	228,467,348	270,499,075	196,049,882	164,490,105	220,763,333	1,988,420,533
Major Maturing Fund Outflow	3,665,060,091	116,304,326	194,529,447	535,084,892	570,945,624	1,092,523,049	1,155,672,753
Period Gap	-596,369,815	112,163,022	75,969,628	-339,035,010	-406,455,519	-871,759,716	832,747,780

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, 2022)

Unit: NTD 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	16,550,449	3,359,916	3,491,648	2,220,805	1,012,809	6,465,271
Major Maturing Fund Outflow	16,944,910	5,309,882	6,983,958	2,301,510	765,137	1,584,423
Period Gap	-394,461	-1,949,966	-3,492,310	-80,705	247,672	4,880,848

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

- i. From the end of 2020, the Central Bank made four 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, 2022, 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 will be effective from 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.

### (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 Countermeasures:

- i. We have implemented an online pre-approval system 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 on-line 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."

- iii. Develop new types of digital financial services and strengthen the functions of various electronic channel services:
  - (i) In order to enhance the convenience of our customers' trading experience, our personal on-line banking platform (including mobile banking) has implemented various new features. These include Taiwan Pay Receiving, a user-friendly webpage that provides a direct link to the Bank's official website's customer feedback mailbox. Additionally, customers now have the ability to link multiple financial institution accounts to a single mobile phone number, allowing for mobile password activation through SIM card authentication. Furthermore, we have introduced push notification settings for TWD deposit alerts, an online application for payment services, and customizable monthly transfer limits for non-designated accounts.
  - (ii) The corporate internet banking app has been enhanced to provide better digital financial services for corporate customers. One of the new features is "device binding and quick login," which improves the convenience of logging in. Additionally, in compliance with the disclosure requirements of the "Industrial Park Service Center, Ministry of Economic Affairs," the Bank has entrusted its collection system to offer a customized quick payment function for collecting payment information from manufacturers within the park.
  - (iii) In order to align with the growing trend of digital finance and capitalize on remote transaction opportunities, the Bank is actively promoting online insurance services. This includes offering a user-friendly online insurance platform that provides coverage for auto insurance and comprehensive travel insurance. Additionally, the Bank has integrated various payment methods, such as credit card deductions and Taiwanese dollar deposit accounts (including digital deposits), to facilitate premium payments. These efforts aim to enhance the overall sales efficiency of our business resources.
- 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 PXPAY Plus and Easy Wallet 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:
 

In order to establish a digital financial environment that is accessible to all, and to promote financial inclusion, the Bank offers barrier-free internet banking for non-designated transfer functions and a barrier-free mobile app for non-designated transfer functions. Additionally, we are continuously adding ATMs with features for individuals with visual impairments, with the goal of creating a more comprehensive and user-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, ex-

panded 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, in response to the lifting of border restrictions and the growing demand for foreign currency payments, we offer Dynamic Currency Conversion (DCC) services. We can also customize various functions for merchants and 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, in addition to construction companies that previously utilized land and construction financing loans. Moving forward, we will focus on targeting small and medium-sized merchants to increase Service Fee Income from acquiring services. Furthermore, our card swiping device supports the electronic invoice carriers function of the second-generation credit card, enabling merchants to integrate their cash register equipment and eliminate the need for printed paper invoices. This effectively reduces costs associated with system development, consumables, and related management for businesses. 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:

Due to the rise of FinTech and digital finance, the advent of online-only banks, and the post-pandemic landscape, consumers now prefer online financial services over traditional offline methods. Bankers must therefore not only possess professional expertise, but also embrace a digital transformation mindset. The Bank will continue to plan 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 Information 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:

To enhance customer inquiry services, the Bank has established a proficient customer service team that combines expertise in service and technology. This team has developed a comprehensive financial language database, accessible to customers through an “intelligent customer service” platform, available 24/7. Alongside convenient services such as credit card bill inquiries, reissues, exchange rate conversions, and branch inquiries, the AI software, equipped with autonomous learning capabilities, can offer customers personalized recommendations for frequently asked questions. This ensures a comprehensive range of financial product and service inquiries are met.

- 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) Impacts on Crisis Management in the Event of a Change in Corporate Image and Countermeasures

The Bank is the sole commercial bank in the industry that specializes in real estate. In addition, it collaborates with government policies on different loan projects. Leveraging its expertise in real estate, the Bank integrates key business areas such as personal finance, corporate finance, foreign exchange, trust, securities, and wealth management. This allows us to offer customers a wide range of comprehensive financial services. The Bank embraces a generous, harmonious, enthusiastic, and innovative business philosophy in order to contribute to society and actively engage in various public welfare activities. We are committed to being recognized by the public and view it as our obligation as a member of society. We have a dedicated team in place to plan and respond to various situations.

#### (V) Expected Benefits of Business Office Expansion, the Potential Risks Involved, and Countermeasures

- i. In order to effectively utilize financial resources and enhance overall business performance, a thorough evaluation will be conducted. This evaluation will assess branch performance, business developments, the number of financial institutions in a designated region, the ratio of customers to employees per branch, the number of local businesses, and the local financial condition. Based on these factors, plans will be formulated following relevant procedures for branch establishment, relocation, and reorganization. These plans will help establish a strong foundation in the business niche by providing customers with convenient financial services.
- ii. Developing overseas markets will not only expand our business scale and reduce our reliance on operations in China, but it will also enable us to provide financial services to Taiwanese businesses and support their international expansion efforts. Overseas operations may face risks related to local politics, economics, finance, and regulations. In order to assess the suitability of branch locations, the Bank will prioritize cities where the majority of Taiwanese business customers are located, regional financial centers, and cities with growth potential. This evaluation will also involve researching the political and economic conditions of various countries, as well as conducting field trips for further analysis.

#### (VI) Business Concentration Risks and Countermeasures

To mitigate the risk of excessive credit concentration, we have established credit risk limits for our credit business. These limits are regularly reviewed and adjusted in a timely manner, considering factors such as changes in the economic environment, industry fluctuations, our credit policy, and business development requirements. The key measures implemented are outlined as follows:

- i. The credit limit ratios are set for each industry sector (including the real estate sector), and are reviewed semi-annually.
- ii. The Bank has formulated a “Table of Credit Limits for Group Enterprises of External Institutions,” which is reviewed at least once a year to control the group’s credit risk.
- iii. Construction industry credit: Restricted ratios are set by county, city, region, and group of the location of the collateral and are reviewed semi-annually.
- iv. The concentration of real estate loans is subject to appropriate measures and monitoring mechanisms, and its implementation is reviewed annually at minimum.

#### (VII) 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
<b>HEAD OFFICE</b>				
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	
<b>DOMESTIC BRANCHES</b>				
<b>Taipei City</b>				
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

Branch	Address	Telephone	FAX	SWIFT
Jenai Branch	No.29, Sec. 3, Ren-ai Rd., Da-an District, Taipei City 106675, Taiwan (R.O.C.)	(02)27728282	(02)27110884	LBOTTWTP057
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 istrict, Taipei City 104503, Taiwan (R.O.C.)	(02)25036345	(02)25035643	LBOTTWTP165

Branch	Address	Telephone	FAX	SWIFT
<b>New Taipei City</b>				
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
Hsisanchung 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
Nansinchuang 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)26972601	LBOTTWTP148
(02)26972601	LBOTTWTP148	(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
<b>Keelung City</b>				
Keelung Branch	No.18, Yi 1st Rd., Zhongzheng District, Keelung City 202001, Taiwan (R.O.C.)	(02)24210200	(02)24224407	LBOTTWTP002
Chengping Branch	No.652, Zhongzheng Rd., Zhongzheng District, Keelung City 202008, Taiwan (R.O.C.)	(02)24621111	(02)24627214	LBOTTWTP073
<b>Taoyuan City</b>				
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

Branch	Address	Telephone	FAX	SWIFT
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
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
<b>Hsinchu City</b>				
Hsinchu Branch	No.1, Zhongyang Rd., Hsinchu City 300005, Taiwan (R.O.C.)	(03)5213211	(03)5233693	LBOTTWTP016
Tungshinchi Branch	No.22, Beida Rd., Hsinchu City 300024, Taiwan (R.O.C.)	(03)5353998	(03)5353923	LBOTTWTP103
<b>Hsinchu County</b>				
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
<b>Miaoli County</b>				
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

Branch	Address	Telephone	FAX	SWIFT
<b>Taichung City</b>				
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
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, Zhongcing Rd., Beitun District, Taichung City 406036, Taiwan (R.O.C.)	(04)22956677	(04)22956776	LBOTTWTP164

Branch	Address	Telephone	FAX	SWIFT
<b>Nantou County</b>				
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
<b>Changhua County</b>				
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
Fuhsing Branch	No.399, Sec. 7, Zhanglu Rd., Fuxing Township, Changhua County 506025, Taiwan (R.O.C.)	(04)7785566	(04)7789933	LBOTTWTP142
<b>Yunlin County</b>				
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
<b>Chiayi City</b>				
Chiayi Branch	No.309, Zhongshan Rd., Chiayi City 600008, Taiwan (R.O.C.)	(05)2241150	(05)2283540	LBOTTWTP029
Chiasing Branch	No.28, Ziyou Rd., Chiayi City 600081, Taiwan (R.O.C.)	(05)2810866	(05)2810882	LBOTTWTP110
<b>Chiayi County</b>				
Minhsiung Branch	No.126, Sec. 3, Jianguo Rd., Minxiong Township, Chiayi County 621019, Taiwan (R.O.C.)	(05)2200180	(05)2214643	LBOTTWTP066
<b>Tainan City</b>				
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

Branch	Address	Telephone	FAX	SWIFT
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
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
<b>Kaohsiung City</b>				
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

Branch	Address	Telephone	FAX	SWIFT
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
Poai Branch	No.300, Bo-ai 1st Rd., Sanmin District, Kaohsiung City 80757, Taiwan (R.O.C.)	(07)3150301	(07)3226961	LBOTTWTP105
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)3621099	LBOTTWTP149
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
<b>Pingtung County</b>				
Pingtung Branch	No.78, Fongjia Rd., Pingtung City, Pingtung County 90075, Taiwan (R.O.C.)	(08)7325131	(08)7322236	LBOTTWTP036
Chaozhou 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

Branch	Address	Telephone	FAX	SWIFT
<b>Yilan County</b>				
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
<b>Hualien County</b>				
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
<b>Taitung County</b>				
Taitung Branch	No.357, Sec. 1, Zhonghua Rd., Taitung City, Taitung County 95046, Taiwan (R.O.C.)	(089)310111	(089)310100	LBOTTWTP037
<b>Penghu County</b>				
Penghu Branch	No.20, Sanmin Rd., Magong City, Penghu County 88050, Taiwan (R.O.C.)	(06)9262141	(06)9278371	LBOTTWTP040
<b>Kinmen County</b>				
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	(65)6349-4555	(65)6349-4545	LBOTSGSG
Shanghai Branch	Unit 1703-04, 17 F Aurora Plaza, 99 Fu Cheng Road, Pudong Shanghai 200120	(86)21-5037-2495	(86)21-5037-2497	LBOTCNBH
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	(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	