

# 2020 Annual Report

# LAND BANK OF TAIWAN



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Land Bank of Taiwan 2020 Annual Report

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## Land Bank Of Taiwan Annual Report 2020

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# The Five Strategic Goals For 2021

Embrace Digitalization

Diversify Loan Portfolios

Seek Out New Opportunities

Nourish Talent

Be A Corporate Citizen



A decorative graphic on the right side of the page features a large teal circle. A thin teal line forms a spiral that starts from a small concentric circle (yellow, orange, and teal) and extends downwards. A horizontal teal bar with a yellow segment on the left intersects this spiral.

## 008 Letter to Shareholders

- 010 2020 Business Results
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Regulatory and Overall Business Outlook
- 015 Credit Rating



## Letter to Shareholders

In 2020, the global outbreak of the COVID-19 pandemic urged countries across the world to adopt stringent control measures, including lockdown of cities and borders and traveling restrictions of people, to contain the spread of the pandemic, which resulted in a near shutdown of the global economy and a severe drop in international crude oil and raw material prices. It is estimated by IMF that the global economy grew at a rate of -3.5% in 2020, representing a sharp decline from the growth rate of 2.8% in 2019. Major countries successively launched unprecedented monetary easing and fiscal stimulus policies to mitigate the impact on the market. For instance, the U.S. Federal Reserve reduced the interest rates to the range from 0 to 0.25% with an infinite QE policy, and the European Central Bank announced a Pandemic Emergency Purchase Programme (PEPP) of 1.35 trillion euros in an attempt to minimize the impact of the pandemic.

Affected by the global economic recession,

domestic economy experienced a significant decline in the economic performance in the first half of 2020. Fortunately, the pandemic was effectively contained in Taiwan, and the government launched a number of relief and revitalization measures. Since the third quarter, as major countries resumed economic activities, the domestic traditional industries underwent gradual recovery on a monthly basis due to an increase in demand in the overseas market. The electronic information industry benefited from strong demand for emerging technology applications and remote business opportunities together with strong orders from the semiconductor industry, leading to gradual improvement in domestic economic performance in the second half of the year. According to the DGBAS, the domestic economy grew at a rate of 3.11% in 2020, which was significantly ahead of the global average and was ranked the first among the Four Asian Tigers.



Chairperson Hsieh, Chuan-Chuan



Under the joint efforts from the management team and all colleagues, The Bank delivered a pretax earnings of NT\$10,929 million and earnings per share of NT\$1.49 in 2020. With respect to the asset quality, The Bank recorded a NPL ratio of 0.15% and a NPL coverage ratio of 1,065.02% at the end of 2020, all of which were above the domestic industry average, proving a healthy holding assets and an efficient operation. In addition, to support the governments industrial transformation program, The Bank actively promoted and launched the five-plus-two innovative industry-oriented loan program and SMEs loan business to continue to provide the capital funds required for business operation and expansion. In 2020, The Bank was awarded the "First Place in Group A of Excellent Banks", "Special Award for Balanced Regional Development in the Central Region", "Special Award for Balanced Regional Development in the Southern Region" and other recognitions by the

Financial Supervisory Commission (the "FSC") for its SME loans business. In response to other government policies, The Bank provided three major programs for the investment in Taiwan, new southbound, green finance and other policy loans, and promoted collaboration of public banks to rejuvenate the economy through provision of NT\$1 trillion with the aim of assisting enterprises in obtaining the necessary capital for land acquisition, plant construction and operational turnaround.

Entering the era of technology advancement, The Bank has been actively developing Financial Technology (FinTech) to continue to promote the transformation and upgrade of digital financial services and innovation, including mobile payment, mobile banking, digital deposit, online loan application, etc. The Bank also built an "intelligent customer service" system to provide users with convenient and fast financial services. Furthermore, The Bank also



President He, Ying-Ming

provided customers with more diverse and convenient payment service options. In addition to strategic alliances with various electronic payment institutions, The Bank has added icash Pay and GAMA PAY to link to The Bank's Account Link payment service, and even invested in the research, development and application of Open API, while actively building up a patent portfolio with over 250 approved FinTech patents as of the end of 2020.

As Taiwan is about to enter a super-aged society, the government is encouraging financial institutions to develop financial products and services for the elderly. The Bank has responded to the needs of the elderly by planning various businesses such as "housing for the elderly", "retirement wealth management" and "elderly pension trusts" to provide the elderly with better life and safeguard their property. The Bank was also recognized as the "Excellent Bank for the Evaluation of Property Trust for the Elderly and the Disabled". With regard to the housing justice and the needs of the public to purchase a house for its families, The Bank provided "preferential housing loans for younger generation" in 2020, and its market share is the highest among the eight major public banks. In terms of implementing financial consumer protection and promoting customer rights, The Bank was also ranked in the top 20% among the banking group of the fair customer service evaluation of the financial service industry. Additionally, The Bank has continued to participate in various social welfare activities covering arts and culture, education, social donation, and social welfare trusts, and was granted the "Gold Award in Sponsorship at the Sports Activist Awards", "Long-term Sponsorship Award in Sponsorship Category", and "Gold Award in Promotion Category", demonstrating The Bank's image of fulfillment of financial inclusion and corporate social responsibility.

Below is the business summary for 2020 and business plan for 2021:

## I. 2020 Business Results

### ( I ) Bank organization and Change

In line with the government's policy of encouraging mergers and acquisitions, The Bank was approved by the competent authority to concurrently carry out life and property insurance agency business. On January 1, 2020, Land Bank merged its subsidiary, Land Bank Insurance Broker Co, Ltd, and established the "Insurance Agency Department". The Bank generally assumed all rights and obligations of Land Bank Insurance Broker Co, Ltd to provide customers with all-round finance insurance services.

### ( II ) Business plan and operating strategies achievements

Unit: NT\$ million; US\$ million (foreign exchange); %

Major Operation Category	Year	2020	2019	Year on Year growth (%)
Deposits		2,583,798	2,577,499	0.24
Loans		2,061,340	1,991,452	3.51
Foreign Exchange Operations		97,557	87,696	11.24
Trust Activities		426,265	391,944	8.76
Guaranties		52,159	48,146	8.34
Securities brokerage		402,813	231,122	74.29
Net Profit before Tax		10,929	13,019	-16.05

Explanatory note: Figures above are the business volumes for the year.

### (III) Status of Budget execution

The Deposit volume for 2020 was NT\$2,583.7 billion, achieving a budget hit rate of 102.33%; The total Loan volume reached NT\$2,613.4 billion, which was 2019.49% of the original budget target. The Foreign Exchange operation was US\$97,557.3 million, with a hit rate of 118.97%. Net Profit before Tax was NT\$10,928.7 million or reached 114.96% of our budget target.

### (IV) Analysis of Income, Expenditure and Profitability

Below is the addition or deduction restated to the main categories in accordance with the amount audited by the CPAs under the National Audit Office based on the accounting principles for the 2020 financial year in comparison to 2019:

Unit: NTD millions; %

Type		2020	2019	Increase/Decrease Comparison (%)
Net Interest Revenue		26,396	28,111	-6.10
Revenue other than Net Interest Revenue		2,935	3,118	-5.87
Total Net Income		29,331	31,229	-6.08
Allowance for Doubtful Accounts, Commitment, and Guarantees		2,855	2,907	-1.79
Operating Expenses		15,547	15,303	1.59
Net Profit before Tax		10,929	13,019	-16.05
Net Income		8,637	10,067	-14.20
Return on Assets	Before Tax	0.36	0.43	-0.07
	After Tax	0.28	0.34	-0.06
Return on Equity	Before Tax	6.36	8.00	-1.64
	After Tax	5.03	6.19	-1.16
Net Profit ratio		29.45	32.24	-2.79
Earings per share (EPS), before Tax		1.49	1.78	-0.29

Description: 1. Figures for 2019 have been made by the CPAs based on the audit result of the National Audit Office. Figures for the period of 2020 have been audited and certified by CPAs. (The subsidiary Land Bank Insurance Broker Co, Ltd. was merged into The Bank on January 1, 2020)

- The decrease in net interest income in 2020 compared to 2019 was mainly due to 0.25% interest rate reduction by Taiwan's central bank and further decrease in certain interest rate of loans as a result of the impact of the COVID-19 pandemic, which resulted in the narrowing of deposit spreads.
- The decrease in net income other than interest in 2020 compared to 2019 was mainly due to an increase in financial assets and liabilities net loss at fair value through profit and loss.

### (V) Status in Research and Development

Our research team has been issuing periodical and non-periodical research reports on economies

and financial market analysis, industrial development and trends, current issues on banking business, etc. The major researches conducted in 2020 for business references include 7 independent research and development reports, newsletters on domestic and international economic development and financial markets (weekly and monthly), industry analysis (monthly, quarterly), industry development report (bimonthly), 10 specialized report projects on economies and financial markets and 12 issues on the domestic real estate analysis.

## II. Summary of Business Plan for 2021

### ( I ) Operation Guidelines and Major Operating Policies

1. Continue to capitalize asset quality, improve deposit structure, improve risk management mechanism, establish culture of compliance, reduce business risks, exert organizational effectiveness, enhance information technology services and protection of information security in order to strengthen our operational process.
2. Comply to financial policy and expand the business scope. Develop multiple niche business strategy and achieve the overall synergy.
3. Expand the interest rate spreads to increase interest income, explore commission based operational revenue, enhance investment yields, strengthen the efficiency of the use of own property, and increase the proportion of overseas profits for profitability.
4. Following the trend of digital finance, promote digital finance, integrate the virtual and physical channels, offer customer-oriented solutions and provide an excellent digital service to improved customer experiences. Utilize big data analysis to develop digital marketing and nurture financial innovation mindset.
5. Grasp international financial business opportunities, build an overseas and domestic corporate financial service network and improve overseas business performance.
6. Strengthen corporate governance, establish a corporate culture of treating customers fairly, emphasize the protection of customer rights and interests, promote harmonious relationship between employers and employees, and fulfill corporate social responsibility.

### ( II ) Projected Operating Goals

The major operating objectives for the year (2021), which are reported to the competent authority for submission to the Executive Yuan for approval, are as follows.

1. Deposit volume: NT\$2,578 billion, representing an increase of 2.10% from the statutory target of NT\$2,525 billion in 2020.
2. Loan volume: NT\$1,995 billion, representing an increase of 5% from the statutory target of NT\$1,900 billion in 2020.
3. Foreign exchange operation: USD 83 billion, representing an increase of 1.22% from the statutory target of USD 82 billion in 2020.
4. Net Profit before Tax: NT\$9,510.00 million, representing an increase of 2.79% from the statutory target of NT\$9,251.51 million in 2020.

※ The above-mentioned deposits, loans are accumulated average balance, foreign exchange were operation volume and net profit before tax as cumulative number.



### III. Future Development Strategies

- ( I ) Continue to attract deposits from natural persons and SMEs and diversify the concentration of deposits in an attempt to improve the deposit structure. Gradually adjust our asset and liability structure, strengthen capital adequacy, enhance liquidity risk management and improve our risk management mechanism.
- ( II ) Cooperate with government policies to provide loans for various projects and provide capital to promote private investment and public construction development in order to promote economic development. Develop corporate lending, secure syndicated loan and securities underwriting, strengthen financial services for SMEs, assisting enterprises in obtaining the necessary funds for operations, provide various electronic payment services, and expand corporate banking offerings.
- ( III ) Establish customer-oriented marketing strategies and motivate staff to take the initiative in marketing and promotion to improve marketing efficiency and staff productivity. Strengthen overall marketing effectiveness through co-marketing to expand the source of service fee income, increase non-interest income, and raise its share of revenue.
- ( IV ) Develop mobile payment services, expand the scope of services, deepen customer relationships, and satisfy customers' diversified payment and receipt needs. Provide integrated and innovative financial technology services, integrate financial services into customers' daily lives, develop diverse ecosystem financial services, and create a win-win situation for cross-sector e-commerce.
- ( V ) Actively cultivate overseas talent reserves, expand overseas markets, and gradually expand our overseas presence to strengthen international competitiveness; keep abreast with the government's New Southbound Policy, to enhance business network in the Asia-Pacific region and extend our scope of services.
- ( VI ) Implement the principle of fair customer service and comply with regulations regarding financial consumer protection and personal information protection to protect the rights and interests of financial consumers and enhance customer satisfaction and service quality. Continue to develop credit and insurance services for the elderly, the disadvantaged and the disabled, as well as integrated trust services with cross-sector alliances in response to the needs of the aging society.

### IV. Impact of External Competition, Regulatory and Overall Business Outlook

#### ( I ) External Competition

1. In July 2019, the FSC approved three internet-only banks, including LINE Bank, NEXT BANK, Rakuten International Commercial Bank, etc., to enter the banking market, bringing a new competitive environment to the banking industry in Taiwan. Among which, Rakuten International Commercial

Bank was granted a business license by the Banking Bureau of the FSC on December 8, 2020, becoming the first of three internet-only banks to obtain a license, which indicated that the first internet-only bank was able to officially provide financial services in Taiwan.

2. As a result, in respect of the FinTech, the banking industry in Taiwan is moving towards a more comprehensive development. In addition to mobile payment, the development of information security, cloud service and block chain will become even stronger. The integrated platform and service optimization will enable continuous improvement in the overall financial technology service quality of the banking industry in Taiwan. The entry of the internet-only banks and the impact brought by the pandemic are expected to contribute to rapid growth in the development of the FinTech business in domestic banking industry.

## ( II ) Regulatory

1. In order to mitigate the impact of the COVID-19 pandemic on the domestic economy, the FSC has continued to implement relevant measures since 2020 to encourage banks to apply for relief and revitalization loans, including a NT\$200 billion relief loan from the central bank underwritten by banks and a reduction in the allowance for doubtful accounts from 1% to 0.5% to reduce the pressure on banks to make withdrawals. Taking into account the willingness and capacity of banks to assist in the relief process, the implementation of the new version of Basel III was postponed to 2023, and the application of different risk weights (LTV method) to the ratio of loan balance to loan value of collateralized real estate for "exposure secured by residential real estate" was postponed to June 2021. The implementation of 2% increase in internal management capital of systemically important banks was postponed to one year. The government guaranteed the expected credit loss (ECL) of relief loans to reduce credit risk in order to maintain financial stability and promote economic development.
2. Deferred buying in the housing market recovered rapidly due to the domestic pandemic under control, interest rates at historic lows along with capital easing policies. The housing market has been growing rapidly since the 3rd quarter. Speculation activities have occurred in certain construction projects. To eliminate undue speculation in the housing market, the government launched the inter-ministerial "Sound Real Estate Market Plan" on December 3, 2020, including the establishment of real estate market diagnostic indicators, strengthening the inspection of pre-sale housing sales and the amendment of the law governing real price registration, eliminating tax evasion through company names or split houses, controlling credit risks, and strengthening social housing and rent subsidies, which helped achieve the four major goals of preventing speculation in the housing market, preventing tax evasion, preventing the overflow of funds in the housing market, and implementing housing justice to create quality housing.
3. Moreover, in order to facilitate effective allocation and reasonable use of bank credit resources and prevent excessive flow to real estate loans, the Central Bank also resolved to adjust the "Prudential Measures for Real Estate Loans" on December 7, 2020 by adding four new regulations, including the restriction on residential loans for national corporate entities, the restriction on residential loans for domestic natural persons with more than three (inclusive) households, the restriction on loans for borrowers to purchase land in residential and commercial areas zoned by urban plans, and the restriction on loans for remaining houses, aiming to discourage speculation, prevent excessive

capital from flowing into the real estate sector, and implement housing justice, as well as to carry out continuous institutional reforms to facilitate the sound development of the housing market.

### (III) Overall Business Outlook

1. In terms of the overall business environment, unfavorable factors include the global impact of the COVID-19, which led to a global economic downturn and severe financial market fluctuations. This urged domestic and overseas central banks to reduce interest rates and adopt monetary easing to mitigate the impact market, which in turn decreased the spreads income of the banking industry. According to the Central Bank, the weighted average interest rates for domestic bank deposits and loans were 0.45% and 1.68%, respectively in 2020, with the interest rates for deposits and loans reaching record low and the spreads amounting to a 1.23 percentage points low over the past decade. In addition, the U.S.-China trade war, geopolitical tensions and the pandemic contributed to a slowdown in economic revitalization in many countries during the second half of 2020, which also increased the risk exposure of overseas credit and further exerted an impact on the profitability.
2. However, due to effective control of the pandemic in Taiwan, continuous investment has been made in the sectors of semiconductors, 5G and offshore wind power. In addition, the return of businessmen to Taiwan, as well as the booming land and construction financing and mortgage markets are conducive to the development of the banking industry in Taiwan.
3. In summary, there are a number of positive and negative factors in the overall business environment. The development of the global pandemic and trade war will remain uncertain, and low interest rate spreads will also become a long-term issue for the banking industry.

## V. Credit Rating

Rating Agency	Latest rating date	Rating results		Other rating information
		Long-term rating	Short-term rating	
Taiwan Ratings	2020.7.24	twAA	twAA	Outlook: Stable
S&P	2020.7.23	A-	A-	Outlook: Stable
Moody's	2021.3.2	Aa3	Aa3	Outlook: Positive

Chairperson



President

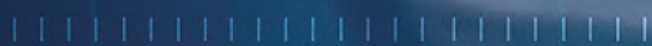


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# DATA PROTECTION



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## 018 Bank profile

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## Bank Profile

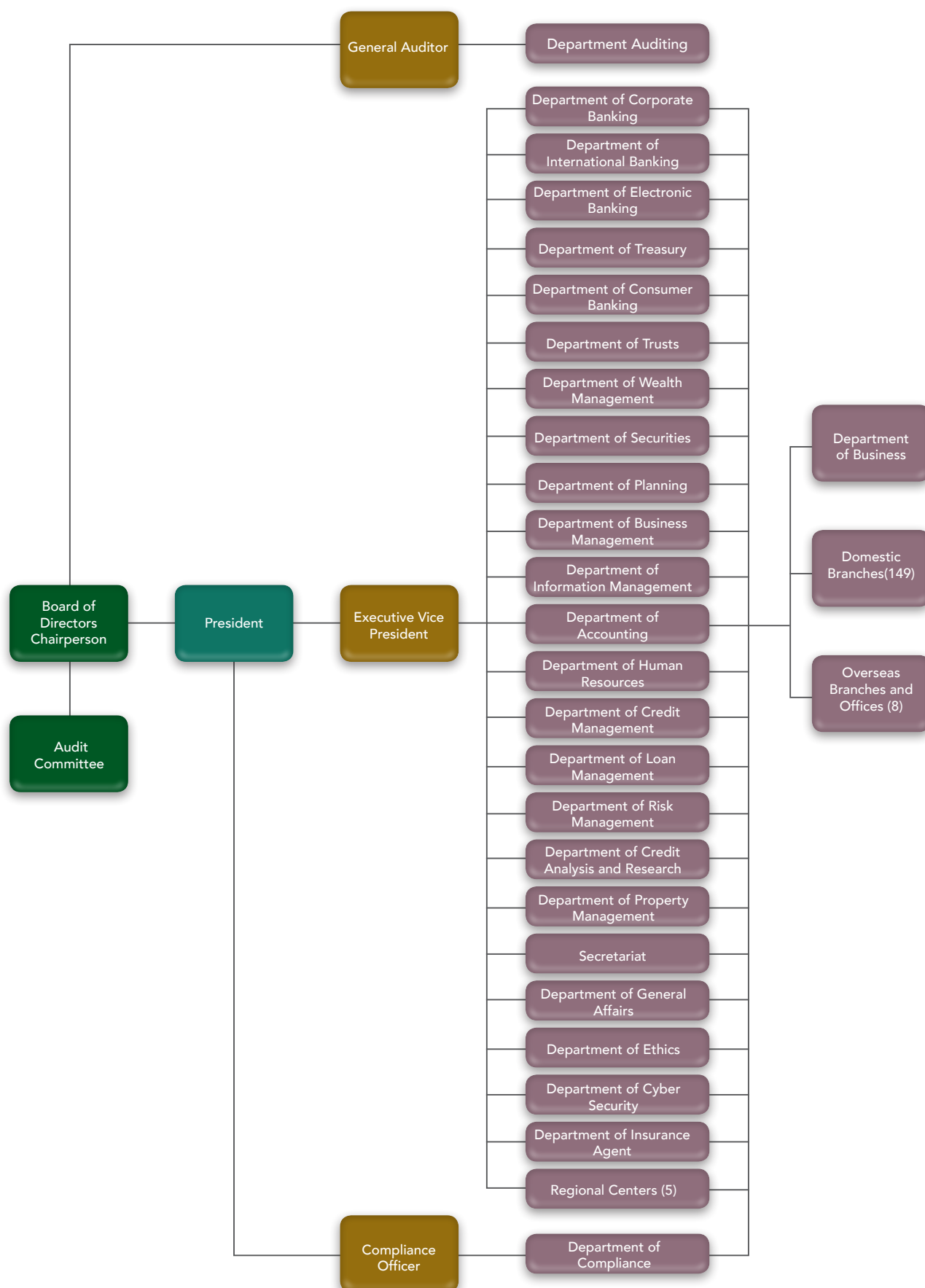
### I. History

In 1945, to facilitate implementation of land policies such as land-rights equalization and the land-to-the-tiller program in Taiwan, the government appropriated funds from the national treasury as capital to establish the “Land Bank of Taiwan” in accordance with the R.O.C. law on September 1, 1946 based on the five branches of Nippon Kangyo Bank set up in Taipei, Hsinchu, Taichung, Tainan and Kaohsiung, making The Bank the only domestic specialized bank that handled real estate. In May 1985, the Land Bank of Taiwan became qualified as a juristic person pursuant to Article 52 of the Banking Act; The Bank was later changed to a state-run organization on December 21, 1998 upon implementation of the Taiwan Province Simplification Statute; it was reorganized as “Land Bank of Taiwan Co., Ltd.” on July 1, 2003, and was further transformed into a public company on May 21, 2004. In addition, in order to expand the business scope, The Bank invested and established Land Bank Insurance Broker Co, Ltd. on October 31, 2013. In response to the government’s policy of encouraging mergers and acquisitions, Land Bank Insurance Broker Co, Ltd. was merged into The Bank on January 1, 2020.

As of the end of December 2020, The capital of The Bank amounted to NT\$73.2 billion, and the Ministry of Finance held 100% of the shares. The market share of construction loans was 17.68%; the market share of housing loans was 10.71%. The market share of real estate loans was ahead of domestic banks.



## II. Organizational Structure Chart



### III. Employees

Year		As of the end of March 2021	2020	2019
Number of Employees	Employees	5,272	5,355	5,369
	Technicians	391	399	418
	Total	5,663	5,754	5,787
Average Age (excluding technicians)		44.31	44.29	44.24
Average Service Seniority (excluding technicians)		16.73	16.56	16.58
Distribution of Education Levels	PhD	7	7	7
	Master's	1,472	1,477	1,372
	High School	3,778	3,852	3,954
	High school	338	344	372
	Below high school	68	74	82

### IV. Source of Capital

Year/ Month	Issue Price	Authorized Capital		Paid-in Capital		Note	
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Others
March 2021	NT\$ 10	7.32 billion shares	NT\$73.2 billion	7.32 billion shares	NT\$73.2 billion	Appropriation from National Treasury and Capitalization over Years	<p>I. Appropriation from National Treasury of NT\$2.5 billion</p> <p>II. Capital surplus transferred to capital of NT\$25 billion in 2009 (approved by the FSC in letter No. 0980068219 dated December 30, 2009, effective from December 30, 2009).</p> <p>III. Special surplus transferred to capital of NT\$8.1 billion in 2015 (approved by the FSC in letter No. 1040041402 dated October 12, 2015, effective from October 23, 2015).</p> <p>VI. Special surplus and retained earnings transferred to capital of NT\$ 4.494 billion in 2016 (letter No. 10501263840 from the Ministry of Economic Affairs dated November 14, 2016).</p> <p>V. Special surplus transferred to capital of NT\$ 10.606 billion in 2019 (letter No. 10801184460 from the Ministry of Economic Affairs dated December 27, 2019).</p>



# Directors and Officers

## I. Directors

March 31, 2021

Position	Name	Date Elected	Term	Legal Representative
Chairperson (Managing Director)	Hsieh, Chuan-Chuan	2021.3.16	2020.12.18	Ministry of Finance
President (Managing Director)	He, Ying-Ming	March 16, 2021 served as a Director of The Bank and was elected by the Board of Directors as an Manager Director on the same day March 24, 2021 Received approval from the FSC to serve as President	2020.12.18	Ministry of Finance
Managing Director	Chuang, Tsui-Yun	2017.12.19	2020.12.18	Ministry of Finance
Managing Director	Chang, Chin-Oh	2017.12.19	2020.12.18	Ministry of Finance
Director	Wang, Shu-Tuan	2017.12.19	2020.12.18	Ministry of Finance
Director	Li, Chien-Hsien	2020.06.23	2020.12.18	Ministry of Finance
Director	Chan, Hung-Hsi	2017.12.19	2020.12.18	Ministry of Finance
Director	Yang, Song-Ling	2017.12.19	2020.12.18	Ministry of Finance
Director	Yang, Yeh-Cheng	2019.03.21	2020.12.18	Ministry of Finance
Director	Tien, Chi-Tung	2020.08.13	2020.12.18	Labor Director
Managing Director	Lee, Tsung-Pei	2017.12.19	2020.12.18	Independent Director
Director	Lai, Ching-Chong	2017.12.19	2020.12.18	Independent Director
Director	Lai, Hung-Neng	2018.08.09	2020.12.18	Independent Director

## II. Officers

March 31, 2021

Position	Name	Date Elected
President	He, Ying-Ming	2021.03.24
Executive Vice President	Lee, Jenn-Ming	2014.03.03
Executive Vice President	Yu, Li-Ling	2019.10.28
Executive Vice President	Yang, Hsiang-Hong	2020.10.15
Executive Vice President	Chiu, Tein-Sheng	2020.10.27
EVP&Chief Compliance Officer	Liang, Mei-Yuh	2018.09.10
General Auditor	Cheng, Pei-Yu	2020.10.27

# Directors



Managing Director  
**Lee, Tsung-Pei**

President  
**He, Ying-Ming**

Chairperson of the Board  
**Hsieh, Chuan-Chuan**

Managing Director  
**Chang, Chin-Oh**

Managing Director  
**Chuang, Tsui-Yun**



# Management Team

Executive Vice  
President  
**Chiu, Tein-Sheng**

Executive Vice  
President  
**Yang, Hsiang-Hong**

Executive Vice  
President  
**Li, Jenn-Ming**



Executive Vice  
President  
**Yu, Li-Lin**

President  
**He, Ying-Ming**

Chairperson of the Board  
**Hsieh, Chuan-Chuan**

EVP&Chief  
Compliance Officer  
**Liang, Mei-Yuh**

General Auditor  
**Cheng, Pei-Yu**

# Implementation of Corporate Governance

## I. Implementation of Corporate Governance and Deviations from the Corporate Governance Best-Practice Principles for Banking Industries, and the reasons thereof

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for Banking Industries and Reasons
	Yes	No	Summary	
I.Shareholding Structure and Shareholders' Rights Within the Bank			I.	
(I) Does The Bank establish and implement internal operating procedures to deal with shareholders' suggestions, doubts, disputes, and litigation?	V		(I) Dedicated personnel in handling of stock related matters to ensure communication channel functions well.	No discrepancy
(II) Does The Bank possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?	V		(II) The Ministry of Finance is the sole shareholder of The Bank. Also, The Bank has a dedicated personal in handling stock related matters and is better informed of the identities of its major shareholders and the ultimate controller.	No discrepancy
(III) Does The Bank establish and execute a risk management mechanism and firewall system within its affiliates?	V		(III)The Bank has established the "Land Bank of Taiwan Regulations Governing Subsidiaries" and "Guidelines for Governing Directors and Supervisors of Invested Companies and Subsidiaries," and implemented supervision and management mechanisms.	No discrepancy
II.Composition and Responsibilities of the Board of Directors			II.	
(I) Does The Bank voluntarily establish other functional committees in addition to the legally-required Remuneration Committee and Audit Committee?		V	(I) In addition to the Audit Committee established on December 19, 2014, The Bank currently does not have other functional committees.	No discrepancy
(II) Does TWSE/TPEX listed banks establish standards and methods to evaluate the performance of the Board of Directors, conduct the evaluation annually and regularly, report the results of evaluations to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal?		V	(II) As The Bank is not a TWSE/TPEX listed bank., directors' remuneration is determined based on the "Management Guidelines for Public or Private Enterprises' Responsible Person, Managers, Directors and Supervisors Assigned by the Ministry of Finance (MOF)". Each director is required to conduct annual self-evaluation in accordance with the "Performance Evaluation Form for Public or Private Enterprises' Responsible Person, Managers, Directors and Supervisors Assigned by the Ministry of Finance (MOF)" (evaluation indicators include the number of board meetings attended, participation in or presentation of major issues, participation in and contribution to the institution, other specific achievements, etc.) and submit a letter to the MOF by the end of February each year.	No discrepancy



Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for Banking Industries and Reasons
	Yes	No	Summary	
(III) Does The Bank regularly evaluate the independence of the CPAs?	V		(III) The procedures for the appointment of CPAs are conducted in accordance with the provisions of the Government Procurement Act. The CPAs shall be evaluated in accordance with the "Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10" with a "Declaration of independence" issued, before submitting to the Audit Committee and the Board of Directors for discussion and reported to the National Audit Office R.O.C. (Taiwan) for approval. In addition, The Bank and the CPAs firm have contracted on termination and cancellation clauses for annual review.	No discrepancy
III. Has The Bank set up a full-time (part-time) unit or appointed designated personnel to handle governance related affairs (including but not limited to supplying information requested by the directors and supervisors, processing company registration and change of registration and preparing minutes of the board meetings and shareholders' meetings)?	V		III. The Bank's corporate governance-related activities are handled by the competent departments in accordance with their responsibilities. In addition, in order to establish a sound corporate governance system, the Board of Directors' meeting on May 24, 2019 resolved to establish the position of "Corporate Governance Officer", which is currently served by the Vice President, as The Bank's top executive in charge of corporate governance-related matters to provide assistance to the directors.	No discrepancy
IV. Does The Bank establish communication channels and a dedicated section on The Bank website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?	V		IV. The Bank has established a "Stakeholders Engagement" section on enterprises' website to provide stakeholders with a transparent and efficient communication channel. Mailboxes to senior management, for customer complaints, customer feedback and customer satisfaction survey have also been made available in the "Feedback" section. The Bank provides a dedicated grievance section internally for employees with the dedicated personnel in charge of customers, employees and related stakeholders' complaints or suggestions.	No discrepancy
V. Information Disclosure (I) Has The Bank established a website to disclose financial, business, and corporate governance-related information?	V		V. (I) The Bank has established a corporate website and disclosed significant financial and corporate governance information on a quarterly basis as required by the competent authority.	No discrepancy
(II) Has The Bank adopted other means of information disclosure (e.g. English website, assignment of specific 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 a website in English and has disclosed relevant information on the website. To implement the spokesperson system, The Bank has established the "Guidelines for Press Release and Contact", and designated press spokesperson to announce consistent major policies and business measures to the public. The Public Relations Division of the Secretariat is responsible for the collection of information and press releases. The Ministry of Finance is a single shareholder of The Bank and is not required to hold a corporate meeting.	No discrepancy

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for Banking Industries and Reasons
	Yes	No	Summary	
(III) Does The Bank publicly announce and file the annual financial reports within the deadline after the end of the fiscal year in accordance with the relevant provisions of The Banking Act and the Securities and Exchange Act, and publicly announce and file the first, second and third quarterly financial reports and the operation of each month ahead of the required	V		(III) In accordance with the relevant provisions of The Banking Act and the Securities and Exchange Act, The Bank announces and reports its annual and semi-annual financial reports within the deadline. Information on monthly sales, endorsements, guarantees, loans, and other operating information is announced on the Market Observation Post System (MOPS) before the prescribed deadline.	No discrepancy
VI. Is there any other important information to facilitate a better understanding of The Bank's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, stakeholder rights, Directors' and Supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and purchase of liability insurance for Directors and Supervisors by The Bank, donations to political parties, stakeholders and public welfare organizations, etc.)?	V		<p>VI.</p> <p>(I) To improve The Bank's corporate governance structure and enhance corporate governance effectiveness, The Bank has formulated the "Corporate Governance Best-Practice Principles for Land Bank of Taiwan" with reference to the guidelines from the Taiwan Banking Union and relevant laws and regulations, and has disclosed such information on The Bank's corporate and internal website.</p> <p>(II) Employee rights and employee care:</p> <p>1. Employee benefits:</p> <p>(1) Employee benefits: loans with preferential interest rate, on-paid holiday, subsidizing training courses, meetup, and sports and recreational activities such as table tennis, tennis, bowling, golf, badminton and chess bridge competitions, as well as staff hikes and staff talent shows.</p> <p>(2) 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> <p>2. 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 for the employees reaching retirement age in accordance with regulations to process the retirement scheme.</p> <p>3. Agreements of Labor Management</p> <p>(1) In addition to actively negotiation with the labor unions and employees, The Bank will also communicate with the employees through various meetings to resolve the problem and reach a consensus.</p> <p>(2) According to Article 83 of the Labor Standards Act and the implementation of labor-management meetings will be convened to promote a harmonious labor relations and cohesion.</p>	No discrepancy

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for Banking Industries and Reasons
	Yes	No	Summary	
			<p>4.Measures for Safeguarding Employee Rights:</p> <p>(1) To clearly regulate the rights and obligations of both parties, The Bank has established "Guidelines for the Land Bank of Taiwan" in accordance with Article 70 of the Labor Standards Act to ensure compliance from both the employer and the employees.</p> <p>(2) On November 18, 2019, The Bank completed the signing of the revised "Collective Agreement Between Land Bank of Taiwan and Land Bank of Taiwan Union" with the corporate labor union, which helped stabilize labor relations. It also achieved the protection of labor rights and interests and promoted harmonious relations through adequate communication, coordination and cooperation, as well as adherence to the principles of honesty and trust.</p> <p>(3) "Employee's Care": Each unit shall undertake and assign personnel every year to actively mentor new recruits and guide transferred colleagues to familiarize with the environment and daily routines, and provide assistance or adjustment where needed, in order to work towards the best of their abilities and continue their career development with The Bank.</p> <p>(III) Investor relations and stakeholders' Interests:</p> <p>1.The Ministry of Finance is the sole shareholder of The Bank, and The Bank has a dedicated staff to handle stock-related matters.</p> <p>2. The main academic background and other information on The Bank's directors are disclosed in the Annual Report for stakeholder reference.</p> <p>3. Implement the "Civil Servant Codes of Ethical Conduct" registration procedures and construct the "Codes of Ethical Conduct Incident Registration System" on the internal website with good implementation realized.</p> <p>(IV) Directors' continuing education in 2020:</p> <p>1. On August 21, 2020 and November 27, 2010, The Bank held two courses of the Advanced Seminar for Directors and Supervisors (including Independent) - 1. "Changes and Challenges of Economic Trends under the Global Pandemic" 2. "Discussion on Money Laundering and Terrorism Financing Prevention" for a total of 6 hours.</p> <p>2. On March 18, 2020, Hsieh, Chuan-Chuan, the President, attended the course of "Directors and Supervisors Re-election and Shareholding Planning in the Controversy for Management Rights" under seminar series of "2020 How to Hold a Good Shareholders' Meeting" organized by the Corporate Organization Association for a total of 3 hours.</p>	No discrepancy

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for Banking Industries and Reasons
	Yes	No	Summary	
			<p>3. On March 12, 2020 and April 16, 2020, Chan, Hung-Hsi, a director, attended the courses of "How to Understand the Practical Operation of the Board and Case Studies" and "Practical Operation of Related Party Transactions, Control Mechanism and Case Studies" organized by the Independent Director Association Taiwan for a total of 6 hours; on March 17, 2020 and March 19, 2020, Chan, Hung-Hsi attended the courses of "New Mindset on Group Tax Governance from the Perspective of Digital Tax and the Future Trend of International Leasing Tax" and "Latest Development Trend of Sustainability (including Corporate Social Responsibility (CSR) Reporting) and related Corporate Governance Practices" for directors and supervisors organized by the Chinese National Association of Industry and Commerce, Taiwan for a total of 6 hours. On October 26, 2020, Chan, Hung-Hsi attended the course on "Practical Training on Bank Derivatives from the Perspective of Corporate Governance" organized by the Taiwan Academy of Banking and Finance for a total of 3 hours.</p> <p>4. On July 15, 2020, Lai, Hung-Neng, an independent director, attended the "Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Practices - Related Regulations and Practical Operation of Audit Committee" held by the Securities and Futures Institute for a total of 3 hours. On August 4, 2020, Lai, Hung-Neng attended the "Practical Course on Auditing Techniques" held by the The Institute of Internal Auditors-Chinese Taiwan for a total of 6 hours.</p> <p>5. On October 23, 2020, Lai, Ching-Chong, an independent director, participated in the course "How to Strengthen the Management Rights of a Company through Effective Improvement of Corporate Governance" under the seminar series of "Corporate Governance - Analysis of Disputes over Management Rights" organized by the Corporate Organization Association for a total of 3 hours.</p> <p>6. On October 27, 2020, Li, Chien-Hsien, a director, attended the course of "Disputes over Management Rights and Corporate Law Amendments" under the seminar series of "Corporate Governance - Analysis of Disputes over Management Rights" organized by the Corporate Organization Association for a total of 3 hours. On November 3, 2020, Li, Chien-Hsien attended the "2020 Corporate Governance Lecture Series" held by the Ministry of Finance for a total of 3 hours; on November 12, 2020, Li, Chien-Hsien attended the "Corporate Governance Lecture Series - FinTech" held by the Taiwan Academy of Banking and Finance for a total 3 hours.</p>	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for Banking Industries and Reasons
	Yes	No	Summary	
			<p>7. On November 26, 2020, Tien, Chi-Tung, a director, attended the "Corporate Governance Lecture Series" the Taiwan Academy of Banking and Finance for a total 3 hours. On December 21, 2020, Tien, Chi-Tung attended the "Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Practices" ~ "Discussion on Money Laundering and Terrorism Financing Prevention" course held by the Securities and Futures Institute for a total of 3 hours.</p> <p>(V) Implementation of risk management policies and risk evaluation standards:</p> <p>The Risk Management Committee convened seven meetings in 2020, and reviewed The Bank's risk management report and related resolutions. The Risk Management Department continued to conduct the measurement, monitor and report of The Bank's credit risk, market risk, operational risk and etc. as well as to stipulate and amend the risk management regulations:</p> <ol style="list-style-type: none"> <li>1. The amended "Land Bank of Taiwan Risk Management Policies and Procedures" was issued according to the Letter dated on April 20, 2020.</li> <li>2. The amended "Land Bank of Taiwan Market Risk Ceiling Control Guidelines" was issued according to the Letter dated on June 17, 2020.</li> <li>3. The amended "Land Bank of Taiwan Summary of the Key Risk Indicators" was issued according to the Letter dated on July 23, 2020.</li> <li>4. The amended "List of Significant Operational Risks Detection" as an attachment to the "Land Bank of Taiwan Key Operational Business Risk Assessment Guidelines" was issued according to the Letter dated on October 14, 2020.</li> </ol> <p>(VI) Implementation of customer relations policies:</p> <ol style="list-style-type: none"> <li>1. 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 2020, with important motions reported to the Standing Board of Directors to implement the principle of fair customer service and enhance the protection of financial consumers.</li> <li>2. In 2020, a total of 5,566 employees were trained in a three-hour training course on "Theory and Practice of Fair Customer Service Principle".</li> <li>3. The Bank's corporate website is available for viewing at any time.</li> </ol>	



Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for Banking Industries and Reasons
	Yes	No	Summary	
			<p>4. 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 mortgage, debit cards and credit cards. Intelligent customer service can be accessed through The Bank's official website, Facebook Messenger, LINE, Personal Internet Banking and Mobile Banking App of 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 businesses and needs.</p> <p>5. The Bank's Fee and Charges List is published in branches and The Bank's corporate website to safeguard consumer rights.</p> <p>6. A "Fraud Prevention Message" has been set up on The Bank's corporate website/under the loan business to remind customers to be vigilant and prevent fraud.</p> <p>7. To assist visually impaired customers, The Bank has adopted the "Notarization Processed According to the Notarization Law" or to designate "spouse or blood relatives or general relatives and friends or social welfare agencies" as a witness for the related process in order to provide a convenient application process and ensure their rights are protected.</p> <p>8. In order to protect consumer rights and benefits and to comply with Article 47-1 of the Banking Act, the interest rate of credit card revolving interest rate shall not exceed 15% and shall be specified in the "International Credit Card Terms and Conditions". The business units shall pass the information to the credit card applicants for review.</p> <p>9. In order to implement the personal data protection policy, The Bank's specific actions in 2020 are as follows:</p> <p>(1) KPMG was appointed to conduct the 2019 audit on personal information. On February 27, 2020, KPMG completed the confirmation report, and reported to the FSC for record on April 24, 2020.</p> <p>(2) The amended "Precautions for Personal Data Protection Operations" and "List of Items to be Handled by Each Unit of the FSC's Designated Non-Public Sector Personal Information File Security Maintenance Method" of The Bank was issued according to the Letter.</p> <p>(3) The Bank conducted personal information protection education and training. In 2020, a total of 20.5 hours of training courses were arranged for a total of 3,734 trainees.</p>	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for Banking Industries and Reasons
	Yes	No	Summary	
			<p>(4) The Personal Information Protection Promotion Committee convenes a meeting once a year on a regular basis. In 2020, the meeting was held on November 26, 2020 and was recorded in the minutes.</p> <p>(5) The Bank is required to conduct a review and analysis of the causes of personal information infringement cases received by each business unit of the head office and to improve the situation. The Bank did not receive any notifications of personal information breach in 2020.</p> <p>(6) Each relevant business unit of the head office is required to rehearse and review the e-commerce service system for improvement. In 2020, a total of 11 units conducted the rehearsal.</p> <p>(7) Each relevant business unit of the head office is required to conduct an annual review of the BIF and the inventory of personal information files. In 2020, the review was completed on October 30, 2020.</p> <p>(VII) Purchase of liability insurance by The Bank for directors and supervisors: The Bank is 100% government-owned and is not listed on the stock exchange or listed on the TWSE. With practicality in mind, The Bank does not purchase any liability insurance at present time (Bank of Taiwan currently also does not have liability insurance).</p> <p>(VIII) Donations to political parties, stakeholders and charitable organizations: There are no donations to political parties or stakeholders. With the philosophy of caring for the society and fulfilling social responsibility as our core value, The Bank participates in charitable activities to enhance corporate image and dedicates to be recognized by the public. Please refer to II. Corporate Social Responsibility on page ____.</p>	
<p>VII. Based on the most recent Corporate Governance Evaluation Results released by the Taiwan Stock Exchange Corporate Governance Center, please provide a description of the areas improved and measures to be taken: The Bank is not required to take action for not being included in the list.</p>				

## II. Corporate Social Responsibility

Evaluation Item	Implementation Status		
	Yes	No	Summary
I. Does The Bank assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	V		<p>I.</p> <p>(I) Environmental issues: In line with the government's policy of energy conservation and carbon reduction, The Bank has formulated the "Environmental Protection Policy of Land Bank of Taiwan" to fulfill the responsibility of protecting the global environment. In addition to continuously promoting the "four savings" measures of electricity, water, oil and paper conservation, The Bank is also actively moving towards electronic processing of loan and credit card applications, credit card billing and invoicing.</p> <p>(II) Social issues: In order to promote harmonious labor relations, The Bank has established a corporate labor union in accordance with the Labor Union Law and holds regular labor-management meetings with corporate labor unions and has signed group agreements. Based on the concept of taking from the community and giving back to the community, The Bank actively participates in charity and community care activities to fulfill our social responsibility and enhance The Bank's image.</p> <p>(III) Corporate governance issues: In order to strengthen support for directors, The Bank appointed a corporate governance officer in 2019 and set up a stakeholder area on The Bank's corporate website to provide a transparent and effective communication channel and respect the rights and interests of stakeholders.</p>
II. Does The Bank establish an exclusively (or concurrently) dedicated unit to implement corporate social responsibility and have management appointed by the Board of Directors to be in charge of corporate social responsibility and to report the implementation status to the Board of Directors?	V		<p>II. In order to implement the goal of sustainable development and corporate social responsibility and to actively promote ESG-related issues, the Board meeting held on April 23, 2021 approved the "Guidelines for the Establishment of the Sustainable Development Committee of Land Bank of Taiwan". The Sustainable Development Committee is chaired by the Chairman of the Board and consists of six executive groups, including sustainable finance, customer rights, employee care, corporate governance, environmental sustainability, and social participation. According to respective duty, each executive team sets short-, medium- and long-term goals and implementation plans for ESG-related issues and submits such issues to the Sustainable Development Committee for consideration. The team is also responsible for preparation of an annual CSR report, and reports the results of CSR implementation to the Board of Directors.</p>
III. Environmental issues (I) Has The Bank established proper environmental management systems based on the characteristics of the industries?	V		<p>III.</p> <p>(I) The Bank has established the "Environmental Protection Policy of Land Bank of Taiwan" based on the characteristics of the industry, which specifies the management of energy, greenhouse gas, resource and waste, green procurement and environmental education training.</p>
(II) Is The Bank committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	V		<p>(II)</p> <ol style="list-style-type: none"> <li>1. Adopt double-sided printing to save paper waste and purchase recycled paper for use.</li> <li>2. Implement waste reduction, waste sorting and implement recycling.</li> <li>3. Strengthen green procurement. Procure environmental protection products with energy-saving badge water and effluent badge and green buildings.</li> <li>4. In response to the government's promotion of electronic invoicing, The Bank's credit cards and Debit cards can be used as electronic invoicing carriers. Mobile banking also provides mobile barcode service for customers to apply for cloud invoicing.</li> <li>5. The "Digitalization System for Insurance Agent Documents" is built to provide document scanning, barcode identification, image uploading and filing, image retrieval, regular backup, etc. so as to replace paper copies with an e-business environment.</li> </ol>

Evaluation Item	Implementation Status		
	Yes	No	Summary
(III) Does The Bank evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?	V		<p>(III)</p> <p>1. In response to the potential risks associated with climate change, the relevant management measures are as follows:</p> <p>(1) The Bank pays close attention to the issue of climate change and has established the "Disaster Emergency Response Manual" and the "Responding Procedures for Preventing Typhoon Disaster Losses". Whenever a strong typhoon or heavy rainfall warning is issued, all units are required to take protective measures to ensure uninterrupted operations.</p> <p>(2) In order to reduce credit risk arising from climate change, The Bank incorporates the spirit of the "Equator Principles" into its credit review and encourages companies to strengthen the implementation of environmental protection and social responsibility.</p> <p>2. To address the opportunities brought by climate change, the relevant actions are as follows:</p> <p>(1) To cooperate with the government in developing the green energy technology industry and to be in line with the international trend of providing enterprises with the necessary capital to develop green energy through investment and financing.</p> <p>(2) To establish innovative mindset in digital finance, strengthen digital professional functions, strive to create quality digital financial services for customers, and create a green home for environmental protection and carbon reduction.</p>
(IV) Does The Bank inspect its greenhouse gas (GHG) emissions, water consumption and total weight of wastes in the past two years? Does The Bank formulate policies on energy conservation and carbon reduction, GHG reduction, water reduction or waste management?	V		<p>(IV)</p> <p>1. The old air-conditioning is converted to temperature-controlled air-conditioning and the light bulbs are replaced with the LED lighting according to the schedule.</p> <p>2. Encourage carpool on the deployment of company car, and the use of public transportation system on business trips.</p> <p>3. The Bank has set up the objective that the annual utility costs, fuel costs and paper usage is reduced by 2% (no increase) annually.</p> <p>4. Continuously promote the annual replacement of 10% of electricity-consuming appliances with energy-saving equipment.</p>
IV. Social issues			IV.
(I) Does The Bank formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		<p>(I)</p> <p>1. According to the nature of the banking industry and provision of Article 70 of the Labor Standards Act, The Bank has established the operational guidelines for both The Bank and the employees to follow.</p> <p>2. According to Article 83 of the Labor Standards Act and the Implementation Measures of Labor-Management meetings, the employer shall proactively conduct the labor-management meeting to promote harmonious labor relations and enhance employees' cohesion.</p>
(II) Does The Bank establish and implement reasonable employee benefit measures (including remuneration, leave and other benefits, etc.), and appropriately reflect the business performances or achievements in the employee remuneration?	V		<p>(II)</p> <p>1. Employee welfare measures include preferential interest rate loans, sports, recreational activities, domestic vacation subsidies, further study, etc. In addition, the Employee Welfare Committee applies group insurance, three festival benefits, education subsidies for employees' children, and hospitalization subsidies for employees' injuries and illnesses.</p> <p>2. The Bank is a public bank 100% owned by the Ministry of Finance. The employee benefits are conducted according to the "Guidelines of Personnel Remuneration of the Ministry of Finance" issued by the Ministry of Finance. To combine bonus system with the unit operating performance and the extent to which the deviation of each employee's contribution, the implementation status are as follows:</p>

Evaluation Item	Implementation Status		
	Yes	No	Summary
(III) Does The Bank provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		<p>(1) "Guidelines for The Bank's issuance of the operating performance bonus" states that the two-month performance bonus includes the annual review bonus and work-related performance bonus capped at maximum of one month. The work-related bonus is to motivate employees and it is based on the employee's execution of the business plan, the implementation of various business policies, the achievement of the annual business targets, any positive or disciplinary acts and the attendance rate and to reward up to one month bonus.</p> <p>(2) The Bank's "Guidelines Regarding the Issuance of Performance Bonus - Special Bonus" combines the unit's operating performance, employee's annual evaluation results and achievement of annual target. An appropriate amount equivalent to 20% of the performance bonus approved by the Ministry of Finance as special bonus (including 15% business unit bonus and 5% incentive bonus) and distribute the bonus accordingly based on the performance result of each business unit and the level of contribution made by each individual employee.</p> <p>(III)</p> <ol style="list-style-type: none"> <li>1. In order to effectively prevent occupational hazards and protect the safety and health of our employees, The Bank has established the "Automatic Occupational Safety and Health Inspection Plan", "Occupational Safety and Health Code of Practice", "Abnormal Workload Disease Prevention Plan", "Unlawful Assault Prevention Plan" and "Human Factors Hazard Prevention Plan" in accordance with the regulations, and implemented them throughout The Bank to prevent the occurrence of occupational hazards and disasters.</li> <li>2. Each unit of The Bank commissions an operating environment monitoring organization approved by the Ministry of Labor to test the carbon dioxide concentration in the office every 6 months to prevent employees from being exposed to hazards and to provide a healthy working environment; each unit is equipped with a medical kit for first aid and emergency disposal in the workplace; an occupational safety and health committee convened meetings every 3 months to review, coordinate and recommend safety and health related matters.</li> <li>3. To increase employees' awareness of occupational safety and health, The Bank regularly implements safety and health education and training and health consultation, including safety and health education and training for new employees and in-service employees, and the establishment of occupational safety and health supervisors and first-aid personnel in each business unit who are qualified through safety and health education and training, as well as regular retraining in accordance with regulations. Occupational medicine specialists are appointed to provide clinical services and regular health consultation. The nursing staff provides monthly health promotion materials to promote staff health awareness.</li> </ol>
(IV) Has The Bank established effective career development training plans?	V		<p>(IV) In response to the digital finance era, The Bank continues to optimize virtual online banking and mobile banking services. The physical branch will be gradually transformed into consultation, sales and marketing driven services. There will also be a planned job rotation (transformation) training and the second financial expertise training for the employees, details of which are as follows:</p> <ol style="list-style-type: none"> <li>1. Perform staff function analysis and manpower inventory; plan manpower requirements and establish a talent database of The Bank based on the manpower gap after the manpower inventory check.</li> <li>2. Training on senior, middle management, digital talents, financial talents and general employees are conducted in accordance with the functional and professional knowledge required for the employees.</li> <li>3. Confirm the workload and the increase of each unit based on project objectives with an in-depth understanding of employees' competency on financial business, marketing and virtual integration of the business, and adjust workforce number and job content accordingly.</li> </ol>



Evaluation Item	Implementation Status		
	Yes	No	Summary
(V) Does The Bank comply with relevant regulations and international standards regarding customer health and safety, right to privacy, marketing and labeling of its products and services and set up relevant consumer protection policies and complaint procedures?	V		<p>4.Strengthen employees' professional capabilities and develop financial expertise, adapt a lean operation after the transformation and provide suitable job roles based on employee's expertise. With flexible human resource management, assisting employees to be actively engage in customer service on wealth management, financial business marketing, financial operations, and virtual integration.</p> <p>5.Evaluate the human resource gap arising from the annual retirement number and the professional talent required by the digital finance business, and recruit externally.</p> <p>(V) In order to protect the rights and interests of financial consumers and to implement the universal value of treating customers fairly, The Bank has established the "Financial Consumer Protection Policy" and "Principles of Fair Customer Service" in accordance with the regulations of the competent authorities, and has integrated the Financial Consumer Protection Act and its related regulations into The Bank's internal rules and regulations and banking business. In order to protect the rights and interests of customers and to handle disputes between The Bank and customers in a fair, reasonable and effective manner, The Bank has established the "Financial Consumer Dispute Handling System" to improve the procedures for handling customer complaints.</p>
(VI)Does The Bank formulate supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights? How is the implementation?	V		<p>(VI)As a government-owned bank, we will continue to cooperate with the government to promote openness, transparency on procurement and exert the government procurement act to prevent fraud, and improve procurement efficiency and establish a procurement environment with openness and transparency. Relevant procurement contracts and specifications are handled in accordance with the Government Procurement Law.</p>
V. Does The Bank refer to internationally-used standards or guidelines for the preparation of reports such as CSR reports to disclose non-financial information? Are the reports certified or assured by a third-party accreditation body?	V		<p>V. The Bank's CSR reports for the years 2016 and 2018 were prepared in accordance with the core options of the GRI guidelines issued by the Global Reporting Initiative, which disclosed the non-financial information about banks. The foregoing reports were certified by SGS Taiwan Ltd. as AA1000 Type I medium assurance level.</p>

VI.If The Bank has established corporate social responsibility principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, please describe the implementation and any deviations from the Principles: No deviation. The Bank is not a TWSE/TPEX listed company and does not have a corporate social responsibility code.

VII.Other important information to facilitate a better understanding of corporate social responsibility practices:

The Bank's charitable activities in 2020 are listed as follows:

- 1."Chinese New Year Dance": On January 14, 2020, the "Golden Rat Celebration of the Year of Wealth" event was held, in which famous calligraphers were invited to write Chinese New Year couplets and present them to the public on site.
- 2."Art Corridor in front of The Bank": With "Caring for Taiwan and Cherishing the Land" as the main theme, The Bank invited artists from all over the country to hold regular public exhibitions in the "Art Corridor in front of The Bank" at the Head Office since 2005. In 2020, a total 8 artists specialized in color ink, painting, watercolor and Gongbi were invited to participate in the exhibition.
- 3."Youth Summer Camps for Badminton and Tennis": In response to the government's efforts to promote sports for all, we continue to hold youth camps for badminton and tennis during every summer vacation.
- 4."Guardian of Happiness" campaign: The Bank cooperated with BNP Paribas Cardif TCB Life to donate NT\$300 to the Taiwan Association of Family Caregivers for every mortgage life insurance policy sold. In 2020, a total of NT\$744,900 was donated.
- 5."Public Welfare Trust Donation" Ceremony: The Bank continued to cooperate with county (city) governments to promote the "Social Welfare Trust for Public Welfare" and invited the head of the National Housing Section of the Department of Construction of the Ministry of the Interior to give a speech on the "Social Housing Chartering and Management Program" 333 project to consider the linkage with social housing policies to extend the service aspects.
- 6.In line with the government's policy of revitalizing triple coupons, we started the business relating to triple coupons to achieve the purpose of revitalizing merchants' income and revitalizing the economy.
- 7."2020 Financial Services Charity Carnival": In October and November of 2020, we participated in the Taiwan Financial Services Federation's Charity Carnival to demonstrate our care for the promotion of financial education and charity.
- 8."Mid-Autumn Pomelo" public welfare activity: On the eve of the Mid-Autumn Festival, we ordered 970 TKG of premium pomelo to give to several social welfare organizations, including the Mustard Seed Mission, to deliver The Bank's care and warmth.
- 9."Support Banana Farmers by Land Bank of Taiwan" public welfare activities: The Bank purchased a total of 3.7 tons of bananas to promote banana consumption, support banana farmers, and encouraged branches to donate bananas to underprivileged groups and social service organizations in their respective districts to enhance The Bank's public welfare image.
- 10.Title sponsor of the "2020 Land Bank of Taiwan National Soccer City Match" organized by the Chinese Taipei Football Association.
- 11.In response to the joint charity event: The Bank and our employees have been actively participating in the event since 1994. Donations are made in the form of free-will donations. Through active participation of our colleagues, the love of the people of Land Bank of Taiwan can continue to be passed on.
- 12.Sponsor scholarship: The scholarship was offered to 17 schools in 2020, with a total of NT\$1,075,000.
- 13.Organize localized caring series of public welfare activities: distributing pomelo, bananas, oranges, mangoes, rice and other materials and resources to public welfare organizations such as Genesis Foundation, nursing homes, nursery schools, Special Needs Center, long-term care centers for the elderly, family support centers, etc. In addition, The Bank participated in blood donation and community welfare activities to pass on the care and warmth of Land Bank of Taiwan to the community.

### III. Fulfillment of ethical corporate management

Type	Yes	No	Implementation Status
I. Establishment of integrity policies and solutions			I.
(I) Has The Bank established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies?	V		( I ) The Bank has established a code of ethical conduct for directors and managers approved by the Board of Directors to guide directors and managers to conduct themselves in an ethical manner and to operate with integrity.
(II) Does The Bank establish a risk assessment mechanism against unethical conduct, analyze and assess on regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include those specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX listed company Listed Companies"?	V		( II ) The Bank is not a TWSE/TPEX listed company and is a public bank owned 100% by the Ministry of Finance, and is subject to the relevant regulations of the competent authorities. 1. The Bank's employees shall follow the "Civil Servant Code of Conduct" issued by the Executive Yuan, the "Guidelines for Lobbying Registration and Investigation of the Executive Yuan and its agencies", the "Guidelines for Lobbying Registration and Investigation of the Ministry of Finance and its Organizations" to report if such cases occur. 2. The Bank has established "Codes of Ethical Conduct Registration System" on the corporate intranet and has arranged relevant education training courses for existing employees and new recruits.
(III) Has The Bank provided any solutions to prevent the unethical conducts, stipulate the definite procedures, conduct guidelines, punishment for violation as well as appeals system and put into practice, and review and revise on a regular basis the aforesaid solutions?	V		( III ) As above
II. Integrity actions			II.
(I) Does The Bank evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		(I) 1. The Bank's financial consumer protection policy clearly specifies that The Bank provides financial consumer its commodity, and shall establish contracts in accordance with the good faith principles of fairness and equality and integrity, and to fulfill the obligation as a management. 2. When having transactions with customers or other counterparties, The Bank shall first assess its legitimacy and conduct commercial activities in a fair and transparent manner.
(II) Has The Bank set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?	V		(II) The Bank's Department of Ethics is responsible for handling conflict of interests of civil servants and ethical issues related to ethical conduct incident. The Bank's annual ethical management-related performance was included in The Bank's 2019 Corporate Social Performance Report, which was submitted by The Bank's Department of Planning to the Standing Board of Directors on April 24, 2020.
(III) Does The Bank have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	V		(III) The Bank is a government-owned bank and the employees shall comply with the provision of the "Act on Recusal of Civil Servants Due to Conflict of Interests" and conduct recusal actions when conflict of interest occur. Relevant units shall also provide suggestions on dispositions.

Type	Yes	No	Implementation Status
(IV) Has The Bank established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?	V		<p>(IV)</p> <ol style="list-style-type: none"> <li>1. The Bank has established an effective internal control system in accordance to the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" issued by the FSC and relevant regulation and implementation methods will then be formulated by each business units.</li> <li>2. The Bank has established the "Land Bank of Taiwan Accounting System" in accordance with the Accounting Act, Business Entity Accounting Act, International Financial Reporting Standards, Accounting System (Template" for Banking Industries and relevant regulations of the competent authority. It was approved by the Board of Directors and submitted to the Ministry of Finance then to be transferred to the Directorate-General of Budget, Accounting and Statistics, Executive Yuan (Taiwan) for approval before the announcement. It is also published on the corporate intranet as the standard for accounting affairs.</li> <li>3. In accordance with Paragraph 1, Article 28 of the "Implementation Rules for Internal and Internal control Systems of Financial Holding Companies and the Banking Sector", the entrust CPAs shall conduct annual audit of the internal control system, and to provide an opinion on the appropriateness of the internal control system. The CPA shall also provide an opinion on the appropriateness of the environmental control environment and the risk of major operating activities. The report shall be submitted to the competent authority on the accuracy of the information and internal control system and the implementation of the internal control system and the compliance, and the appropriateness of the allowance for bad debt policy, and to issue an inspection report.</li> <li>4. The general business audit reports, project inspection reports, major contingencies on incidents, or auditing reports of the competent authority, conducted by each business units are reported to the Chairman and the Audit Committee. An electronic version will be sent to the Independent Directors. The opinions issued by an external auditor, the non-conformities identified in an audit, and the corrective action should be reported to the Board of Directors and the Audit Committee.</li> <li>5. The internal audit unit reports and submit the "Audit Report" to the Board and the Audit Committee every six months. The Internal Audit Unit shall report the implementation of the internal audit operations, and the improvement of non-conformities found in an internal and external audit. The instructions given by the Directors on the Audit Report are tracked and controlled by the internal audit unit until the corrective action are completed.</li> <li>6. The Directors of the Bank hold regular meetings with the internal audit on the non-conformities of internal control systems. The Directors also provide guidance on the implementation of internal control and audit systems.</li> <li>7. The Bank's "Annual Internal Audit Review Plan" shall be submitted first to the Audit Committee for review before reporting to the Board of Director for approval and implementation.</li> <li>8. The Bank inspected whether the internal auditors had violated the matters stated in Article 13 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Sector", if any violation is committed, the offender will be reassigned to a new job position within one month from the date of discovery.</li> </ol>



Type	Yes	No	Implementation Status
(V) Does The Bank organize internal or external training on a regular basis to maintain business integrity?	V		(V) In 2020, eight Internal training course was held with participation of 483 people.
III. Whistleblowing system (I) Does The Bank provide incentives and means for employees to report misconducts? Does The Bank assign dedicated personnel to investigate the reported misconducts?	V		III. (I) 1. The Bank has established a reporting hotline: (02)2371-4572, according to the "Act of the Establishment and Management of the Government Employee Ethics Units and Officers" and the "Enforcement Rules." Mail Box: Taipei PO Box 1541 and E-mail: lbged@landbank.com.tw, etc. and a dedicated personnel would be responsible to handle reported cases. 2. The Bank has established the "Implementation Guidelines for Internal Reporting System", with a dedicated whistleblowing reporting channel such as mail box, email and hotline. The internal reported cases is handled by the Compliance Department of The Bank.
(II) Does The Bank establish the standard operating procedures for investigating reported misconduct, follow-up measures to be taken after the investigation, and related confidentiality mechanisms?	V		(II) 1. According to the "Act of the Establishment and Management of the Government Employee Ethics Units and Officers" formulated by the Ministry of Justice, the reporting and investigation of the reported cases. In addition, comply with the provisions concerning the confidentiality of relevant information on reported cases pursuant to Article 10 of "The Anti-Corruption Informant Rewards and Protection Regulation" enacted and published by the Executive Yuan. 2. The Bank has established the "Implementation Guidelines for Internal Reporting System" for the receipt and investigation of internal whistleblowing cases. The guidelines set out standard operating procedures, and also stipulate the confidentiality rules regarding the identity of the whistleblower and the information of the whistleblower case.
(III) Has The Bank provided proper whistleblower protection?	V		(III) 1. Comply with the provisions concerning the safety of informants pursuant to Article 12 of "The Anti-Corruption Informant Rewards and Protection Regulation." 2. The Bank's "Implementation Guidelines for Internal Reporting System" stipulates that the whistle-blower shall not be dismissed, made redundant, demotion, or salary reduction due to the case being reported, and shall be liable for any rights or other disadvantages in accordance with the law, contracts or customs.
IV. Enhanced information disclosure Has the Bank disclosed the content and the corporate ethical management best practice principles and effectiveness of implementation on the corporate website and the Market Observation Post System (MOPS)?	V		IV. The Bank's information related to ethical corporate management is disclosed in the "Corporate Governance Section" on The Bank's corporate website.

A decorative graphic on the right side of the page features a series of concentric circles in shades of purple and yellow. A horizontal bar, composed of a yellow segment on the left and a purple segment on the right, crosses the circles. The background is a light cream color.

## 042 Overview of Operations

042 Major Business

048 Market Analysis



# Overview of Operations

## I. Major Business

### (I) Deposit

Unit: NT\$ in thousands; %

Type	2020.12.31		2019.12.31		Increased (Decreased)	Increased (Decreased) Percentage (%)
	Amount	Percentage %	Amount	Percentage %		
Time Deposits	1,532,875,372	59.33	1,603,024,069	62.19	-70,148,697	-4.38
Demand Deposits	894,426,046	34.62	819,159,693	31.78	75,266,353	9.19
Public Treasury Deposits	156,496,327	6.05	155,314,940	6.03	1,181,387	0.76
Total	2,583,797,745	100.00	2,577,498,702	100.00	6,299,043	0.24

### (II) Loan

Unit: NT\$ in thousands; %

Type	2020.12.31		2019.12.31		Increased (Decreased)	Increased (Decreased) Percentage (%)
	Amount	Percentage %	Amount	Percentage %		
Bills discounted	439,423	0.02	529,056	0.03	-89,633	-16.94
Short-term loan and overdrafts	143,605,753	6.97	155,556,588	7.81	-11,950,835	-7.68
Medium-term loan	743,918,433	36.09	688,361,595	34.56	55,556,838	8.07
Long term loan	1,173,376,593	56.92	1,147,004,273	57.60	26,372,320	2.30
Total	2,061,340,202	100.00	1,991,451,512	100.00	69,888,690	3.51

### (III) Foreign Exchange

Unit: US\$ in thousands; %

Type	2020.12.31		2019.12.31		Increased (Decreased)	Increased (Decreased) Percentage (%)
	Amount	Percentage %	Amount	Percentage %		
Export	11,590,750	11.88	10,296,186	11.74	1,294,564	12.57
Import	14,905,566	15.28	9,372,729	10.69	5,532,837	59.03
Remittances	71,061,058	72.84	68,026,708	77.57	3,034,350	4.46
Total	97,557,374	100.00	87,695,623	100.00	9,861,751	11.25



## (IV) Trust Business

### 1. Trust Business Amount

Unit: NT\$ in thousands; %

Type	2020	2019	Increased (Decreased)	Increased (Decreased) Percentage (%)
Entrusted Investment Securities	57,267,645	56,538,225	729,420	1.29
Real Estate Trust Investment	209,347,953	184,175,917	25,172,036	13.67
Securitization Business	59,423,358	61,987,209	-2,563,851	-4.14
General property trust Business	4,728,278	4,235,194	493,084	11.64
Fund custody Business	95,498,042	85,007,286	10,490,756	12.34
Subsidiary Business	102,753,087	272,795,885	-170,042,798	-62.33
Total	529,018,363	664,739,716	-135,721,353	-20.42

### 2. Service Fee Income of Trust Business

Unit: NT\$ in thousands; %

Type	2020		2019		Rate of Change (%)
	Amount	Percentage of the Total Service Fee Income in The Bank (%)	Amount	Percentage of the Total Service Fee Income in The Bank (%)	
Entrusted Investment Securities	286,246	7.75	222,135	5.86	28.86
Real Estate Trust Investment	210,701	5.70	223,425	5.90	-5.69
Securitization Business	33,258	0.90	31,886	0.84	4.30
General property trust Business	10,237	0.28	9,616	0.25	6.46
Fund custody Business	64,563	1.75	63,951	1.69	0.96
Subsidiary Business	12,651	0.34	11,777	0.31	7.42
Total	617,656	16.72	562,790	14.85	9.75

Note: The total service fee income in The Bank includes securities brokerage and underwriting income, which is NT\$3,695,214,000 for the end of year 2020 and NT\$3,790,054,000 for the end of 2019.

(V) Wealth Management Business

Unit: NT\$ in thousands; %

Type	2020		2019		Rate of Change (%)
	Amount	Percentage of the Total Service Fee Income in The Bank (%)	Amount	Percentage of the Total Service Fee Income in The Bank (%)	
Income of Accepting Orders to Invest Securities Fee	286,246	7.75	222,135	5.86	28.86
Income of Bank Insurance Fee (including Mortgage life insurance)	487,709	13.20	889,152	23.46	-45.15
Income of Gold Passbook Fee	6,212	0.17	3,452	0.09	79.95
Total	784,252	21.22	1,114,739	29.41	-29.65

Note: The total service fee income in The Bank includes securities brokerage and underwriting income, which is NT\$3,695,214,000 for the end of year 2020 and NT\$3,790,054,000 for the end of 2019.

(VI) Electronic Finance

1. Times of Transaction of Electronic Finance Business

Type	Year 2020 Times of Transfer transaction	Year 2019 Times of Transfer transaction	Increased (Decreased) Times	Increased (Decreased) Percentage (%)
Internet Banking	5,717,112	5,149,036	568,076	11.03
Mobile Banking	2,797,804	1,505,907	1,291,897	85.79
Continuous Payment Authority	2,751,672	2,477,467	274,205	11.07

Note: For the purpose of business line comparison, the number of transfer transactions from internet banking in 2020 and 2019 are not included in the number of transfer transactions from mobile banking.

2. Service Fee Income of Electronic Finance Business

Unit: NT\$ in thousands; %

Type	2020		2019		Increased (Decreased) Percentage (%)
	Amount	Percentage of the Total Service Fee Income in The Bank (%)	Amount	Percentage of the Total Service Fee Income in The Bank (%)	
Service Fee Income	106,186	2.87	96,276	2.54	10.29

Note: The total service fee income in The Bank includes securities brokerage and underwriting income, which is NT\$3,695,214,000 for the end of year 2020 and NT\$3,790,054,000 for the end of 2019.

## (VII) Securities Business

### 1. The Amount of Securities Business Operation

Unit: NT\$ in thousands; %

Type	2020	2019	Increased (Decreased)	Increased (Decreased) Percentage (%)
Underwriting Amount of Securities	3,567,910	973,380	2,594,530	266.55
Turnover of Securities Brokerage Business	402,812,922	231,122,410	171,690,512	74.29
Average Balance of Securities Trading Margin Purchase and Short Sale	1,077,900	1,199,601	-121,701	-10.15

### 2. Service Fee Income of Securities Brokerage and Underwriting Business

Unit: NT\$ in thousands; %

Type	2020		2019		Increased (Decreased) Percentage (%)
	Amount	Percentage of the Total Service Fee Income in The Bank (%)	Amount	Percentage of the Total Service Fee Income in The Bank (%)	
Securities Brokerage and Underwriting	259,421	7.02	153,819	4.06	68.65

Note: The total service fee income in The Bank includes securities brokerage and underwriting income, which is NT\$3,695,214,000 for the end of year 2020 and NT\$3,790,054,000 for the end of 2019.

## (VIII) Investment Business

### 1. Investment in Securities

Unit: NT\$ in thousands; %

Type	2020.12.31	2019.12.31	Increased (Decreased)	Increased (Decreased) Percentage (%)
Government Bonds	148,544,988	143,664,734	4,880,254	3.40
Corporate Bonds	17,000,009	13,149,956	3,850,053	29.28
Stocks (short-term investment)	3,128,968	3,870,604	-741,636	-19.16

### 2. Purchasing and Selling Short-Term Bill

Unit: NT\$ in thousands; %

Type	2020	2019	Increased (Decreased)	Increased (Decreased) Percentage (%)
Outright Purchase Notional Amount	281,640,102	303,831,984	-22,191,882	-7.30
Outright Sale Notional Amount	0	0	0	0
Repurchase Notional Amount	0	399,817	-399,817	-100

### 3. Proprietary Trading of Government Bonds

Unit: NT\$ in thousands; %

Type	2020	2019	Increased (Decreased)	Increased (Decreased) Percentage (%)
Notional Amount of Outright Purchase and Sale of Government Bonds	12,357,693	6,132,851	6,224,842	101.50
Conditionally Notional Amount of Outright Purchase and Sale of Government Bonds	87,597,267	44,751,709	42,845,558	95.74
Balance of Outright Purchase and Sale of Government Bonds	24,268,613	19,448,430	4,820,183	24.78

### (IX) Credit Card

Unit: card, NT\$ in thousands ;%

		Unit: Card, 100 in thousands of RMB			
Type		2020	2019	Increased (Decreased)	Increased (Decreased) Percentage (%)
Credit card issuance Business	Circulation Card	341,202	331,978	9,224	2.78
	Approved Card	153,738	167,818	-14,080	-8.39
	Transaction Amount	9,325,896	11,133,737	-1,807,841	-16.24
	Revolving Credit Balance	387,915	411,903	-23,988	-5.82
Acquiring Business	Physical Stores, Internet Stores and ATM Transaction Amount	29,430,305	27,473,462	1,956,843	7.12

### (X) Insurance Agent

Unit: NT\$ in thousands; %

Type	2020	2019	Increased (Decreased)	Increased (Decreased) Percentage (%)
Service Income of Insurance Agent	620,731	0	620,731	100

Note: The Insurance Agent Department was established since January 1, 2020.

## (XI) Weight of revenues in major business activities as percentage of net revenue

Unit: NT\$ in thousands; %

Type	2020		2019	
	Amount	As percentage of 2018 net revenue (%)	Amount	As percentage of 2018 net revenue (%)
Net Interest Revenue	26,395,549	89.99	28,111,174	90.02
Net service fee revenue	2,532,637	8.63	2,627,519	8.41
Financial assets and liabilities net revenue at fair value through profit and loss	-2,805,209	-9.56	-1,491,001	-4.77
Financial assets realized gains at fair value through other comprehensive Income	714,658	2.44	907,536	2.91
Losses on disposal of investment in debt instruments measured at amortized cost	-20	-	-	-
Share of profit or loss of subsidiaries recognized under the equity method	-	-	87,884	0.28
Net exchange gain	4,306,096	14.68	1,617,998	5.18
Net profit in property transaction	349,009	1.19	502,910	1.61
Other miscellaneous net loss	-2,161,822	-7.37	-1,135,269	-3.64
Total Net Income	29,330,898	100.00	31,228,751	100.00

Note: Figures for 2019 have been made by the CPAs based on the audit result of the National Audit Office. Figures for the period of 2020 have been audited and certified by CPAs.



## II. Market Analysis

### (I) Business operations

The Bank is the only professional commercial bank that engages in real estate credit, provides corporate finance, personal finance, trust, wealth management, foreign exchange and electronic finance. Our service network covers domestically as well internationally, including 150 branches in the domestic market (including sales and marketing department), and there are 7 oversea branches covering Los Angeles, Singapore, Hong Kong, Shanghai, New York, Tianjin and Wuhan. In line with the government's New Southbound Policy, The Bank has been approved by the FSC to establish two branches in Australia (Brisbane) and Mainland China (Xiamen) and three representative offices in the Philippines (Manila), Malaysia (Kuala Lumpur) and Indonesia (Jakarta), among which, the representative office in Malaysia (Kuala Lumpur) was officially opened in February 2020, further expanding The Bank's network and services in the Asia Pacific region and moving towards the vision of becoming an international quality financial institution.

### (II) Future market supply, demand and growth

#### 1. Continuous growth of deposit and loan businesses

The domestic deposit market has benefited from the monetary easing policies of major countries around the world, which have brought abundant capital capacity to the domestic and international financial markets. The loan market is expected to grow in line with the government's policies concerning the SMEs loans, innovative industry-oriented loans, the investment in Taiwan program, the financing program that promotes the collaboration of public banks to rejuvenate the economy, and various relief loans to enterprises and individuals affected by the COVID-19 pandemic.

#### 2. Expected continuous expansion of the wealth management business

The demand for wealth management and asset management services provided by banks is relatively high due to the return of Taiwanese businessmen. In addition, benefitted from the continual establishment of Big Data, The Bank managed to continually enhance the product precision for the wealth management demand of our customers. Therefore, leveraging the contribution from both sides of demand and supply in wealth and management market, the business is expected to record continuing growth.

#### 3. Potential growth of urban renewal and green finance market

The government is actively promoting the urban renewal policy and law amendment incentives to drive the growth momentum of the urban renewal market. In addition, keeping abreast with the international trend to promote green finance, the market demonstrated tremendous growth protection through investment and financing to provide enterprises with the necessary funds to develop green energy. The development of green finance in Taiwan is no longer limited to credit and investment. The FSC continued to launch the "Green Finance Action Plan 2.0" in August 2020, expanding the scope to cover ESG (Environmental, Social and Governance), thereby further driving the development momentum of the green finance market.

### (III) Competitive niches

#### 1. Solid professional foundation

The Bank, established on September 1, 1946, has been in the business for more than 74 years. The Bank is the only professional commercial bank designated by the government to conduct the real estate credit business. Not only does it have broad experience in real estate credit extension but also integrates the real estate trust and real estate securitization to form a one-stop real estate business that provides client with a comprehensive real estate financial service. The Bank is leading the real estate financing market such as land financing, construction financing, mortgage loan, real estate trust and securitization business.

## 2. A diversified business scope

In addition to being a leader in real estate-related finance in Taiwan, The Bank's expertise is also fully utilized in overseas property purchase or real estate development projects for nationals. In recent years, in response to Taiwan's aging society and low birth rate issues, The Bank has cooperated with the government to promote loans for the elderly and loans for accelerated reconstruction of dangerous and old buildings, and has participated in the urban renewal market. At the same time, The Bank is actively developing diversified businesses such as consumer finance, corporate finance, wealth management and trusts, as well as providing customers with diversified services by promoting SMEs loans, five-plus-two key industries loans and loans for businesses returning to Taiwan in line with policies and market trends.

## 3. Launch digital finance transformation

In line with government policies and the development of digital FinTech, The Bank has initiated a number of projects to plan for big data applications, social network marketing, digital financial infrastructure, information security, information and digital talent training, intelligent services, online loan applications, optimization of the internet and mobile banking APP, mobile payment, mobile phone transfer, Taiwan Pay bonus point service, single service platform for personal finance, etc. We also continue to cooperate with various electronic payment institutions (e.g., JKOPAY, LinePay iPASS, icash, GAMA PAY, etc) to provide customers with new options for mobile spending. We also hold regular meetings related to digital finance to track and control the implementation progress of various projects and to have a better understanding of the new development trend of the FinTech in the competent authorities and the industry in response to the challenges brought by the wave of the FinTech.

## 4. Continuous promotion of overseas development

The Bank is actively expanding its overseas service network. Its representative office in Malaysia (Kuala Lumpur) was officially opened in February 2020 to continue to expand the scope of services and coverage to Taiwanese-invested enterprises and to establish a complete domestic and foreign corporate financial service.

# (IV) Favorable and unfavorable factors for future developments and solutions

## 1. Favorable factors

(1) The return of the capital to Taiwan and the transfer of industrial bases will bring business opportunities in financing and financial management, such as wealth management planning, plant construction, land acquisition and equipment investment, which are expected to boost the business volume of deposits, loans and wealth management in Taiwan's banking industry.


- (2) With the introduction of high-end financial management solutions by the competent authorities, the scope of the original financial management business has been expanded, which will be conducive to the research and development of different financial management products by the banking industry in Taiwan and the securing of high-asset customers, thereby boosting the development of the wealth management business.
- (3) In recent years, the enhancement of the FinTech technology, the increasing popularity of mobile payment and the rollout of multi-functional automated machine and equipment will enable the construction of a more complete financial ecosystem and bring broader business development opportunities to the banking industry.
- (4) In order to connect financial services to all aspects of people's life and provide companies with comprehensive cashflow solutions along with the cross industry advantage that digital-only banks bring, it is expected that banks will be able to cooperate with different industries for more cross-industry development to bring new business opportunities and new customer groups.
- (5) In response to the active investment market and the trend of the U.S. dollar exchange rate, we continue to offer a diversified portfolio such as Taiwan dollar and foreign currency investment products and U.S. dollar interest-variable policies to meet the needs of customers seeking interest and protection and U.S. dollar asset allocation.

## 2. Unfavorable factors

- (1) The continued outbreak of the global pandemic, the U.S.-China trade conflict and the geopolitical uncertainties in the Middle East or Northeast Asia have increased the volatility of the stock and exchange markets in the global financial markets, which is expected to increase the risk of global investment. Domestic banks' investment and loan risks both at home and abroad remain high, making it more difficult to generate profits.
- (2) In 2020, many countries around the world reduced interest rates and implemented monetary easing policies due to the outbreak of the COVID-19. The central bank in Taiwan also cut interest rates by 0.25% in response such challenge, resulting in an overflow of funds in the market and a decline in interest rates due to intensified competition. The price cutting competition has made it impossible to improve the spreads of the domestic banks, which has exerted a negative impact on profitability.
- (3) Since July 1, 2020, life insurance products have been subject to a minimum ratio of policy value reserve for death benefits to regulate the increase of insurance product coverage; customer purchasing habits that have yet to be adjusted; decrease in the pre-determined interest rate of the liability reserve; the requirement of positive margins for new product contracts. The above regulatory measures have led to changes in the market environment and product development, such as the increase in insurance premiums, limited choice of products and reduction in the declared interest rates of insurance products by insurance companies, which have affected customers' willingness to purchase products, resulting in a decrease in operating volume (insurance premiums).

## 3. Countermeasures

- (1) We are actively cooperating with the government to promote the action plans of SMEs loans and returning of businessmen to Taiwan for investment to drive business growth. In addition, we continue to expand the scope of operations, develop service income-related businesses, and enhance the performance of financial operations to improve the profitability structure of The Bank.

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- (2) Since 2020, the Bank has implemented a risk-based internal audit system, focusing on important risks and enhancing the depth of audits to improve the effectiveness of internal audit execution. In addition, we continue to strengthen professional staff, establish a complete system of detection, notification, and handling procedures in accordance with external regulatory requirements, and strengthen the legal compliance education of our staff to cultivate a sense of compliance with the law, so as to create a sound protection network for ourselves and customers. Moreover, in response to the trend of information security monitoring and the demand for FinTech risk control and management, we are committed to enhancing the quality of information services and strengthening our information security capabilities to meet the needs of both customer service and risk control and management.
- (3) To enhance our international competitiveness and overseas profitability, we continue to expand our overseas presence, cultivate overseas talent pool, actively participate in quality international syndicated loans, continue to develop local target customers and provide complete cross-border financial services to deepen customer relationships.
- (4) The Bank's overseas branches shall comply with the latest regulatory amendments, inspection procedures and proper controls regarding the internal control, internal audit and relevant regulations for money laundering prevention. The Bank also actively cooperates with local competent authorities to maintain a good interaction. We also strengthen training on financial laws and regulations for our overseas branch staff to enhance compliance with the law and to facilitate the expansion of our overseas branch business.
- (5) With regard to the credit business in Mainland China, The Bank will continue to enhance the evaluation of the credit borrower, understand and control the credit usage of each borrower, increase coverage ratio in a timely manner depending on individual risk profile, implement the review activities, strengthen post-loan review operations, and establish proper risk control and management mechanisms to effectively improve credit management.
- (6) In response to the impact of the COVID-19 pandemic, The Bank not only provided enterprises and individuals affected by the pandemic with relief measures in accordance with government policies, but also strengthened its digital financial services and activated off-site backup to reduce the possible operational risks arising from the pandemic.









## 054 Financial Status and Risk Management

- 054 Condensed Consolidated Balance Sheets and Income Statements (last 5 years)
- 060 Financial Analyses for the Past Five Fiscal Years
- 065 Audit Committee's report for the most recent year's financial statement
- 066 Financial Statements of Recent Years
- 202 Risk Management Issues

# Financial Status and Risk Management

## I. Condensed Consolidated Balance Sheets and Income Statements (last 5 years)

### (I) Condensed Balance Sheet and Statement of Comprehensive Income

#### Condensed Consolidated Balance Sheets

Unit: NT\$ thousands

Type	Year	Financial information for the last five years (Note)				
		2020	2019	2018	2017	2016
Cash and Cash Equivalents (due from the Central Bank and Call Loans to banks)				275,144,392	278,474,923	281,978,785
Financial Assets at Fair Value through Profit and Loss				5,253,684	3,243,418	3,473,556
Financial Assets at Fair Value through Other Comprehensive Income				102,542,129	0	0
Debt Investments measured at Amortized cost				587,049,258	0	0
Available-for-Sale Financial Assets				0	407,495,721	407,325,442
Securities Purchased under Agreements to Resell and Bond Investment				389,212	8,029,166	3,763,733
Receivables, net				9,340,345	8,868,031	7,362,799
Current Income Tax Assets	No relevant information	No relevant information		36,287	168,391	173,536
Discounts and Loans, net				1,965,807,233	1,879,104,149	1,770,689,449
Held-to-maturity Financial Assets				0	238,122,980	136,810,089
Investments Accounted for using Equity Method, net				0	0	0
Other Financial Assets, net				28,735	1,633,383	1,646,662
Property and Equipment, net				22,625,687	22,954,513	23,239,864
Right-of-use asset, net				0	0	0
Investment Property, net				24,229,670	24,110,445	24,102,105
Intangible Assets, net				858,257	869,156	894,168
Deferred Tax Assets, net				2,653,432	2,901,012	3,570,007
Other Assets				9,071,611	7,614,202	8,016,056
Total Assets				3,005,029,932	2,883,589,490	2,673,046,251

Type	Year	Financial information for the last five years (Note)				
		2020	2019	2018	2017	2016
Deposits from the Central Bank and Banks				287,244,785	200,334,268	142,091,394
Due to the Central Bank and Banks				1,939,909	2,040,692	2,359,557
Financial Liabilities at Fair Value through Profit and Loss				9,893,561	3,546,578	8,665,611
Securities sold under Repurchase Agreements				9,740,281	15,157,816	7,713,092
Payables				26,384,330	24,844,608	24,459,437
Current income tax liabilities				388,148	368,616	816,584
Deposits and Remittances				2,426,584,880	2,400,023,270	2,247,268,415
Financial Bonds Payable				59,592,857	66,691,640	79,694,341
Other Financial Liabilities				113,986	146,198	175,111
Provision				17,852,687	17,651,342	16,937,778
Lease liabilities				0	0	0
Deferred Tax Liabilities				6,985,635	6,926,029	6,926,134
Other Liabilities		No relevant information	No relevant information	1,083,013	1,216,170	1,211,337
Total Liabilities	Before distribution			2,847,804,072	2,738,947,227	2,537,469,716
	After distribution			2,847,804,072	2,738,947,227	2,538,318,791
Share Capital	Before distribution			62,594,000	62,594,000	62,594,000
	After distribution			62,594,000	62,594,000	62,594,000
Capital Reserve				21,748,869	21,748,869	21,748,869
Retained Earnings	Before distribution			66,352,145	57,431,060	48,761,249
	After distribution			66,352,145	57,431,060	47,912,174
Other Equity				6,530,846	2,868,334	2,472,417
Total Equity	Before distribution			157,225,860	144,642,263	135,576,535
	After distribution			157,225,860	144,642,263	134,727,460
Note: Figures for the period of 2016 to 2018 have been made by the CPAs based on the audit result of the National Audit Office. Figures for 2019 have been made by the CPAs based on the individual audit result of the National Audit Office, while figures for 2020 are based on the individual financial report, and are therefore not applicable.						

## Condensed Consolidated Comprehensive Income Statements

Unit: NT\$ thousands

Type \ Year	Financial information for the last five years (Note 1)				
	2020	2019	2018	2017	2016
Interest Revenue			48,684,757	43,449,692	41,840,744
Less: Interest Expenses			22,061,824	18,710,697	17,095,902
Net Interest Revenue			26,622,933	24,738,995	24,744,842
Revenue other than Net Interest Revenue			3,460,744	2,126,630	5,978,435
Net Revenue			30,083,677	26,865,625	30,723,277
Allowance for Doubtful Accounts, Commitment, and Guarantees			3,173,158	492,992	1,624,497
Operating Expenses			14,686,061	14,491,104	16,299,823
Net Income Before Tax from Continuing Operations			12,224,458	11,881,529	12,798,957
Income Tax Expenses			2,492,163	2,247,906	2,382,044
Net Income from Continuing Operations			9,732,295	9,633,623	10,416,913
Net Income from Discontinued Operations	No relevant information	No relevant information	0	0	0
Net income			9,732,295	9,633,623	10,416,913
Other Comprehensive Income (Loss) (net of tax) for the period			-756,668	281,180	-2,832,631
Total Comprehensive Income (Loss)			8,975,627	9,914,803	7,584,282
Net Income Attributable to owners of parent			9,732,295	9,633,623	10,416,913
Net Income Attributable to non-controlling interests			0	0	0
Total Comprehensive Income Attributable to owner of parent			8,975,627	9,914,803	7,584,282
Total Comprehensive Income Attributable to non-controlling interests			0	0	0
Earnings per share (NT\$) (Note 2)			1.33	1.32	1.42

Note 1: Figures for the period of 2016 to 2018 have been made by the CPAs based on the audit result of the National Audit Office. Figures for 2019 have been made by the CPAs based on the individual audit result of the National Audit Office, while figures for 2020 are based on the individual financial report, and are therefore not applicable.

Note 2: The Bank's share capital has increased to NT\$73,200 million from November 29, 2019. Earnings per share for the year is adjusted retrospectively.

## Individual/Standalone Condensed Balance Sheets

Unit: NT\$ thousands

Type \ Year	Financial information for the last five years (Note)				
	2020	2019	2018	2017	2016
Cash and Cash Equivalents (due from the Central Bank and Call Loans to banks)	184,159,613	222,953,062	275,141,211	278,474,520	281,977,889
Financial Assets at Fair Value through Profit and Loss	3,899,451	4,437,143	5,253,684	3,243,418	3,473,556
Financial Assets at Fair Value through Other Comprehensive Income	114,068,569	114,603,444	102,542,129	0	0
Debt Investments measured at Amortized cost	660,807,717	597,723,140	587,046,111	0	0
Available-for-Sale Financial Assets	0	0	0	407,495,721	407,325,442
Securities Purchased under Agreements to Resell and Bond Investment	1,145,103	6,218,350	389,212	8,029,166	3,763,733
Receivables, net	8,851,799	8,613,679	9,324,614	8,853,716	7,350,702
Current Income Tax Assets	19,670	20,993	36,287	168,391	173,536
Discounts and Loans, net	2,079,869,366	1,986,505,361	1,965,807,233	1,879,104,149	1,770,689,449
Held-to-maturity Financial Assets	0	0	0	238,119,804	136,806,886
Investments Accounted for using Equity Method, net	0	40,000	40,000	40,000	40,000
Other Financial Assets, net	37,294	38,764	28,735	1,633,383	1,646,662
Property and Equipment, net	22,543,030	22,516,593	22,622,065	22,949,749	23,234,378
Right-of-use asset, net	945,186	1,136,090	0	0	0
Investment Property, net	23,738,479	23,937,743	24,229,670	24,110,445	24,102,105
Intangible Assets, net	914,924	857,311	849,705	859,401	885,590
Deferred Tax Assets, net	2,259,468	2,392,843	2,653,432	2,901,012	3,570,007
Other Assets	11,457,337	10,714,152	9,071,471	7,613,976	8,015,876
<b>Total Assets</b>	<b>3,114,717,006</b>	<b>3,002,708,668</b>	<b>3,005,035,559</b>	<b>2,883,596,851</b>	<b>2,673,055,811</b>
Deposits from the Central Bank and Banks	347,507,303	313,577,959	287,244,785	200,334,268	142,091,394
Due to the Central Bank and Banks	10,591,582	1,723,767	1,939,909	2,040,692	2,359,557



Type	Year	Financial information for the last five years (Note)				
		2020	2019	2018	2017	2016
Financial Liabilities at Fair Value through Profit and Loss		8,942,683	11,468,186	9,893,561	3,546,578	8,665,611
Securities sold under Repurchase Agreements		18,634,499	7,399,137	9,740,281	15,157,816	7,713,092
Payables		22,366,408	21,235,773	26,372,615	24,828,253	24,447,902
Current Tax Liabilities		728,004	1,185,886	374,278	363,132	802,245
Deposits and Remittances		2,453,872,938	2,396,048,680	2,426,625,298	2,400,058,485	2,247,308,030
Bonds Payable		46,294,550	53,293,705	59,592,857	66,691,640	79,694,341
Other Financial Liabilities		86,637	95,094	113,986	146,198	175,111
Provision		20,662,942	18,953,270	17,843,101	17,645,044	16,933,407
Lease liabilities		948,767	1,134,259	0	0	0
Deferred Tax Liabilities		6,914,019	6,914,019	6,985,635	6,926,029	6,926,134
Other Liabilities		1,786,087	1,448,542	1,083,393	1,216,453	1,211,527
Total Liabilities	Before distribution	2,939,336,419	2,834,478,277	2,847,809,699	2,738,954,588	2,537,479,276
	After distribution	2,939,336,419	2,834,478,277	2,847,809,699	2,738,954,588	2,538,328,351
Share Capital	Before distribution	73,200,000	73,200,000	62,594,000	62,594,000	62,594,000
	After distribution	73,200,000	73,200,000	62,594,000	62,594,000	62,594,000
Capital Reserve		21,748,869	21,748,869	21,748,869	21,748,869	21,748,869
Retained Earnings	Before distribution	72,525,464	64,809,375	66,352,145	57,431,060	48,761,249
	After distribution	72,525,464	64,809,375	66,352,145	57,431,060	47,912,174
Other Equity		7,906,254	8,472,147	6,530,846	2,868,334	2,472,417
Total Equity	Before distribution	175,380,587	168,230,391	157,225,860	144,642,263	135,576,535
	After distribution	175,380,587	168,230,391	157,225,860	144,642,263	134,727,460

Note: Figures for the period from 2016 to 2019 have been made by the CPAs based on the audit result of the National Audit Office.  
Figures for the period of 2020 have been audited and certified by CPAs.

## Individual/Standalone Condensed Comprehensive Income Statements

Unit: NT\$ thousands

Type \ Year	Financial information for the last five years (Note 1)				
	2020	2019	2018	2017	2016
Interest Revenue	42,601,219	51,461,783	48,684,017	43,449,443	41,840,690
Less: Interest Expenses	16,205,670	23,350,609	22,061,854	18,710,766	17,096,033
Net Interest Revenue	26,395,549	28,111,174	26,622,163	24,738,677	24,744,657
Revenue other than Net Interest Revenue	2,935,349	3,117,577	3,368,674	2,042,250	5,887,144
Net Revenue	29,330,898	31,228,751	29,990,837	26,780,927	30,631,801
Allowance for Doubtful Accounts, Commitment, and Guarantees	2,854,589	2,907,339	3,173,158	492,992	1,624,497
Operating Expenses	15,547,562	15,302,374	14,615,896	14,423,934	16,232,321
Net Income Before Tax from Continuing Operations	10,928,747	13,019,038	12,201,783	11,864,001	12,774,983
Income Tax Expenses	2,291,628	2,952,442	2,469,488	2,230,378	2,358,070
Net Income from Continuing Operations	8,637,119	10,066,596	9,732,295	9,633,623	10,416,913
Net Income from Discontinued Operations	0	0	0	0	0
Net income	8,637,119	10,066,596	9,732,295	9,633,623	10,416,913
Other Comprehensive Income (Loss) (net of tax) for the period	-1,486,923	937,935	-756,668	281,180	-2,832,631
Total Comprehensive Income (Loss)	7,150,196	11,004,531	8,975,627	9,914,803	7,584,282
Net Income Attributable to owners of parent	8,637,119	10,066,596	9,732,295	9,633,623	10,416,913
Net Income Attributable to non-controlling interests	0	0	0	0	0
Total Comprehensive Income Attributable to owner of parent	7,150,196	11,004,531	8,975,627	9,914,803	7,584,282
Total Comprehensive Income Attributable to non-controlling interests	0	0	0	0	0
Earnings per share (NT\$) (Note 2)	1.18	1.38	1.33	1.32	1.42

Note 1: Figures for the period from 2016 to 2019 have been made by the CPAs based on the audit result of the National Audit Office. Figures for the period of 2020 have been audited and certified by CPAs.

Note 2: The Bank's share capital has increased to NT\$73,200 million from November 29, 2019. Earnings per share for the year is adjusted retrospectively.

## II. Financial Analyses for the Past Five Fiscal Years

### Financial Analysis - Consolidated

Analysis \ Year	Year	Financial Analysis for the Last Five Years				
		2020	2019	2018	2017	2016
Operation Efficiency	Loans to Deposits Ratio			82.26	79.46	80.08
	Non-Performing Loan Ratio			0.19	0.19	0.18
	Ratio of Interest Expenses to Annual Average Deposits Balance (%)			0.72	0.67	0.67
	Ratio of Interest Earned to Annual Average Loans Balance (%)			2.00	1.89	1.95
	Total Asset Turnover Rate (Times)			0.01	0.01	0.01
	Average operation revenue per employee			5,285.26	4,712.44	5,359.02
	Average profit per employee			1,709.82	1,689.81	1,817.01
Profitability	Return on Tier 1 capital (%)			8.08	8.51	10.27
	Return on Assets (%)	No relevant information	No relevant information	0.33	0.35	0.40
	Return on Equity (%)	No relevant information	No relevant information	6.45	6.90	7.96
	Net Profit Margin (%)			32.35	35.86	33.91
	Earnings per Share (NTD)			1.33	1.32	1.42
Financial Structure	Debt to Total Assets ratio			94.75	94.96	94.93
	Property and Equipment to Equity ratio			14.39	15.87	17.25
Growth Rate	Asset Growth Rate			4.21	7.88	7.63
	Profit Growth Rate			2.89	-7.17	4.47
Cash Flow	Cash Flow Ratio			-4.15	35.98	-21.63
	Cash Flow Adequacy Ratio			872.74	961.13	523.04
	Cash Flow satisfaction Ratio			3,105.83	-13,459.07	1,368.03
Liquidity Reserve ratio				27.45	25.87	24.11
Total credit loan balances for stakeholders (NT\$1,000)				11,113,600	11,044,216	11,726,940

Analysis \ Year	Financial Analysis for the Last Five Years				
	2020	2019	2018	2017	2016
Ratio of total credit loan balances for stakeholders to total credit loan balances (%)			0.61	0.63	0.72
Business Scale	Market Share of Assets		3.84	3.90	3.78
	Market Share of Net Worth		2.56	2.37	2.37
	Market Share of Deposits		5.83	5.91	5.72
	Market Share of Loans		6.85	6.87	6.76

Note 1: Figures for the period of 2016 to 2018 have been made by the CPAs based on the audit result of the National Audit Office.

Figures for 2019 have been made by the CPAs based on the individual audit result of the National Audit Office, while figures for 2020 are based on the individual financial report, and are therefore not applicable.

Note 2: Equations for calculation of various ratios:

1. Operation capabilities

- (1) Ratio of loans to deposits = Average total loans outstanding / Average total deposits
- (2) NPL ratio = Total not performing loans / total loans
- (3) Interest expense to annual average deposits balances ratio = Total interest expenditures related to deposits/annual average deposits balances
- (4) Interest income to annual average credit loan balances ratio = Total interest income related to credit loan balances/annual average credit loan balances
- (5) Total assets turnover = Net operating income / Average total assets
- (6) Average gain for employee = Net gain/total number of employees
- (7) Average profit for employee = After-tax net profit/total number of employees

2. Profitability

- (1) Return on Tier I capital = Before-tax earnings or losses / Net average Tier I capital
- (2) Return on assets = Net income / Average total assets
- (3) Return on shareholders' equity = Net income / Average net shareholders' equity
- (4) Net income ratio = Net income / Net operating income
- (5) Earnings per share = (Comprehensive income attributable to owner of the parent — preferred stock dividends) / Weighted average number of shares issued

3. Financial structure

- (1) Ratio of liabilities to assets = Total liabilities / Total assets
- (2) Real estate and equipment to equity ratio = Net real estate and equipment/net equity

4. Growth rate

- (1) Asset growth rate = (Total assets in the current year - Total assets in the preceding year) / Total assets in the preceding year
- (2) Profit growth rate = (Income before income tax in the current year - Income before income tax in the preceding year) / Income before income tax in the preceding year

5. Cash flows

- (1) Cash flows ratio = Net cash flows from operating activities / (Interbank loans and overdrafts + Commercial papers payable + Financial liabilities at fair value through profit or loss + Securities sold under agreements to repurchase + Payables with due date within one year)
- (2) Net cash flow adequacy ratio = Net cash flows from operating activities for the last five years / (Capital expenditure + Cash dividends) for the last five years
- (3) Cash flow sufficiency ratio = Net cash flows from operating activities / Net cash flows from investment activities

6. Liquidity reserve ratio = Current assets prescribed by the central bank/liabilities required liquid reserves

7. Business scale

- (1) Market share of assets = Total assets/total net value of all financial institutions available for deposits and loans business
- (2) Market share of net value = Net value/total net value of all financial institutions available for deposits and loans business
- (3) Market share of deposits = Total deposits/total net value of all financial institutions available for deposits and loans business
- (4) Market share of loans = Total loans/total net value of all financial institutions available for deposits and loans business

Note 3: Total liabilities are net of reserves for losses on guarantees, losses on security trades and accidental loss.

Note 4: Financial institutions handling deposits and loans include domestic banks, branches of Mainland China in Taiwan, branches of foreign banks in Taiwan, credit cooperatives, and credit departments of farmers' and fishermen's associations.

Note 5: The Bank's share capital has increased to NT\$73,200 million from November 29, 2019. Earnings per share for the year is adjusted retrospectively.

Individual/Standalone Financial Analysis

Analysis	Year	Financial Analysis for the Last Five Years				
		2020	2019	2018	2017	2016
Operation Efficiency	Loans to Deposits Ratio	86.17	84.23	82.25	79.45	80.08
	Non-Performing Loan Ratio	0.15	0.18	0.19	0.19	0.18
	Ratio of Interest Expenses to Annual Average Deposits Balance (%)	0.53	0.75	0.72	0.67	0.67
	Ratio of Interest Earned to Annual Average Loans Balance (%)	1.71	2.05	2.00	1.89	1.95
	Total Asset Turnover Rate (Times)	0.01	0.01	0.01	0.01	0.01
	Average operation revenue per employee	5,097.48	5,396.36	5,297.80	4,722.43	5,371.17
	Average profit per employee	1,501.06	1,739.52	1,719.18	1,698.75	1,826.57
Profitability	Return on Tier 1 capital (%)	6.03	7.89	8.07	8.50	10.25
	Return on Assets (%)	0.28	0.34	0.33	0.35	0.40
	Return on Equity (%)	5.03	6.19	6.45	6.90	7.96
	Net Profit Margin (%)	29.45	32.24	32.45	35.97	34.01
	Earnings per Share (NTD)	1.18	1.38	1.33	1.32	1.42
Financial Structure	Debt to Total Assets ratio	94.35	94.38	94.75	94.96	94.93
	Property and Equipment to Equity ratio	12.85	13.38	14.39	15.87	17.25
Growth Rate	Asset Growth Rate	3.73	-0.08	4.21	7.88	7.63
	Profit Growth Rate	-16.06	6.70	2.85	-7.13	4.44
Cash Flow	Cash Flow Ratio	-30.95	-26.67	-4.15	35.98	-21.71
	Cash Flow Adequacy Ratio	-2,277.04	49.59	873.07	1,037.92	128.25
	Cash Flow satisfaction Ratio	5,963.75	18,612.67	3,164.82	-13,498.30	1,374.89
Liquidity Reserve ratio		25.73	27.34	27.45	25.87	24.11
Total credit loan balances for stakeholders (NT\$1,000)		45,657,760	11,860,020	11,113,600	11,044,216	11,726,940
Ratio of total credit loan balances for stakeholders to total credit loan balances (%)		2.32	0.63	0.61	0.63	0.72
Business Scale	Market Share of Assets	3.52	3.62	3.84	3.90	3.78
	Market Share of Net Worth	2.17	2.30	2.56	2.37	2.37
	Market Share of Deposits	5.17	5.52	5.83	5.91	5.72
	Market Share of Loans	6.53	6.63	6.85	6.87	6.76

The decrease in ratio of interest expenses to annual average deposits balance in 2020 compared to 2019 was mainly due to the decrease in interest expense on deposits in 2020 compared to 2019.

The increase in asset growth rate in 2020 compared to 2019 was primarily due to an increase in investments in debt instruments measured at amortized cost and discounts and loans in 2020.

The profit growth rate decreased in 2020 compared to 2019. This is mainly due to the decrease in net profit before Tax in 2020 compared to 2019.

The decrease in cash flow equivalency ratio in 2020 compared to 2019 was mainly due to the increase in net cash outflow from operating activities in 2020 compared to 2019, which resulted in an average net cash outflow from operating activities in the last five years. In addition, The decrease in cash flow satisfaction ratio in 2020 compared to 2019 was mainly due to the increase in net cash outflow from both operating and investing activities in 2020 compared to 2019.

In 2020, the total credit extension balance and ratio of the stakeholder increased significantly compared with those of 2019, mainly because the spouse of The Bank's manager is a director of Taiwan High Speed Rail. As of December 31, 2020, the credit balance was NT\$31,025,776 thousand.

Note 1: Figures for the period from 2016 to 2019 have been made by the CPAs based on the audit result of the National Audit Office.

Figures for the period of 2020 have been audited and certified by CPAs.

Note 2: Equations for calculation of various ratios:

1. Operation capabilities

(1) Ratio of loans to deposits = Average total loans outstanding / Average total deposits

(2) NPL ratio = Total not performing loans / total loans

(3) Interest expense to annual average deposits balances ratio = Total interest expenditures related to deposits/annual average deposits balances

(4) Interest income to annual average credit loan balances ratio = Total interest income related to credit loan balances/annual average credit loan balances

(5) Total assets turnover = Net operating income / Average total assets

(6) Average gain for employee = Net gain/total number of employees

(7) Average profit for employee = After-tax net profit/total number of employees

2. Profitability

(1) Return on Tier I capital = Before-tax earnings or losses / Net average Tier I capital

(2) Return on assets = Net income / Average total assets

(3) Return on shareholders' equity = Net income / Average net shareholders' equity

(4) Net income ratio = Net income / Net operating income

(5) Earnings per share = (Comprehensive income attributable to owner of the parent — preferred stock dividends) / Weighted average number of shares issued

3. Financial structure

(1) Ratio of liabilities to assets = Total liabilities / Total assets

(2) Real estate and equipment to equity ratio = Net real estate and equipment/net equity

4. Growth rate

(1) Asset growth rate = (Total assets in the current year - Total assets in the preceding year) / Total assets in the preceding year

(2) Profit growth rate = (Income before income tax in the current year - Income before income tax in the preceding year) / Income before income tax in the preceding year

5. Cash flows

(1) Cash flows ratio = Net cash flows from operating activities / (Interbank loans and overdrafts + Commercial papers payable + Financial liabilities at fair value through profit or loss + Securities sold under agreements to repurchase + Payables with due date within one year)

(2) Net cash flow adequacy ratio = Net cash flows from operating activities for the last five years / (Capital expenditure + Cash dividends) for the last five years

(3) Cash flow sufficiency ratio = Net cash flows from operating activities / Net cash flows from investment activities

6. Liquidity reserve ratio = Current assets prescribed by the central bank/liabilities required liquid reserves

7. Business scale

(1) Market share of assets = Total assets/total net value of all financial institutions available for deposits and loans business

(2) Market share of net value = Net value/total net value of all financial institutions available for deposits and loans business

(3) Market share of deposits = Total deposits/total net value of all financial institutions available for deposits and loans business

(4) Market share of loans = Total loans/total net value of all financial institutions available for deposits and loans business

Note 3: Total liabilities are net of reserves for losses on guarantees, losses on security trades and accidental loss.

Note 4: Financial institutions handling deposits and loans include domestic banks, branches of Mainland China in Taiwan, branches of foreign banks in Taiwan, credit cooperatives, and credit departments of farmers' and fishermen's associations.

Note 5: The Bank's share capital has increased to NT\$73,200 million from November 29, 2019. Earnings per share for the year is adjusted retrospectively.



## Capital adequacy

Unit: NT\$ thousands

Analysis		Year	Capital Adequacy Ratio for the Last Five Years				
		2020	2019	2018	2017	2016	
Capital	Common Equity	163,781,292	148,770,884	139,676,435	131,218,205	121,831,335	
	Other total tier I of non-common stocks equity	23,500,000	26,656,700	15,305,736	15,271,997	10,771,997	
	Tier II Capital	39,563,919	40,159,744	42,610,688	44,357,029	51,599,859	
	Equity Capital	226,845,211	215,587,328	197,592,859	190,847,231	184,203,191	
Weighted Risk-Adjusted Assets	Credit Risk	Standard Model	1,678,232,260	1,613,839,876	1,557,243,212	1,455,622,817	1,485,249,221
		Internal Ratings					
		Asset securitization					
	Operational Risk	Basic Indicator Approach					53,082,779
		Standard Method / Selective Standard Method	53,293,052	52,002,585	51,132,125	50,300,796	
		Advanced Measure Method					
	Market Risks	Standard Model	27,960,577	25,450,118	25,093,998	42,341,623	52,704,583
		Internal Model					
	Total Risk-Weighted assets		1,759,485,889	1,691,292,579	1,633,469,335	1,548,265,236	1,591,036,583
	Capital adequacy ratio		12.89%	12.75%	12.10%	12.33%	11.58%
Tier 1 capital to Risk-Based Assets ratio		10.64%	10.37%	9.49%	9.46%	8.33%	
Ratio of Common Equity to Risk-Based assets		9.31%	8.80%	8.55%	8.48%	7.66%	
Leverage ratio		5.81%	5.64%	4.99%	4.90%	4.78%	

Reasons for changes in capital adequacy ratio for the past two years. (Not explained if the variation is less than 20%)

Note 1: The figures from 2016 to 2020 have been audited by CPAs.

Note 2: Equations for calculation of various ratios or values:

- (1) Total self-owned capital = Common stock equity + Tier I Capital other than common stock + Tier II Capital.
- (2) Total risk-weighted-assets = Credit risk-weighted assets + Capital charge of (operational risk + market risk) x 12.5.
- (3) Capital Adequacy ratio = Total self-owned capital / Total amount risk-weighted assets.
- (4) The ratio of Tier I capital to risk-weighted assets = (Common stock equity + Tier 1 capital other than common stock) / Total risk-weighted assets
- (5) Ratio of common stock equity to risk assets = Common stock equity / Total risk-weighted assets.
- (6) Leverage ratio = Net Tier I capital / Total exposure

### III. Audit Committee's report for the most recent year's financial statement

#### **Land Bank of Taiwan Audit Committee's Review Report**

The Company's 2020 business report (January 1 to December 31, 2020), the financial statements (including the balance sheet, comprehensive income statement of profit and loss, equity changes and cash flow statements) were audited by the CPAs Chen, Chun-Guang and Yu, Chi-Lung. The above statements and reports have been reviewed in the second session of the 26th Audit Committee's meeting on March 19, 2021, 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 : Lai,Hung-Neng  
Independent Director : Lai,Ching-Chong  
Independent Director : Lee,Tsung-Pei  
(Convener)

March 19, 2021

## 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, 2020 and 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2020 and 2019, 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, 2020 and 2019, and its financial performance and its cash flows for the year ended December 31, 2020 and 2019 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 the auditing standards generally accepted in 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 Bank 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 2019 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 (l) 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(g) 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 relevant credit files, overdue aging, collateral value, historical default and loss probability. (iii) reviewing whether the loan is subject to objective evidence of impairment. (iv) evaluating whether the classification and estimation method used were appropriate. (v) 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”. (vi) 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 Securities Issuers 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 auditing standards generally accepted in 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain 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 26, 2021

#### **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 and Report Originally Issued in Chinese)  
LAND BANK OF TAIWAN CO., LTD.

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019			December 31, 2020		December 31, 2019	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Assets</b>					<b>Liabilities and Equity</b>				
11000 Total cash and cash equivalents (note 6(a))	\$ 39,264,254	1	47,000,250	2	<b>Current liabilities:</b>				
11500 Total due from the central bank and call loans to banks (note 6(b))	144,895,359	5	175,952,812	6	Total deposits from the central bank and banks (note 6(p))	\$ 347,507,303	11	313,577,959	11
12000 Total financial assets at fair value through profit or loss (notes 6(c) and (ad))	3,899,451	-	4,437,143	-	Total due to the central bank and banks	10,591,582	-	1,723,767	-
12100 Total financial assets at fair value through other comprehensive income (note 6(d),(ae) and 8)	114,068,569	4	114,603,444	4	Total financial liabilities at fair value through profit or loss (notes 6(c) and (aj))	8,942,683	-	11,468,186	-
12200 Investment in debt instruments measured at amortized cost (notes 6(h) and 8)	660,807,717	21	597,723,140	20	Total notes and bonds issued under repurchase agreement (note 6(e))	18,634,499	1	7,399,137	1
12500 Securities purchased under resell agreements, net (notes 6(e))	1,145,103	-	6,218,350	-	Total payables (note 6(q))	22,366,408	1	21,235,773	-
13000 Receivables, net (notes 6(f) and 7)	8,851,799	-	8,613,679	-	Total current tax liabilities	728,004	-	1,185,886	-
13200 Total current tax assets	19,670	-	20,993	-	Total deposits and remittances (note 6(r) and 7)	2,453,872,938	79	2,396,048,680	80
13500 Discounts and loans, net (notes 6(g), (ak) and 7)	2,079,869,366	67	1,986,505,361	66	Total bank debentures (notes 6(s) and (aj))	46,294,550	1	53,293,705	2
15000 Investments measured by equity method, net (note 6(i))	-	-	40,000	-	Total other financial liabilities (note 6(t) and (aj))	86,637	-	95,094	-
15500 Other financial assets, net (note 6(j) and (ak))	37,294	-	38,764	-	Total provisions (note 6(v))	20,662,942	1	18,953,270	1
18500 Property and equipment, net (note 6(k))	22,543,030	1	22,516,593	1	Lease liability (note 6 (u))	948,767	-	1,134,259	-
18600 Right-of-use Assets(note 6(l))	945,186	-	1,136,090	-	Total deferred income tax liabilities (note 6 (y))	6,914,019	-	6,914,019	-
18700 Investment property, net (note 6(m))	23,738,479	1	23,937,743	1	Total other liabilities(note6(x))	1,786,087	-	1,448,542	-
19000 Intangible assets, net (note 6(n))	914,924	-	857,311	-	<b>Total liabilities</b>	2,939,336,419	94	2,834,478,277	95
19300 Total deferred tax assets (note6(y))	2,259,468	-	2,392,843	-	<b>Equity attributable to owners of parent: (note 6(y))</b>				
19500 Other assets, net(note6(o) and 8)	11,457,337	-	10,714,152	-	Common stock	73,200,000	3	73,200,000	2
					Total capital surplus	21,748,869	1	21,748,869	1
					Legal reserve	38,871,122	1	36,556,295	1
					Special reserve	28,566,453	1	19,780,018	1
					Total unappropriated earnings	5,087,889	-	8,473,062	-
					Total other equity interest	72,523,464	2	64,809,375	2
					Total equity	7,906,254	-	8,472,147	-
					Total liabilities and equity	173,380,587	6	168,230,391	5
<b>Total assets</b>	<b>\$ 3,114,717,006</b>	<b>100</b>	<b>\$ 3,002,708,668</b>	<b>100</b>		<b>\$ 3,114,717,006</b>	<b>100</b>	<b>\$ 3,002,708,668</b>	<b>100</b>

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

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

		2020		2019		Change
		Amount	%	Amount	%	%
<b>Interest incomes:</b>						
41000	Total interest income	\$ 42,601,219	145	51,461,783	165	(17)
51000	Less: Total interest expenses	<u>16,205,670</u>	<u>55</u>	<u>23,350,609</u>	<u>75</u>	(31)
	Net income of interest (note 6(ab))	26,395,549	90	28,111,174	90	(6)
	Net non-interest income					
49100	Net service fee income (note 6(ac))	2,532,637	9	2,627,519	9	(4)
49200	Losses on financial assets or liabilities measured at fair value through profit or loss (notes 6(c) and (ad))	(2,805,209)	(10)	(1,491,001)	(5)	(88)
49310	Realized gain on financial assets at fair value through other comprehensive income, net(note 6(ac))	714,658	2	907,536	3	(21)
53601	Losses on disposal of investment in debt instruments measured at amortized cost(note 6(h))	(20)	-	-	-	-
49750	Subsidiary profit or loss recognized by using equity method (note 6(i))	-	-	87,884	-	(100)
49600	Foreign exchange gain	4,306,096	15	1,617,998	5	166
49863	Net gain on disposal of property	349,009	1	502,910	2	(31)
49899	Other miscellaneous loss (note 6(af))	<u>(2,161,822)</u>	<u>(7)</u>	<u>(1,135,269)</u>	<u>(4)</u>	(90)
		<u>29,330,898</u>	<u>100</u>	<u>31,228,751</u>	<u>100</u>	(6)
58200	Total bad debts expense and guarantee liability provision (note 6 (g))	<u>2,854,589</u>	<u>10</u>	<u>2,907,339</u>	<u>9</u>	(2)
<b>Operating Expenses:</b>						
58500	Total employee benefits expenses (note 6(ag))	9,411,664	32	9,149,834	29	3
59000	Total depreciation and amortization expense (note 6(ah))	1,475,158	5	1,431,870	5	3
59500	Total other general and administrative expense (note 6(ai))	<u>4,660,740</u>	<u>16</u>	<u>4,720,670</u>	<u>14</u>	(1)
		<u>15,547,562</u>	<u>53</u>	<u>15,302,374</u>	<u>48</u>	2
		<u>10,928,747</u>	<u>37</u>	<u>13,019,038</u>	<u>43</u>	(16)
	<b>Profit from continuing operations before tax</b>					
61003	Less: Income tax expenses	<u>2,291,628</u>	<u>8</u>	<u>2,952,442</u>	<u>9</u>	(22)
	<b>Profit</b>	<u>8,637,119</u>	<u>29</u>	<u>10,066,596</u>	<u>34</u>	(14)
65000	<b>Other comprehensive income:</b>					
65200	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
65201	Losses on remeasurements of defined benefit plans	(835,024)	(3)	(728,698)	(2)	(15)
65204	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	(356,942)	(1)	1,323,283	4	(127)
65206	Share of other comprehensive income of associates for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	-	-	(354)	-	100
65220	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-
		<u>(1,191,966)</u>	<u>(4)</u>	<u>594,231</u>	<u>2</u>	(42)
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 (z))	(1,472,322)	(5)	(375,528)	(1)	(292)
65308	Unrealized gains from investments in debt instruments measured at fair value through other comprehensive income	1,177,365	4	719,232	2	64
65320	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(294,957)</u>	<u>(1)</u>	<u>343,704</u>	<u>1</u>	(186)
65000	<b>Other comprehensive income</b>	<u>(1,486,923)</u>	<u>(5)</u>	<u>937,935</u>	<u>3</u>	(259)
	<b>Total comprehensive income</b>	<u>\$ 7,150,196</u>	<u>24</u>	<u>11,004,531</u>	<u>37</u>	(35)
	Basic earnings per share (note 6(aa))	<u>\$ 1.18</u>		<u>1.38</u>		

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

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Capital surplus	Retained earnings		Unappropriated retained earnings	Total other equity interest			
			Legal reserve	Special reserve		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, 2019</b>	\$ 62,594,000	21,748,869	33,837,326	26,786,698	5,728,121	(774,379)	7,305,225	6,530,846	157,225,860
Profit	-	-	-	-	10,066,596	-	-	-	10,066,596
Other comprehensive income	-	-	-	-	(729,052)	(375,528)	2,042,515	1,666,987	937,935
Total comprehensive income	-	-	-	-	9,337,544	(375,528)	2,042,515	1,666,987	11,004,531
Retained earnings transferred capital	10,606,000	-	-	(10,606,000)	-	-	-	-	-
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	2,718,969	-	(2,718,969)	-	-	-	-
Special reserve appropriated	-	-	-	3,625,292	(3,625,292)	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(274,314)	-	274,314	274,314	-
Reversal of the disposed land to special reserve	-	-	-	(25,972)	25,972	-	-	-	-
<b>Balance at December 31, 2019</b>	73,200,000	21,748,869	36,556,295	19,780,018	8,473,062	(1,149,907)	9,622,054	8,472,147	168,230,391
Profit	-	-	-	-	8,637,119	-	-	-	8,637,119
Other comprehensive income	-	-	-	-	(835,024)	(1,472,322)	820,423	(651,899)	(1,486,923)
Total comprehensive income	-	-	-	-	7,802,095	(1,472,322)	820,423	(651,899)	7,150,196
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	2,314,827	-	(2,314,827)	-	-	-	-
Special reserve appropriated	-	-	-	8,786,435	(8,786,435)	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(86,006)	-	86,006	86,006	-
<b>Balance at December 31, 2020</b>	\$ 73,200,000	21,748,869	38,871,122	28,566,453	5,087,889	(2,622,229)	10,528,483	7,906,254	175,380,587

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

**Statements of Cash Flows**  
**For the years ended December 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2020	2019
<b>Cash flows from (used in) operating activities:</b>		
Profit (loss) before tax	\$ 10,928,747	13,019,038
Adjustments:		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	1,211,425	1,183,311
Amortization expense	306,450	292,789
Provision for bad debt expense	2,854,589	2,907,339
Interest expense	16,205,670	23,350,609
Interest income	(42,601,219)	(51,461,783)
Dividend income	(427,819)	(516,642)
Net change in provisions for guarantee liabilities	(2,091)	(800)
Net change in other provisions	(399)	(187)
Share of profit of associates accounted for using equity method	-	(87,884)
Losses on disposal of investment properties	(349,009)	(502,910)
Other adjustments to reconcile profit	335	1,371
<b>Total adjustments to reconcile loss</b>	<u>(22,802,068)</u>	<u>(24,834,787)</u>
<b>Changes in operating assets and liabilities:</b>		
Decrease (increase) in due from the central bank and call loans to banks	(3,429,437)	11,788,707
Decrease in financial assets at fair value through profit or loss	537,692	816,541
Decrease (increase) in financial assets at fair value through other comprehensive income	1,350,651	(10,019,902)
Increase in investments in debt instruments measured at amortised cost	(63,106,863)	(10,678,980)
Decrease (increase) in securities purchased under resell agreements	5,073,247	(5,829,138)
Decrease (increase) in receivables	(1,124,221)	269,999
Increase in discounts and loans	(95,960,150)	(23,423,235)
Decrease (increase) in other financial assets	1,402	(32,659)
Increase in other assets	(634,506)	(1,614,827)
<b>Total changes in operating assets</b>	<u>(157,292,185)</u>	<u>(38,723,494)</u>
Increase in deposits from the central bank and banks	33,929,344	26,333,174
Increase (decrease) in financial liabilities at fair value through profit or loss	(2,525,503)	1,574,625
Increase (decrease) in notes and bonds issued under repurchase agreement	11,235,362	(2,341,144)
Increase (decrease) in payable	2,794,401	(4,766,868)
Increase (decrease) in deposits and remittances	57,824,258	(30,576,619)
Increase in provisions for employee benefits	799,293	368,706
Increase in other liabilities	58,632	44,705
<b>Total changes in operating liabilities</b>	<u>104,115,787</u>	<u>(9,363,421)</u>
<b>Total adjustments</b>	<u>(75,978,466)</u>	<u>(72,921,702)</u>
Cash outflow generated from operations	(65,049,719)	(59,902,664)
Interest received	43,525,858	51,994,582
Dividends received	427,819	516,642
Interest paid	(17,854,127)	(23,704,210)
Income taxes paid	(2,614,812)	(1,935,892)
<b>Net Cash flows used in operating activities</b>	<u>(41,564,981)</u>	<u>(33,031,542)</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property and equipment	(729,736)	(639,487)
Proceeds from disposal of property and equipment	-	136,379
Increase in refundable deposits	(108,679)	(27,854)
Acquisition of intangible assets	(364,101)	(300,521)
Proceeds from disposal of investment properties	505,556	654,015
<b>Net cash flows used in investing activities</b>	<u>(696,960)</u>	<u>(177,468)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in due to the central bank and banks	8,867,815	(216,142)
Proceeds from issuing bank notes payable	-	11,500,000
Repayments of bank notes payable	(7,000,500)	(17,800,655)
Increase in guarantee deposits received	278,913	320,443
Payment of lease liabilities	(467,796)	(450,190)
Decrease in other financial liabilities	(8,457)	(18,892)
<b>Net cash flows from (used in) financing activities</b>	<u>1,669,975</u>	<u>(6,665,436)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(1,662,379)</u>	<u>(478,698)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(42,254,345)</u>	<u>(40,353,144)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>138,796,459</u>	<u>179,149,603</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 96,542,114</u>	<u>138,796,459</u>
<b>Composition of cash and cash equivalents:</b>		
Cash and cash equivalents reported in the statement of financial position	\$ 39,264,254	47,000,250
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	56,132,757	85,577,859
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	1,145,103	6,218,350
<b>Cash and cash equivalents at end of period</b>	<u>\$ 96,542,114</u>	<u>138,796,459</u>

(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, 2020 and 2019**

**(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, 2019 there were 150 domestic branches, an offshore banking branch and 7 overseas branches.

In order to integrate resources effectively, reduce operating costs, and improve operating efficiency and the Bank merged with Land Bank Insurance Brokers Co., Ltd. (the “Subsidiary”) in accordance with Article 19 of the “Business Mergers and Acquisitions Act”. The merger was approved by the board of directors on August 23, 2019, with the base date set at January 1, 2020, wherein the Bank was the surviving company, and the subsidiary was the dissolved entity.

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

These consolidated financial statements were authorized for issuance by the Bank's board of directors on March 26, 2021.

**(3) New standards, amendments and interpretations adopted:**

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

The Bank has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

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

The Bank’s adoption of the new amendments, effective for annual period beginning on January 1, 2021, are expected to have the following impacts:

(i) Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS7, IFRS 4 and IFRS 16 relating to:

1) Change in basis for determining cash flows

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

On December 31, 2020, the Bank has \$105,001 million sterling LIBOR loans, bond investments of 41,480 million, and financial derivatives instruments of 6,491 million, and that will be subject to LIBOR reform.

In response to the challenges and risks of LIBOR conversion, and the planning and implementation of the conversion, the company plans the governance structure and project management of the LIBOR exit conversion plan. In the future, the company’s business organizers will evaluate the risk of LIBOR conversion impact.

Formulate risk mitigation measures based on risks, formulate the work content and execution schedule of the LIBOR conversion plan, and regularly convene the LIBOR conversion plan promotion group and the LIBOR conversion plan working group meeting to report the handling situation and progress to the company’s assets After the liability management committee (or risk management committee), report to the board of directors (or standing board of directors) of the bank, with a view to successfully completing the transition to LIBOR.

2) Disclosure

The amendments will require the Bank to disclose additional information about the entity’s exposure to risks arising from interest rate benchmark reform and related risk management activities.



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

3) Transition

The Bank plans to apply the amendments from January 1, 2021. Application will not impact amounts reported for 2020 or prior periods.

(ii) Other amendments

The following amendments are not expected to have a significant impact on the Bank's consolidated financial statements.

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"

(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 consolidated 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 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"
- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"

**(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);

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

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

(ii) Functional and presentation currency

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

(iii) General accounting affairs

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

The accounts of the Bank as of and for the year ended December 31, 2015, 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 2015, 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.

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

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 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

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

- b) 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.

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.



## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

#### 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.

#### 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.

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

(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.

(f) Investment under Equity Method

The Bank prepares its financial report, it adopts the equity method to evaluate the invested company with control. Under the equity method, the original acquisition is recognized at cost, and investment costs include transaction costs.

The financial report includes the amounts of profit and loss and other comprehensive gains and losses of the investee company based on the equity ratio after making necessary adjustments from the date of control to the date of losing control.

(g) 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 company.

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

#### (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.

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
- (h) 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.

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

(i) Leases

(i) Identifying a lease

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. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Bank has the right to direct the use of the asset throughout the period of use only if either:
  - the Bank has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:
    - the Bank has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the Bank designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) 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.

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's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

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.

For short-term leases of some leased houses and construction and machinery equipment and leases of low-value target assets, the Bank chose not to recognize the right-of-use assets and lease liabilities, and the related lease payments are recognized as expenses during the lease period on a straight-line basis.

The Bank chooses to adopt practical expedient practices for all leased real estate rent reductions that meet all the following conditions, and does not evaluate whether it is a lease modification :

- 1) Result from COVID-19 prevalent over the whole world
- 2) Changes in lease payments result in the revised consideration of the lease being almost the same or smaller than the consideration before the change

LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

- 3) Any reduction in lease payments will only affect payments that were originally due before December 31, 2021
- 4) There is no substantial change in other terms and conditions of the lease

Under practical expedient practices, when rent reductions cause changes in lease payments, the amount of changes is recognized in profit or loss when the event or circumstance that initiates rent reductions occurs.

(iii) 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.

(j) 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.

Intangible asset is computer software which is amortized by using the straight-line method over 3-5 years. The useful lives of intangible assets are as follows:

Computer software: 3~5 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.

(k) 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.



## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

(l) 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 0.5%, 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 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.

(m) 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.

(n) 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.

(o) 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.

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

(p) 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.

(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.

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

(q) 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.

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.

(r) 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.

(s) 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 in conformity with Regulations Governing the Preparation of Financial Reports by Public Banks, 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.

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

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.

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.

(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, 2020</b>	<b>December 31, 2019</b>
Cash on hand	\$ 11,892,112	18,720,597
Checks for clearing	7,612,152	8,236,131
Due from banks	19,759,990	20,043,522
	<u><u>\$ 39,264,254</u></u>	<u><u>47,000,250</u></u>

# LAND BANK OF TAIWAN CO., LTD.

## Notes to the Financial Statements

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

	December 31, 2020	December 31, 2019
Cash and cash equivalents in the statement of financial position	\$ 39,264,254	47,000,250
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	56,132,757	85,577,859
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	1,145,103	6,218,350
Total	<u>\$ 96,542,114</u>	<u>138,796,459</u>

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

	December 31, 2020	December 31, 2019
Reserves for deposits - a/c B	\$ 62,806,094	59,449,906
Reserves for deposits - a/c A	23,010,481	10,761,806
Deposits in the Central Bank	26,000,000	31,000,000
Less: Accumulated impairment loss (note 6(g))	(922)	(317)
Deposits in the authorities in the oversea	781,756	2,327,700
Call loans to banks	32,340,520	72,488,353
Less: Allowance for doubtful accounts (note 6(g))	(42,570)	(74,636)
	<u>\$ 144,895,359</u>	<u>175,952,812</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.

As of December 31, 2020 and 2019, the due from the Central Bank and call loans to banks were not pledged as collateral for business reserves and guarantees to other parties.

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

(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:

	December 31, 2020	December 31, 2019
Financial assets designated as at fair value through through profit or loss:		
Corporate bonds	\$ 575,674	607,513
Financial institution bond	728,385	1,059,764
Subtotal	1,304,059	1,667,277
Mandatorily measured at fair value through profit or loss:		
Commercial papers	419,844	584,487
Corporate bonds	111,390	10,500
Stocks	532,369	1,024,217
Futtrue margin	166	166
Beneficiary certificates	-	52,318
Options	1,259	3,199
Forward exchange contracts	6,281	11,425
Interest rate swap contracts	-	114
Asset swap	785,971	761,896
Foreign-currency swap contracts	738,112	321,544
Subtotal	2,595,392	2,769,866
Total	\$ 3,899,451	4,437,143

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

	December 31, 2020	December 31, 2019
Designated as fianacial liabilities at FVTPL:		
Financial bonds	\$ 6,395,062	10,081,735
Availiable-for-sale financial liabilities:		
Forward exchange contracts	14,199	31,207
Foreign-currency swap contracts	2,490,388	1,329,540
Interest rate swap contracts	33,971	22,498
Assets swap	7,725	-
Options	1,338	3,206
Subtotal	2,547,621	1,386,451
Total	\$ 8,942,683	11,468,186



# LAND BANK OF TAIWAN CO., LTD.

## Notes to the Financial Statements

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

	December 31, 2020	December 31, 2019
Forward exchange contracts	\$ 3,265,729	3,620,845
Foreign-currency swap contracts	105,575,423	92,671,506
Interest rate swap contracts	1,277,500	1,644,620
Asset Swap	5,670,000	9,296,900
Options	259,390	239,920

(iv) The net gains(losses) on financial assets held for trading for the years ended December 31, 2020 and 2019 were \$1,249,327 thousand dollars and \$968,405 thousand dollars, respectively. The net losses on financial liabilities held for trading for the years ended December 31, 2020 and 2019 were losses of \$1,555,882 thousand dollars and \$2,459,406 thousand dollars, respectively.

(v) No financial asset at fair value through profit and loss was pledged at December 31, 2020, and 2019.

(d) Financial assets at fair value through other comprehensive income ( FVOCI)

	December 31, 2020	December 31, 2019
Debt instruments at FVOCI:		
Government bonds	\$ 40,250,074	36,434,739
Corporate bonds	7,106,981	6,037,535
Financial institution bonds	51,316,716	54,096,599
Negotiable certificates of deposit	851,719	2,947,144
Subtotal	99,525,490	99,516,017
Equity instruments at FVOCI:		
Listed common shares- domestic company	8,815,509	9,778,806
Unlisted common shares- domestic company	5,727,570	5,308,621
Subtotal	14,543,079	15,087,427
Total	\$ 114,068,569	114,603,444

(i) The loss allowance of financial assets at FVOCI for the years ended December 31, 2020 and 2019 were reclassified from "Other equity- loss allowance for financial assets at FVOCI" to loss , without impacts to the carrying amount of financial assets at FVOCI so far. For the changes of loss allowance, please refer to note 6 (ak)

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

(ii) Equity investment at FVOCI

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

For the years ended December 31, 2020 and 2019, the dividend income from the equity investment at FVOCI was \$427,094 thousand and \$481,624 thousand.

For the year ended December 31, 2020 and 2019, the loss arising from disposal of equity investment at FVOCI was \$86,006 thousand and \$274,314 thousand. The Bank has transferred the disposal loss from other equity to retain earnings.

(iii) As of December 31, 2020 and 2019, the financial assets at FVOCI was pledged to other parties as collateral for business reserves and guarantees. Please refer to note 8.

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

There is no note and bond issued under resell agreement in 2020 and 2019. Securities sold under repurchase agreements, and their buyback amounts using determined price were as follows:

December 31, 2020				
Items	Bond Book Value	Repurchase agreement	Repurchase Price	Repurchase Date
Resell agreement:				
Commercial papers	\$ <u>1,148,000</u>	<u>1,145,103</u>	<u>1,145,344</u>	Resell gradually before January 18, 2021
Repurchase agreement:				
Government bonds	\$ <u>17,728,900</u>	<u>(18,634,499)</u>	<u>(18,647,689)</u>	Repurchase gradually before July 05, 2021
December 31, 2019				
Items	Bond Book Value	Repurchase agreement	Repurchase Price	Repurchase Date
Resell agreement:				
Commercial papers	\$ 5,486,000	5,478,070	5,480,146	Resell gradually before January 21, 2020
NCD	<u>740,000</u>	<u>740,280</u>	<u>740,561</u>	Resell gradually before January 15, 2020
	\$ <u>6,226,000</u>	<u>6,218,350</u>	<u>6,220,707</u>	
Repurchase agreement:				
Government bonds	\$ <u>6,946,900</u>	<u>(7,399,137)</u>	<u>(7,408,866)</u>	Repurchase gradually before July 06, 2020

# LAND BANK OF TAIWAN CO., LTD.

## Notes to the Financial Statements

(f) Receivables, net

	December 31, 2020	December 31, 2019
Accounts receivable	\$ 1,644,758	1,867,233
Client's Position - Debit	2,167,131	983,016
Earned income receivable	15,431	9,972
Interest receivable	3,737,016	4,661,655
Receivables from acceptance bills	1,011,866	861,099
Other receivables	<u>335,357</u>	<u>292,061</u>
Total	8,911,559	8,675,036
Less: Allowance for doubtful accounts (note 6(g))	<u>(59,760)</u>	<u>(61,357)</u>
Net	<u><u>\$ 8,851,799</u></u>	<u><u>8,613,679</u></u>

(g) Discounts and loans, net

	December 31, 2020	December 31, 2019
Import and export bills negotiated	\$ 280,037	61,785
Account receivables financing	-	24,600
Margins loans receivables	1,327,716	1,343,671
Discounted bills	556,339	431,117
Overdrafts	111,678	41,290
Secured overdrafts	457,348	934,538
Short-term loans	88,197,441	95,483,696
Short-term secured loans	41,772,637	36,263,413
Medium-term loans	250,901,153	238,833,962
Medium-term secured loans	540,923,589	475,327,956
Long-term loans	20,173,182	23,777,897
Long-term secured loans	1,166,811,705	1,142,620,541
Overdue loans	<u>2,899,804</u>	<u>3,077,659</u>
Total	2,114,412,629	2,018,222,125
Less: Allowance for doubtful accounts	<u>(34,549,864)</u>	<u>(31,727,060)</u>
Less: Adjustment for discounts and premiums	<u>6,601</u>	<u>10,296</u>
Net	<u><u>\$ 2,079,869,366</u></u>	<u><u>1,986,505,361</u></u>

- (i) As of December 31, 2020 and 2019, the balances of loans for which accrual of interest revenues was discontinued were \$2,915,724 thousand, and \$3,105,588 thousand, respectively. The unrecognized interest revenues on these loans were \$49,859 thousand and \$63,665 thousand for the years ended December 31, 2020 and 2019, respectively.

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

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

	<u>2020</u>	<u>2019</u>
Loans:		
Beginning balance	\$ 31,727,060	30,206,215
Provision for possible losses and doubtful accounts	2,780,513	2,823,541
Write off	(956,073)	(2,024,053)
Recoveries	1,182,732	819,791
Effects of changes in exchange rates	(184,368)	(98,434)
Ending balance	<u>\$ 34,549,864</u>	<u>31,727,060</u>
Receivables (including other financial assets):		
Beginning balance	\$ 144,447	133,839
Provision ( reversal of provision) for possible losses and doubtful accounts	(1,538)	18,622
Write off	(24,889)	(32,856)
Recoveries	16,625	25,486
Effects of changes in exchange rates and others	8	(644)
Ending balance	<u>\$ 134,653</u>	<u>144,447</u>
Call loans to banks:		
Beginning balance	\$ 74,636	28,362
Provision ( reversal of provision) for possible losses and doubtful accounts	(29,770)	48,700
Effects of changes in exchange rates	(2,296)	(2,426)
Ending balance	<u>\$ 42,570</u>	<u>74,636</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Receivables	\$ 59,760	61,357
Discounts and loans	34,549,864	31,727,060
Other financial assets	74,893	83,090
Call loans to banks(note6(b))	42,570	74,636
Expected credit losses-financial instrument (note6 (b) 、 (h) and (ak))	34,290	11,527
Total	<u>\$ 34,761,377</u>	<u>31,957,670</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, 2020 and 2019 were as follows:

	2020	2019
Provision for losses on discounts and loans	\$ 2,778,975	2,842,163
Provision for losses on guarantees	67,921	44,534
Provision (reversal of provision) for other	10,306	(32,526)
Provision (reversal of provision) for financial commitments	(382)	1,391
Provision (reversal of provision) for losses on call loans to banks	(29,770)	48,700
Expected credit losses-financial instrument (Note 6(ak))	27,539	3,077
Total	<u>\$ 2,854,589</u>	<u>2,907,339</u>

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

- (h) Debt investment at amortized cost

	December 31, 2020	December 31, 2019
Government bonds	\$ 145,693,373	137,770,565
Corporate bonds	21,576,352	16,890,168
Financial institution bonds	19,621,648	19,312,556
Commercial papers	28,189,712	36,836,038
Domestic negotiable certificates of deposit	445,760,000	386,925,023
	660,841,085	597,734,350
Less: Loss allowance	(33,368)	(11,210)
	<u>\$ 660,807,717</u>	<u>597,723,140</u>

- (i) The Bank has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.
- (ii) For the years ended December 31, 2020 and 2019, the disposal loss from disposing debt investment measured at amortized cost was \$20 thousand and \$0 thousand.
- (iii) For the information of credit risk, please refer to note 6 (ak).
- (iv) As of December 31, 2020 and 2019, the debt investment measured at amortized cost was pledged to other parties as collateral for business reserves and guarantees. Please refer to note (8).

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

(i) Investment under equity method

	December 31, 2019	
	Book value	Shareholding(%)
Land Bank Insurance Brokers	\$ 40,000	100

The Bank's share of subsidiary's profit or loss :

	2019
The Bank's share of subsidiary's profit	\$ 87,884

The financial information of the Bank's subsidiary is listed below :

	December 31, 2019
Total asset	\$ 76,488
Total liability	\$ 36,488

	2019
Revenue	\$ 1,032,265
Net income	\$ 87,884

In order to integrate resources effectively, reduce operating costs, and improve operating efficiency and the Bank merged with Land Bank Insurance Brokers Co., Ltd.(the "Subsidiary") in accordance with Article 19 of the "Business Mergers and Acquisitions Act". The merger was approved by the board of directors on August 23, 2019, with the base date set at January 1, 2020, wherein the Bank was the surviving company, and subsidiary was the dissolved entity.

The Company's investments under equity method did not provide any guarantee or pledge.

(j) Other financial assets, net

	December 31, 2020	December 31, 2019
Overdue loans and others	\$ 112,187	121,854
Less: allowance for bad debt - Overdue loans and others (note 6(g))	(74,893)	(83,090)
	\$ 37,294	38,764



# LAND BANK OF TAIWAN CO., LTD.

## Notes to the Financial Statements

### (k) Property and Equipment, net

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

December 31, 2020				
Asset	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	\$ 14,476,776	-	(1,026)	14,475,750
Land improvements	11,847	(11,847)	-	-
Buildings	12,226,937	(6,386,867)	-	5,840,070
Machinery and computer equipment	2,795,816	(1,601,522)	-	1,194,294
Transportation equipment	428,927	(359,966)	-	68,961
Miscellaneous equipment	825,033	(599,715)	-	225,318
Leasehold improvements	127,270	(76,017)	-	51,253
Construction in progress	44,342	-	-	44,342
Machinery on order	643,042	-	-	643,042
Total	<u>\$ 31,579,990</u>	<u>(9,035,934)</u>	<u>(1,026)</u>	<u>22,543,030</u>

December 31, 2019				
Asset	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	\$ 14,476,776	-	(1,026)	14,475,750
Land improvements	11,847	(11,847)	-	-
Buildings	12,152,231	(6,125,851)	-	6,026,380
Machinery and computer equipment	2,506,724	(1,542,463)	-	964,261
Transportation equipment	437,341	(370,171)	-	67,170
Miscellaneous equipment	871,120	(658,685)	-	212,435
Leasehold improvements	102,343	(65,579)	-	36,764
Construction in progress	62,800	-	-	62,800
Machinery on order	671,033	-	-	671,033
Total	<u>\$ 31,292,215</u>	<u>(8,774,596)</u>	<u>(1,026)</u>	<u>22,516,593</u>

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

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

	Land	Buildings	Others	Total
Cost:				
Balance at January 1, 2020	\$ 14,476,776	12,152,231	4,663,208	31,292,215
Consolidation adjustment	-	-	10,317	10,317
Additions	-	-	729,736	729,736
Write-offs	-	-	(448,112)	(448,112)
Reclassification	-	74,706	(74,706)	-
Exchange rate changes and others	-	-	(4,166)	(4,166)
Balance at December 31, 2020	<u>\$ 14,476,776</u>	<u>12,226,937</u>	<u>4,876,277</u>	<u>31,579,990</u>
Balance at January 1, 2019	\$ 14,516,060	11,990,881	4,518,758	31,025,699
Additions	-	-	639,487	639,487
Disposals	(39,284)	-	-	(39,284)
Write-offs	-	-	(329,571)	(329,571)
Reclassification	-	161,350	(161,350)	-
Exchange rate changes and others	-	-	(4,116)	(4,116)
Balance at December 31, 2019	<u>\$ 14,476,776</u>	<u>12,152,231</u>	<u>4,663,208</u>	<u>31,292,215</u>
Depreciation and Amortization:				
Balance at January 1, 2020	\$ 1,026	6,125,851	2,648,745	8,775,622
Consolidation adjustment	-	-	7,257	7,257
Depreciation	-	261,016	444,219	705,235
Disposals	-	-	(447,777)	(447,777)
Exchange rate changes and others	-	-	(3,377)	(3,377)
Balance at December 31, 2020	<u>\$ 1,026</u>	<u>6,386,867</u>	<u>2,649,067</u>	<u>9,036,960</u>
Balance at January 1, 2019	\$ 1,026	5,855,557	2,547,051	8,403,634
Depreciation	-	270,294	433,420	703,714
Disposals	-	-	(329,069)	(329,069)
Exchange rate changes and others	-	-	(2,657)	(2,657)
Balance at December 31, 2019	<u>\$ 1,026</u>	<u>6,125,851</u>	<u>2,648,745</u>	<u>8,775,622</u>
Carrying amounts:				
December 31, 2020	<u>\$ 14,475,750</u>	<u>5,840,070</u>	<u>2,227,210</u>	<u>22,543,030</u>
December 31, 2019	<u>\$ 14,475,750</u>	<u>6,026,380</u>	<u>2,014,463</u>	<u>22,516,593</u>

(iii) No property and equipment was pledged at December 31, 2020 and 2019.

# LAND BANK OF TAIWAN CO., LTD.

## Notes to the Financial Statements

### (l) 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, 2020	\$ 7,126	1,533,594	7,874	1,548,594
Additions	985	278,356	1,263	280,604
Deduction	(370)	(93,868)	(1,118)	(95,356)
Effects of exchange rate change	-	(6,771)	(37)	(6,808)
Balance at December 31, 2020	<u>\$ 7,741</u>	<u>1,711,311</u>	<u>7,982</u>	<u>1,727,034</u>
Balance at January 1, 2019	\$ 1,463	1,182,085	7,860	1,191,408
Additions	5,663	422,422	57	428,142
Deduction	-	(64,001)	(23)	(64,024)
Effects of exchange rate change	-	(6,912)	(20)	(6,932)
Balance at December 31, 2019	<u>\$ 7,126</u>	<u>1,533,594</u>	<u>7,874</u>	<u>1,548,594</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2020	\$ 1,518	407,460	3,526	412,504
Depreciation	2,537	457,867	3,069	463,473
Deduction	(370)	(90,322)	(1,113)	(91,805)
Effects of exchange rate change	-	(2,311)	(13)	(2,324)
Balance at December 31, 2020	<u>\$ 3,685</u>	<u>772,694</u>	<u>5,469</u>	<u>781,848</u>
Balance at January 1, 2019	\$ -	-	-	-
Depreciation	1,518	430,314	3,535	435,367
Deduction	-	(20,973)	-	(20,973)
Effects of exchange rate change	-	(1,881)	(9)	(1,890)
Balance at December 31, 2019	<u>\$ 1,518</u>	<u>407,460</u>	<u>3,526</u>	<u>412,504</u>
Carrying amount:				
Balance at December 31, 2020	<u>\$ 4,056</u>	<u>938,617</u>	<u>2,513</u>	<u>945,186</u>
Balance at December 31, 2019	<u>\$ 5,608</u>	<u>1,126,134</u>	<u>4,348</u>	<u>1,136,090</u>

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

(m) Investment Property, net

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

December 31, 2020				
Assets	Cost	Accumulated Depreciation	Accumulated impairment	Carrying amounts
Land	\$ 22,713,450	-	(101,180)	22,612,270
Buildings	1,888,745	(762,536)	-	1,126,209
Total	<u>\$ 24,602,195</u>	<u>(762,536)</u>	<u>(101,180)</u>	<u>23,738,479</u>

December 31, 2019				
Assets	Cost	Accumulated Depreciation	Accumulated impairment	Carrying amounts
Land	\$ 22,870,360	-	(101,543)	22,768,817
Buildings	1,888,745	(719,819)	-	1,168,926
Total	<u>\$ 24,759,105</u>	<u>(719,819)</u>	<u>(101,543)</u>	<u>23,937,743</u>

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

	Land	Buildings	Total
Cost:			
Balance at January 1, 2020	\$ 22,870,360	1,888,745	24,759,105
Disposals	(156,910)	-	(156,910)
Balance at December 31, 2020	<u>\$ 22,713,450</u>	<u>1,888,745</u>	<u>24,602,195</u>
Balance at January 1, 2019	\$ 23,118,057	1,888,745	25,006,802
Disposals	(247,697)	-	(247,697)
Balance at December 31, 2019	<u>\$ 22,870,360</u>	<u>1,888,745</u>	<u>24,759,105</u>
Depreciation and Amortization:			
Balance at January 1, 2020	\$ 101,543	719,819	821,362
Depreciation	-	42,717	42,717
Disposals	(363)	-	(363)
Balance at December 31, 2020	<u>\$ 101,180</u>	<u>762,536</u>	<u>863,716</u>
Balance at January 1, 2019	\$ 101,543	675,589	777,132
Depreciation	-	44,230	44,230
Balance at December 31, 2019	<u>\$ 101,543</u>	<u>719,819</u>	<u>821,362</u>
Carrying amounts:			
December 31, 2020	<u>\$ 22,612,270</u>	<u>1,126,209</u>	<u>23,738,479</u>
December 31, 2019	<u>\$ 22,768,817</u>	<u>1,168,926</u>	<u>23,937,743</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, 2020 and 2019, the fair values of investment properties are \$44,758,569 thousand and \$44,278,224 thousand, respectively.

# LAND BANK OF TAIWAN CO., LTD.

## Notes to the Financial Statements

- (iv) The rental revenues of investment property for the years ended 2020 and 2019 were \$251,925 thousand and \$289,638 thousand, respectively.
- (v) The depreciation expenses of investment property for the years ended 2020 and 2019 were \$42,717 thousand and \$44,230 thousand, respectively.
- (vi) No investment property was pledged at December 31, 2020 and 2019.
- (n) Intangibles assets, net

December 31, 2020				
Assets	Cost	Accumulated Amortization	Accumulated Impairment loss	Carrying amounts
Computer Software	<u>\$ 2,987,837</u>	<u>(2,072,913)</u>	<u>-</u>	<u>914,924</u>
December 31, 2019				
Assets	Cost	Accumulated Amortization	Accumulated Impairment loss	Carrying amounts
Computer Software	<u>\$ 2,624,558</u>	<u>(1,767,247)</u>	<u>-</u>	<u>857,311</u>

The changes in intangible assets were as follows:

	Computer Software
Costs:	
Balance at January 1, 2020	\$ 2,624,558
Additions	364,101
Effect of change in exchange rates	(822)
Balance at December 31, 2020	<u>\$ 2,987,837</u>
Balance at January 1, 2019	\$ 2,324,554
Additions	300,521
Effect of change in exchange rates	(517)
Balance at December 31, 2019	<u>\$ 2,624,558</u>
Accumulated Amortization:	
Balance at January 1, 2020	\$ 1,767,247
Amortization	306,450
Effect of change in exchange rates	(784)
Balance at December 31, 2020	<u>\$ 2,072,913</u>
Balance at January 1, 2019	\$ 1,474,849
Amortization	292,789
Effect of change in exchange rates	(391)
Balance at December 31, 2019	<u>\$ 1,767,247</u>
Carrying amounts:	
December 31, 2020	<u>\$ 914,924</u>
December 31, 2019	<u>\$ 857,311</u>

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

(o) Other assets, net

	December 31, 2020	December 31, 2019
Prepayment	\$ 9,115,381	8,621,609
Guarantee deposits paid	2,077,977	1,969,298
Operating guarantee deposits, net	25,022	25,506
Temporary payments and suspense accounts	238,957	97,739
Total	<u>\$ 11,457,337</u>	<u>10,714,152</u>

For other assets pledged in reserves of business as of December 31, 2020 and 2019, please see note 8.

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

	December 31, 2020	December 31, 2019
Due to the Central Bank	\$ 738,557	484,049
Due to other banks	5,567,232	12,295,373
Due to Taiwan Post Co., Ltd.	234,483,519	195,811,541
Overdrafts from banks	641,310	497,270
Call loans from banks	106,076,685	104,489,726
Total	<u>\$ 347,507,303</u>	<u>313,577,959</u>

(q) Payable

	December 31, 2020	December 31, 2019
Accounts payable	\$ 135,356	139,729
Brokering transactions credit balance	2,147,019	974,251
Accrued expenses	2,313,398	2,337,245
Accrued interest	2,715,940	4,379,706
Acceptances	1,241,654	965,371
Collection received on behalf of customers	860,003	724,990
Deposits received from securities borrowers	81,301	54,272
Guaranteed price deposits received from securities borrowers	88,658	62,249
Checks for clearing	8,591,616	9,277,682
Payable of compensation to land prices	86,012	70,117
Payable of short-term compensated absences	801,582	781,491
Other payables	3,303,869	1,468,670
Total	<u>\$ 22,366,408</u>	<u>21,235,773</u>



# LAND BANK OF TAIWAN CO., LTD.

## Notes to the Financial Statements

### (r) Deposits and remittances

	December 31, 2020	December 31, 2019
Check deposits	\$ 40,294,002	33,332,310
Government deposits	166,488,413	149,354,529
Demand deposits	456,344,588	366,186,332
Time deposits	660,957,867	762,724,464
Savings deposits	1,129,785,027	1,084,429,157
Remittances under custody	44	265
Remittances outstanding	2,997	21,623
Total	<u>\$ 2,453,872,938</u>	<u>2,396,048,680</u>

### (s) Bank debentures

	December 31, 2020	December 31, 2019
Subordinated bank debentures	\$ 46,300,000	53,300,000
Less: unamortized issuance costs	(5,450)	(6,295)
Total	<u>\$ 46,294,550</u>	<u>53,293,705</u>

- (i) According to the approval letter Jin-Guan-Yin-Guo-Zi No. 10100346720 published by the Banking Bureau, Financial Supervisory Commission in 2012, the Bank can issue an annual-interest-payment, and a principle-payment-at-maturity subordinated bank debentures several times with a maximum amount of \$38,000,000 thousand. The Bank issued ten-year subordinated bank debentures totaling \$10,300,000 thousand during the year 2012. The interest rate is based on the fixed rate of 1.55%. The subordinated bank debentures are repayable at the maturity in December 2022.
- (ii) According to the approval letter Jin-Guan-Yin-Guo-Zi No. 10200314700 published by the Banking Bureau, Financial Supervisory Commission in 2013, the Bank can issue an annual-interest-payment, and a principle-payment-at-maturity subordinated bank debentures several times with a maximum amount of \$38,000,000 thousand. The Bank issued seven-year subordinated bank debentures totaling \$3,000,000 thousand in December 2013. The interest rate is based on the fixed rate of 1.72%. The subordinated bank debentures are repayable at the maturity in December 2020.

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

**Notes to the Financial Statements**

- (iii) According to the approval letter Jin-Guan-Yin-Guo-Zi No. 10300306340 published by the Banking Bureau, Financial Supervisory Commission in 2014, the Bank can issue an annual-interest-payment, and a principle-payment-at-maturity subordinated bank debentures several times with a maximum amount of \$38,000,000 thousand. The Bank issued ten-year subordinated bank debentures totaling \$18,000,000 thousand on December 2014. The interest rate is based on the fixed rate of 1.98%; The Bank issued ten-year subordinated bank debentures totaling \$7,500,000 thousand in December 2014. The interest rate is based on the fixed rate of 3.50%. The subordinated bank debentures are repayable at the maturity on December 2024. The Bank issued ten-year subordinated bank debentures totaling \$4,000,000 thousand in December 2014 and the debentures had redeemed on May 2020.
- (iv) According to the approval letter Jin-Guan-Yin-Guo-Zi No. 10400037690 published by the Banking Bureau, Financial Supervisory Commission in 2015, the Bank can issue a principal-payment-and-interest-at-maturity senior unsecured bank debentures several times with a maximum amount of USD500,000 thousand. The Bank issued thirty-year unsecured senior bank debentures totaling USD110,000 thousand on April 10, 2015 and the debentures had redeemed on April 2020. The Bank engaged in interest swap contracts in order to hedge their interest risk. The Bank designated the debenture as at fair value through profit or loss in order to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise, please see note 6(c). According to the approval letter Jin-Guan-Yin-Guo-Zi No. 10600097130 published by the Banking Bureau, Financial Supervisory Commission in 2017, the Bank can issue a principal-payment-and-interest-at maturity senior unsecured bank debentures several times with maximum amount of USD1,000,000 thousand. The bank issued thirty-year unsecured senior bank debentures totaling USD200,000 thousand on May 11, 2018.
- (v) According to the approval letter Jin-Guan-Yin-Guo-Zi No. 10400262760 published by the Banking Bureau, Financial Supervisory Commission in 2015, the Bank can issue a ten-year term annual-interest-payment, and principle-payment-at-maturity subordinated bank debentures several times with a maximum amount of \$35,000,000 thousand. The Bank issued ten-year subordinated bank debentures totaling \$5,000,000 thousand in December 2015. The interest rate is based on the fixed rate of 1.70%. Bond to maturity is in December 2025.
- (vi) According to the approval letter Jin-Guan-Yin-Guo-Zi No. 10500271640 published by the Banking Bureau, Financial Supervisory Commission in 2016, the Bank can issue a no maturity on non-cumulative, and annual-interest-payment subordinated bank debentures several times with a maximum amount of \$40,000,000 thousand. The Bank issued the subordinated bank debentures totaling \$7,500,000 thousand and \$4,500,000 thousand in December 2016 and June 2017, respectively. The interest rate is based on the fixed rate of 3.15% and 2.95%.
- (vii) According to the approval letter Jin-Guan-Yin-Guo-Zi No. 10702244980 published by the Banking Bureau, Financial Supervisory Commission in 2018, the Bank can issue subordinated bank debentures and unsecured bank debentures by installments, with a maximum amount of \$10,000,000 thousand and \$50,000,000 thousand.

# LAND BANK OF TAIWAN CO., LTD.

## Notes to the Financial Statements

(viii) According to the approval letter Jin-Guan-Yin-Guo-Zi No. 1080218109 published by the Banking Bureau, Financial Supervisory Commission in 2019, the Bank can issue perpetual subordinated bank debentures with a fixed-rate coupon of 1.58% by installments, with a maximum amount of \$20,000,000 thousand. In November, 2019, the total issued perpetual subordinated bank debentures issued by the Bank amounted to \$11,500,000 thousand.

### (t) Other financial liabilities

	December 31, 2020	December 31, 2019
Cumulative earnings on appropriated loan fund	\$ <u>86,637</u>	<u>95,094</u>

### (u) Lease liabilities

The lease liabilities of the Bank were as follows:

	December 31, 2020	December 31, 2019
Current	\$ <u>948,767</u>	<u>1,134,259</u>

The amounts recognized in profit or loss were as follows:

	2020	2019
Interest on lease liabilities	\$ <u>13,964</u>	<u>14,869</u>
Variable lease payments not included in the measurement of lease liabilities	<u>8,825</u>	<u>4,079</u>
Expenses relating to short-term leases	\$ <u>5,914</u>	<u>45,577</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>6,506</u>	<u>5,521</u>

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

	2020	2019
Total cash outflow for leases	\$ <u>467,796</u>	<u>450,190</u>

### (i) Real estate leases

As of December 31, 2020 and 2019, the Bank leases land and buildings for its office space. The leases of office space typically run for 2 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 leasee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

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

(ii) Other leases

The Bank leases vehicles and equipment, with lease terms of two to five years.

(v) Provision

	December 31, 2020	December 31, 2019
Employee benefit (note 6(v))	\$ 20,046,801	18,412,484
Reserve for guarantee liabilities(Note 6(aj))	571,530	505,700
Reserve for loan commitment(Note 6(aj))	26,328	27,084
Other reserve-receivables from credit loan(Note 6(aj))	18,283	8,002
Total	<u>\$ 20,662,942</u>	<u>18,953,270</u>

(w) Employee benefit

The Bank adopts pension costs actuarial decided on December 31, 2019 and 2018 since there is no significant one-off matters such as market volatility, reduce and pay off appears in previous year.

(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 \$2,808 thousand and \$1,938 thousand for the years ended 2020 and 2019, respectively. Payment was made to the Bureau of the Labor Insurance.

(ii) Provision for employee benefit:

The Bank's employee benefits were as follows:

	December 31, 2020	December 31, 2019
Defined benefit plans	\$ 14,322,643	13,445,065
Employee benefit savings account	5,712,954	4,957,167
Three important festivals bonus	11,204	10,252
Total	<u>\$ 20,046,801</u>	<u>18,412,484</u>

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

#### 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.

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, 2020</b>	<b>December 31, 2019</b>
Total present value of obligations	\$ 14,973,278	14,094,718
Fair value of plan assets	(650,635)	(649,653)
Recognized liabilities for defined benefit obligations	<u>\$ 14,322,643</u>	<u>13,445,065</u>

##### i) Composition of plan assets

As of December 31, 2019, the Bank's Employee Retirement Fund Management Committee was \$236,528 thousand.

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.

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

The Bank of Taiwan labor pension reserve account balance amounted to \$414,107 thousand 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.

#### 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 2020 and 2019 were as follows:

	<b>2020</b>	<b>2019</b>
Defined benefit obligations on January 1	\$ 14,094,719	13,119,887
Current service costs and interests	861,604	857,978
Remeasurement of net defined benefit liabilities		
— Movements in financial assumption	407,955	375,730
— Experience adjustment	445,330	364,417
Benefits paid by the plan	(848,798)	(623,294)
Consolidation adjustments	12,468	-
Defined benefit obligations on December 31	<u><u>\$ 14,973,278</u></u>	<u><u>14,094,718</u></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 2020 and 2019 were as follows:

	<b>2020</b>	<b>2019</b>
Fair value of plan assets on January 1	\$ 649,653	760,386
Interest revenue	7,288	9,753
Remeasurement of net defined benefit liabilities (assets)		
— Expected returns on plan assets(exclude current interest)	20,540	10,032
Contributions made	808,328	479,124
Benefits paid by the plan	(835,174)	(609,642)
Fair value of plan assets on December 31	<u><u>\$ 650,635</u></u>	<u><u>649,653</u></u>



## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

iv) Expense recognized in profit or loss

Expense recognized in profit or loss for the years ended 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current service costs and interest cost	\$ <u>854,316</u>	<u>848,255</u>

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>2020</u>	<u>2019</u>
Accumulated balance at January 1	\$ 2,494,717	1,764,602
Recognition	<u>832,745</u>	<u>730,115</u>
Accumulated balance at December 31	\$ <u>3,327,462</u>	<u>2,494,717</u>

vi) Actuarial assumptions

	<u>2020.12.31</u>	<u>2019.12.31</u>
Discount rate	1.000 %	1.250 %
Expected return on plan assets	1.000 %	1.250 %
Future salary increases	2.000 %	2.000 %

The expected allocation payment made by the Bank to the defined benefit plans for the one year period after the reporting date was \$824,495 thousand.

The weighted average duration of the defined benefit plan is 5.5 to 17.10 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.

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

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

	<b>Impact of defined benefit obligations</b>	
	<b>Add0.25%</b>	<b>Less0.25%</b>
December 31, 2020		
Discount rate	\$ (608,789)	682,798
December 31, 2019		
Discount rate	(589,136)	660,913

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 2020 and 2019 were as follows:

	<b>2020</b>	<b>2019</b>
Defined benefit obligations on January 1	\$ 4,957,167	4,942,363
Current service cost and interest cost	1,367,558	1,431,848
Remeasurement of net defined benefit liabilities		
— Experience adjustment	695,824	(194,141)
Benefits paid by the plan	(1,307,595)	(1,222,903)
Defined benefit obligations on December 31	<b>\$ 5,712,954</b>	<b>4,957,167</b>

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

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

Expense recognized in profit or loss for the years ended 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current service cost and interest cost	\$ 1,367,558	1,431,848
Remeasurement of net defined benefit liabilities	<u>695,824</u>	<u>(194,141)</u>
	<u><u>\$ 2,063,382</u></u>	<u><u>1,237,707</u></u>

#### iii) Actuarial assumptions

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Discount rate	4.00 %	4.00 %
Expected rate of return on funds deposited	1.000 %	1.250 %
Probability of preferential deposit system changing (cancellation)	50.00 %	50.00 %
Pension preferential deposit withdraw ratio	1.00 %	1.00 %
Future salary increases	2.00 %	2.00 %

The weighted average duration of the defined benefit plan is 9.5 to 0.0 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, 2020		
Discount rate	\$ (99,594)	113,506
December 31, 2019		
Discount rate	(89,020)	101,456

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

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

c) Three important festivals bonus

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

The movements in the present value of the defined benefit obligations for the years ended 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Defined benefit obligations on January 1	\$ 10,252	12,863
Current service costs and interests	119	183
Remeasurment of net defined benefit liabilities		
— Movements in financial assumption	235	-
— Experience adjustment	2,044	(1,417)
Benefits paid by the plan	(1,446)	(1,377)
Defined benefit obligations on December 31	<u>\$ 11,204</u>	<u>10,252</u>

ii) Expense recognized in profit or loss

Expense recognized in profit or loss for the years ended 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current service costs and interests costs	<u>\$ 119</u>	<u>183</u>

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

	<u>2020</u>	<u>2019</u>
Accumulated balance at January 1	\$ 30,625	32,042
Recognition	2,279	(1,417)
Accumulated balance at December 31	<u>\$ 32,904</u>	<u>30,625</u>

# LAND BANK OF TAIWAN CO., LTD.

## Notes to the Financial Statements

### iv) Actuarial assumptions

	<u>2020.12.31</u>	<u>2019.12.31</u>
Discount rate	1.000 %	1.250 %
Future salary increase	2.00 %	2.00 %

### 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.

	<u>Impact of defined benefit obligations</u>	
	<u>Add0.25%</u>	<u>Less0.25%</u>
December 31, 2020		
Discount rate	\$ (196)	218
December 31, 2019		
Discount rate	(179)	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.

### (x) Other Liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Revenue received in advance	\$ 513,993	439,979
Guarantee deposits	1,209,529	930,616
Temporary receivers	43,539	58,195
Deferred revenue	18,945	19,656
Others	81	96
Total	<u>\$ 1,786,087</u>	<u>1,448,542</u>

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

(y) Income Tax Expenses

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

	<u>2020</u>	<u>2019</u>
Current income tax expense		
current period	\$ 2,278,733	2,450,429
Overseas branches' income tax expense	<u>(120,480)</u>	<u>313,040</u>
	<u>2,158,253</u>	<u>2,763,469</u>
Deferred income tax expense		
Recognition and reversal of temporary differences	116,652	265,397
Overseas branches' income tax expense	<u>16,723</u>	<u>(76,424)</u>
	<u>133,375</u>	<u>188,973</u>
Income tax expense	<u><u>\$ 2,291,628</u></u>	<u><u>2,952,442</u></u>

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

	<u>2020</u>	<u>2019</u>
Net income before income tax	<u><u>\$ 10,928,747</u></u>	<u><u>13,019,038</u></u>
Income tax expense before income tax at statutory rate 20%	\$ 2,185,749	2,603,808
Overseas branches' income tax expense	448,685	382,329
Tax-exempt gains and other	<u>(342,806)</u>	<u>(33,695)</u>
Income tax expense	<u><u>\$ 2,291,628</u></u>	<u><u>2,952,442</u></u>

(ii) Deferred income tax assets and liabilities

1) Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows:

a) Deferred Tax Assets:

	<u>Defined benefit plans</u>	<u>Allowance for bad debts</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2020	\$ 1,960,787		432,056	2,392,843
Recognized in profit or loss	<u>(149,347)</u>	<u>-</u>	<u>15,972</u>	<u>(133,375)</u>
December 31, 2020	<u><u>\$ 1,811,440</u></u>	<u>-</u>	<u>448,028</u>	<u><u>2,259,468</u></u>
Balance at January 1, 2019	\$ 2,275,152	175,073	203,207	2,653,432
Recognized in profit or loss	<u>(314,365)</u>	<u>(175,073)</u>	<u>228,849</u>	<u>(260,589)</u>
December 31, 2019	<u><u>\$ 1,960,787</u></u>	<u>-</u>	<u>432,056</u>	<u><u>2,392,843</u></u>



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

b) Deferred Tax Liabilities:

	<b>Reserve for land value increment tax</b>	<b>Others</b>	<b>Total</b>
December 31, 2020 (also Balance at January 1, 2020)	\$ <b>6,914,019</b>	-	<b>6,914,019</b>
Balance at January 1, 2019	\$ 6,926,029	59,606	6,985,635
Recognized in profit or loss	(12,010)	(59,606)	(71,616)
December 31, 2019	\$ <b>6,914,019</b>	-	<b>6,914,019</b>

2) Unrecognized deferred income tax assets

As of December 31, 2020 and 2019 the Unrecognized deferred income tax assets were \$3,785,609 thousand and \$3,003,803 thousand, respectively.

(iii) The income tax returns for the year 2019 have been assessed by the Tax Authorities.

(z) Stockholders' Equity

(i) Capital stock

On August 23, 2019, the Bank's board of directors decided to transfer the special reserve of \$10,606,000 thousand and accumulated earnings of \$10,606,000 thousand to issue common stocks; the registration process had been completed.

On December 31, 2020 and 2019, authorized and outstanding capital were \$- thousand and \$73,200,000 thousand.

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 board of directors.

(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.

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

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

#### (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:

	December 31, 2020	December 31, 2019
Provision for the purpose of strengthening the self-owned capital	\$ 21,515,746	12,729,311
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	(110,545)	(110,545)
	<u>\$ 28,566,453</u>	<u>19,780,018</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. 09900738571 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

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

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 thousand to special reserve according to the abovementioned modification of regulations.

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

In compliance with the Jin Guan Zheng Fa Zi No. 1010012865 issued by FSC dated on April 6, 2012, the Bank elected not to apply IFRS 1 in recognizing reserve for assets revaluation and credit balance of cumulative translation adjustments under the stockholders' equity. In addition, the Bank reclassified the above accounts amounts to retained earnings, which was also the special reserve's provision amounts the Bank could recognized. However, due to the first adoption of IFRSs, if gain on retained earnings is less than the provision on the date of transition; the Bank can only increase the provision for retained earnings which is generated from the adoption IFRSs on the date of transition. Subsequently, the Bank can reverse the distribution surplus in proportion to the original provision for special reserve when using, disposing or reclassifying relating assets.

In accordance with IFRS 1 as agreed by the FSC, the Bank elected to apply the exemptions and reclassify the reserve for assets revaluation of \$7,870,779 thousand 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 thousand. The incremental unappropriated earning is contributed to special reserve.

For the year ended December 31, 2020 and 2019, 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 \$0 thousand and \$25,972 thousand, respectively.

According to Executive Yuan, the increase in retained earnings as a result of first adoption of IFRS in government-owned enterprises is recorded as adjustments in first adoption of IFRS. The originally accumulated loss should not be deducted and should not be presented in special reserve.

### 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.

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

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 have not yet been appropriated to the government.

The total available for distribution surplus is \$17,110,181 thousand, including undistributed surplus of \$8,473,062 thousand as of December 31, 2018, and net income after tax \$8,637,119 thousand of 2020. The Bank distributed as follows: Filled the retained surplus loss of \$921,030 thousand (determined loss of the welfare plan \$835,024 thousand and the loss of equity instruments measured at fair value through other comprehensive gains and losses of \$86,006 thousand), recognized the provision of statutory surplus reserve of \$2,314,827 thousand, the special surplus reserve of \$8,786,435 thousand, and left an undistributed surplus of \$5,087,889 thousand as of December 31, 2020.

#### (iv) Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gains or losses on financial assets at FVOCI	Unrealized gains or losses on available for sale financial assets	Total
Balance as of January 1, 2020	\$ (1,149,907)	9,622,054		8,472,147
Exchange differences on translation of foreign financial statements	(1,472,322)	-	-	(1,472,322)
Unrealized gains or losses on financial assets at FVOCI	-	820,423	-	820,423
Disposal of equity instrument at FVOCI	-	86,006	-	86,006
Balance as of December 31, 2020	<u>\$ (2,622,229)</u>	<u>10,528,483</u>	<u>-</u>	<u>7,906,254</u>

	Exchange differences on translation of foreign financial statements	Unrealized gains or losses on financial assets at FVOCI	Unrealized gains or losses on available for sale financial assets	Total
Balance as of January 1, 2019	\$ (774,379)	7,305,225		6,530,846
Exchange differences on translation of foreign financial statements	(375,528)	-	-	(375,528)
Unrealized gains or losses on financial assets at FVOCI	-	2,042,515	-	2,042,515
Disposal of equity instrument at FVOCI	-	274,314	-	274,314
Balance as of December 31, 2019	<u>\$ (1,149,907)</u>	<u>9,622,054</u>	<u>-</u>	<u>8,472,147</u>

# LAND BANK OF TAIWAN CO., LTD.

## Notes to the Financial Statements

### (aa) Earnings per share

Basic earnings per share (New Taiwan dollars):

	2020	2019
Net income	\$ <u>8,637,119</u>	<u>10,148,462</u>
Weighted-average number of shares outstanding (thousand shares)	<u>7,320,000</u>	<u>7,320,000</u>
Basic earnings per share (New Taiwan dollars)	\$ <u>1.18</u>	<u>1.38</u>

### (ab) Net interest

	2020	2019
Interest revenue:		
Discounts and loans	\$ 35,171,593	40,921,763
Due from the banks and call loans to banks	1,381,135	2,920,944
Bonds and notes	5,629,810	7,104,310
Others	418,681	514,766
Subtotal	<u>42,601,219</u>	<u>51,461,783</u>
Interest expenses:		
Deposits	(13,791,580)	(19,353,933)
Due to the Central Bank and call loans from banks	(1,300,373)	(2,873,504)
Bonds and notes	(1,094,160)	(1,095,711)
Others	(19,557)	(27,461)
Subtotal	<u>(16,205,670)</u>	<u>(23,350,609)</u>
Total	\$ <u>26,395,549</u>	<u>28,111,174</u>

### (ac) Service fees income, net

	2020	2019
Service fees income:		
Agency of housing loans	\$ 119,881	133,956
Agency of insurance	560,399	746,614
Guarantee	325,739	298,320
Syndicated Loans	426,642	422,803
Trust	546,799	493,128
Credit card	557,413	579,971
Start-up	166,091	167,268
Custodian	143,491	141,709
Others	597,769	552,952
Subtotal	<u>3,444,224</u>	<u>3,536,721</u>
Service fees:		
Credit card	(586,273)	(582,549)
Interbank	(158,185)	(147,081)
Foreign exchange	(60,965)	(69,149)
Trust	(27,839)	(27,122)
Others	(78,325)	(83,301)
Subtotal	<u>(911,587)</u>	<u>(909,202)</u>
Total	\$ <u>2,532,637</u>	<u>2,627,519</u>

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

(ad) Losses on financial assets and liabilities at fair value through profit or loss

	2020	2019
Realized gains (losses) on financial assets and liabilities at fair value through profit or loss:		
Government bonds	\$ 4,240	(914)
Corporate bonds	23,519	4,829
Listed companies' stocks	125,206	(45,067)
Financial liability	103	-
Forward exchange contracts	(103,735)	(20,993)
Foreign-currency swap contracts	(2,187,598)	(64,674)
Interest rate swap contracts	(14,406)	3,821
Asset swap	320,607	170,716
Options	178	53
Beneficiary certificate	20,628	2,035
Subtotal	<u>(1,811,258)</u>	<u>49,806</u>
Revaluation gains (losses) on financial assets and liabilities at fair value through profit or loss:		
Corporate bonds	26,685	(5,527)
Listed companies' stocks	(28,555)	43,647
Forward exchange contracts	11,863	(14,625)
Foreign-currency swap contracts	(743,593)	(1,233,773)
Interest rate / assets swap	4,146	673,861
Unsubordinated financial bonds	9,773	(686,169)
Other	(7,170)	23,300
Subtotal	<u>(726,851)</u>	<u>(1,199,286)</u>
Interest revenue on financial assets at fair value through profit or loss	46,480	57,756
Dividend income from financial assets at FVTPL	725	35,018
Interest expense on financial assets at fair value through profit or loss	(314,305)	(434,295)
Total	<u>\$ (2,805,209)</u>	<u>(1,491,001)</u>

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

(ae) Realized gains on financial assets at FVOCI

	2020	2019
Dividend income	\$ 427,094	481,624
Gains on disposal of financial assets at FVOCI:		
Bonds	323,177	528,363
Others	22,289	-
Subtotal	345,466	528,363
Losses on disposal of financial assets at FVOCI:		
Bonds	(47,675)	(102,443)
Others	(10,227)	(8)
Subtotal	(57,902)	(102,451)
Total	\$ <u>714,658</u>	<u>907,536</u>

(af) Other miscellaneous loss

	2020	2019
Brokerage	\$ 200,383	104,041
Lease	99,921	164,872
Agency	(2,928)	(3,720)
Interest Employee benefit savings account	(2,373,353)	(1,538,583)
Depreciation of investment property	(42,717)	(44,230)
Others	(43,128)	182,351
Total	\$ <u>(2,161,822)</u>	<u>(1,135,269)</u>

(ag) Employee benefits expenses

	2020	2019
Salaries	\$ 8,094,041	7,825,417
Labor and health insurance	350,560	346,902
Pension	858,824	852,865
Director's remuneration	3,000	2,996
Others	105,239	121,654
Total	\$ <u>9,411,664</u>	<u>9,149,834</u>

(ah) Depreciation and amortization expenses

	2020	2019
Depreciation- Property and Equipment	\$ 705,235	703,714
Depreciation- Right-of-use asset	463,473	435,367
Amortization	306,450	292,789
Total	\$ <u>1,475,158</u>	<u>1,431,870</u>



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

(ai) Other general and administrative expenses

	2020	2019
Taxes	\$ 2,250,058	2,412,901
Rental	173,803	121,669
Insurance	444,600	448,399
Professional service	241,380	239,375
Postage and phone	191,460	181,922
Marketing	216,569	222,399
Utilities	121,526	135,178
Outsourcing	145,878	139,531
Others	875,466	819,296
Total	<u>\$ 4,660,740</u>	<u>4,720,670</u>

(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, 2020 and 2019 are as follows:

	December 31, 2020		December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:	2,858,682,397	2,873,875,577	2,703,307,852	2,710,493,589
Derivative financial assets at FVTPL, net	1,531,789	1,531,789	1,098,344	1,098,344
Non-derivative financial assets at FVTPL, net	2,367,662	2,367,662	3,338,799	3,338,799
Financial assets at FVOCI	114,068,569	114,068,569	114,603,444	114,603,444
Financial assets at amortized cost	660,807,717	676,000,897	597,723,140	604,908,877
Loans and receivables	2,079,869,366	2,079,869,366	1,986,505,361	1,986,505,361
Other financial assets	37,294	37,294	38,764	38,764
Financial Liabilities:	56,272,637	56,272,637	65,991,244	65,991,244
Derivative financial liabilities at FVTPL	2,547,621	2,547,621	1,386,451	1,386,451
Non-derivative financial liabilities at FVTPL, net	6,395,062	6,395,062	10,081,735	10,081,735
Bank debentures	46,294,550	46,294,550	53,293,705	53,293,705
Other financial liabilities	86,637	86,637	95,094	95,094
Lease liability	948,767	948,767	1,134,259	1,134,259

# LAND BANK OF TAIWAN CO., LTD.

## Notes to the Financial Statements

(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.
- 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, 2020			
	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:				
Stocks	\$ 532,369	532,369	-	-
Bonds	1,415,449	-	1,415,449	-
Others	419,844	-	419,844	-
Subtotal	2,367,662	532,369	1,835,293	-
Financial assets at fair value through other comprehensive income:				
Stocks	14,543,079	8,815,509	-	5,727,570
Bonds	99,525,490	-	99,525,490	-
Subtotal	114,068,569	8,815,509	99,525,490	5,727,570

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Notes to the Financial Statements

Financial instruments measured at fair value	December 31, 2020			
	Total	Level 1 (Note 1)	Level 2 (Note 2)	Level 3 (Note 3)
<b>Liabilities:</b>				
Designation as at fair value through profit or loss	\$ 6,395,062	-	6,395,062	-
<b>Derivative financial instruments</b>				
<b>Assets:</b>				
Financial assets at fair value through profit or loss	1,531,789	-	1,531,789	-
<b>Liabilities:</b>				
Financial liabilities at fair value through profit or loss	2,547,621	-	2,547,621	-
Financial instruments measured at fair value	December 31, 2019			
	Total	Level 1 (Note 1)	Level 2 (Note 2)	Level 3 (Note 3)
<b>Non-derivative financial instruments</b>				
<b>Assets:</b>				
Financial assets at fair value through profit or loss:				
Stocks	\$ 1,024,217	1,024,217	-	-
Bonds	1,677,777	-	1,677,777	-
Others	636,805	52,318	584,487	-
Subtotal	3,338,799	1,076,535	2,262,264	-
Financial assets at fair value through other:				
Stocks	15,087,427	9,778,806	-	5,308,621
Bonds	99,516,017	-	99,516,017	-
Subtotal	114,603,444	9,778,806	99,516,017	5,308,621
<b>Liabilities:</b>				
Designation as at fair value through profit or loss	10,081,735	-	10,081,735	-
<b>Derivative financial instruments</b>				
<b>Assets:</b>				
Financial assets at fair value through profit or loss	1,098,344	-	1,098,344	-
<b>Liabilities:</b>				
Financial liabilities at fair value through profit or loss	1,386,451	-	1,386,451	-

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

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:

- 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 2020 and 2019, 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 \$727,418 thousand and gains \$574,571 thousand, respectively are recognized as profit or loss for that period.

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

- (v) As of December 31, 2020 and 2019, there was no transfer of financial instruments between Level 1 and Level 2. As of December 31, 2020 and 2019, there were no transfer to Level 3.
- (vi) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Equity instrument without public quotation
January 1, 2020	\$ 5,308,621
Recognized as other comprehensive income	414,580
Purchase	4,369
December 31, 2020	<u>\$ 5,727,570</u>
January 1, 2019	5,001,400
Recognized as other comprehensive income	(328,919)
Purchase	654,150
Capital reduction	(18,010)
December 31, 2019	<u>\$ 5,308,621</u>

For the years ended December 31, 2020 and 2019, 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:

	2020	2019
Total gains and losses recognized		
In other comprehensive income, and presented in unrealized gains and losses from financial assets at FVOCI	\$ 414,580	(328,919)

- (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.

# LAND BANK OF TAIWAN CO., LTD.

## Notes to the Financial Statements

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at FVOCI—equity instrument without an active market	Comparable listed company approach	· Lack of marketability discount (8.93%~34.79% as of December 31, 2020 and 9.05%~34.97% as of December 31, 2019)	· The estimated fair value would decreased if the lack of market liquidity discount was higher;
	Discount cash flow approach	· Discount rate ( 8.26%~11.47% as of December 31, 2020 and 8.61%~11.88% as of December 31, 2019) · Sustainable growth rate ( 0%~1.58% as of December 31, 2020 and 0%~1.04% as of December 31, 2019)	· The estimated fair value would decreased if the discount rate was higher; · The estimated fair value would increased if the sustainable growth rate was higher;
	Net asset value approach	· Lack of marketability discount ( 20.93% as of December 31, 2020 and 23.32% as of December 31, 2019)	· The estimated fair value would decreased if the lack of marketability discount was higher

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

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

	Input	Variation	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2020						
Financial assets at fair value through profit or loss						
Financial assets at FVOCI	Non-public transaction equity discount	±2.5%	-	-	148,544	149,420
	Discount rate	±1%	-	-	29,840	22,447
	Sustainable growth rate	±0.1%				

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	Input	Variation	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2019						
Financial assets at FVOCI	Non-public transaction equity discount	±2.5%	-	-	154,506	154,023
	Discount rate	±1%	-	-	22,163	17,156
	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.

(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 board of directors, 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.



## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

- 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.
- (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.

## LAND BANK OF TAIWAN CO., LTD.

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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.

##### 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.

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### Notes to the Financial Statements

- 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 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.

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

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.
- 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.

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- 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.
- 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, 2020 were as follow:

	December 31, 2020					
	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>						
Loans and receivables (Note1)	\$ 2,079,332,409	23,952,066	11,128,154	-	(34,549,864)	2,079,862,765
Debt investments as FVOCI (Note2)	99,525,490	-	-	-	-	99,525,490
Debt investments at amortized cost	686,841,085	-	-	-	(34,290)	686,806,795
Accounts receivables and other financial assets	8,983,719	10,001	30,026	-	(134,653)	8,889,093
Total	<u>\$ 2,874,682,703</u>	<u>23,962,067</u>	<u>11,158,180</u>	<u>-</u>	<u>(34,718,807)</u>	<u>2,875,084,143</u>
<u>Off-balance sheet items</u>						
Receivables from guarantees and commercial letter of credits	\$ 64,957,037	137,952	38,363	-	(589,813)	64,543,539
Loan commitments	30,940,128	15,076	1,672	-	(26,328)	30,930,548
Total	<u>\$ 95,897,165</u>	<u>153,028</u>	<u>40,035</u>	<u>-</u>	<u>(616,141)</u>	<u>95,474,087</u>

Note 1: It excludes the unamortized discounts and/or premiums on loans of \$6,601 thousand.

Note 2: The loss allowance of investments in debt instruments measured at FVOCI, amounting to \$8,824 thousand, was reclassified from other comprehensive income to profits and losses and does not reduce the carrying amount of such financial assets.

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The Company's maximum exposures at credit risk of financial assets as of December 31, 2019 were as follow:

	December 31, 2019				
	12-month ECL	Life time ECL — unimpaired	Life time ECL — impaired	Credit loss from initial purchase — impaired	Loss allowance
<u>On-balance sheet items</u>					<u>Total</u>
Loans and receivables (Note1)	\$ 1,983,645,944	24,491,125	10,085,056	-	(31,727,060)
Debt investments as FVOCI (Note2)	99,516,017	-	-	-	-
Debt investments at amortized cost	628,734,350	-	-	-	(11,527)
Accounts receivables and other financial assets	8,679,395	37,169	80,326	-	(144,447)
Total	<u>\$ 2,720,575,706</u>	<u>24,528,294</u>	<u>10,165,382</u>	<u>-</u>	<u>(31,883,034)</u>
<u>Off-balance sheet items</u>					
Receivables from guarantees and commercial letter of credits	\$ 58,449,626	517,008	39,062	-	(513,702)
Loan commitments	32,129,635	20,288	2,090	-	(27,084)
Total	<u>\$ 90,579,261</u>	<u>537,296</u>	<u>41,152</u>	<u>-</u>	<u>(540,786)</u>

Note 1: It excludes the unamortized discounts and/or premiums on loans of \$10,296 thousand.

Note 2: The loss allowance of investments in debt instruments measured at FVOCI, amounting to \$4,205 thousand, was reclassified from other comprehensive income to profits and losses and does not reduce the carrying amount of such financial assets.



7) Reconciliation of loss allowance

a) Reconciliation of loss allowance for loans and receivables

i) The following table reconciles the beginning amount of loss allowance for loans and receivables to the ending amount as of December 31, 2020:

	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)	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, 2020	\$ 22,317,478	2,352,719	-	7,056,863	-	31,727,060	31,727,060
Changes from financial instruments recognized at the beginning of period:							
— transfer to life time ECL	(31,088)	154,798	-	(47,526)	-	76,184	76,184
— transfer to impaired financial assets	(8,085)	(146,321)	-	2,730,978	-	2,576,572	2,576,572
— transfer to 12-month ECL	26,830	(337,438)	-	(277,603)	-	(588,211)	(588,211)
— derecognition	(3,489,901)	(401,320)	-	(2,606,262)	-	(6,497,483)	(6,497,483)
Initial or purchased financial assets	4,849,214	557,902	-	1,806,335	-	7,213,451	7,213,451
Write off	-	-	-	(956,073)	-	(956,073)	(956,073)
Recoveries	-	-	-	1,182,732	-	1,182,732	1,182,732
Effects of changes in exchange rates and others	(865,741)	236,427	-	444,946	-	(184,368)	(184,368)
December 31, 2020	\$ 22,798,707	2,416,767	-	9,334,390	-	34,549,864	34,549,864

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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, 2019:

	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, 2019	\$ 20,937,128	1,922,336	-	7,346,751	-	30,206,215		30,206,215
Changes from financial instruments recognized at the beginning of period:								
— transfer to life time ECL	(47,152)	390,043	-	(91,211)	-	251,680		251,680
— transfer to impaired financial assets	(12,565)	(24,293)	-	2,006,071	-	1,969,213		1,969,213
— transfer to 12-month ECL	20,236	(94,344)	-	(122,612)	-	(196,720)		(196,720)
— derecognition	(3,766,381)	(367,507)	-	(3,337,052)	-	(7,470,940)		(7,470,940)
Initial or purchased financial assets	6,051,286	418,215	-	1,800,807	-	8,270,308		8,270,308
Write off	-	-	-	(2,024,053)	-	(2,024,053)		(2,024,053)
Recoveries	-	-	-	819,791	-	819,791		819,791
Effects of changes in exchange rates and others	(865,074)	108,269	-	658,371	-	(98,434)		(98,434)
December 31, 2019	\$ 22,317,478	2,352,719	-	7,056,863	-	31,727,060	-	31,727,060

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ii) The following table reconciles the beginning carrying amount of loans and receivables to the amount as of December 31, 2020:

	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, 2020	\$ 1,983,645,944	24,491,125	-	10,085,056	-	2,018,222,125
Individual financial asset transfers to life time ECL	(2,037,696)	2,040,964	-	(98,515)	-	(95,247)
Individual financial asset transfers to credit-impaired financial assets	(1,129,063)	(2,912,113)	-	3,631,943	-	(409,233)
Individual financial asset transferred from credit-impaired financial asset	1,772,286	(1,639,006)	-	(572,009)	-	(438,729)
Derecognition	(437,086,878)	(5,854,707)	-	(4,286,775)	-	(447,228,360)
Initial or purchased loans and receivables	695,457,940	6,636,558	-	1,043,098	-	703,137,596
Write off	-	-	-	(956,073)	-	(956,073)
Others	(161,290,124)	1,189,245	-	2,281,429	-	(157,819,450)
December 31, 2020	\$ 2,079,332,409	23,952,066	-	11,128,154	-	2,114,412,629

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The following table reconciles the beginning carrying amount of loans and receivables to the amount as of December 31, 2019:

	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, 2019	\$ 1,961,300,205	24,301,384	-	10,405,182	-	1,996,006,771
Individual financial asset transfers to life time ECL	(3,999,295)	3,974,612	-	(140,818)	-	(165,501)
Individual financial asset transfers to credit-impaired financial assets	(1,597,324)	(1,208,952)	-	3,000,431	-	194,155
Individual financial asset transferred from credit-impaired financial asset	860,290	(769,078)	-	(243,911)	-	(152,699)
Derecognition	(479,073,158)	(5,941,145)	-	(4,717,524)	-	(489,731,827)
Initial or purchased loans and receivables	589,937,480	4,509,397	-	2,493,106	-	596,939,983
Write off	-	-	-	(2,024,053)	-	(2,024,053)
Others	(83,782,254)	(375,093)	-	1,312,643	-	(82,844,704)
December 31, 2019	\$ 1,983,645,944	24,491,125	-	10,085,056	-	2,018,222,125

LAND BANK OF TAIWAN CO., LTD.

Notes to the Financial Statements

- b) 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, 2020:

	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, 2020	\$ 4,205	-	-	-	-	4,205	4,205
Changes from financial instruments recognized at the beginning of period:							
— transfer to 12-month ECL	2	-	-	-	-	2	2
— derecognition	(537)	-	-	-	-	(537)	(537)
Initial or purchased financial assets	1,125	-	-	-	-	1,125	1,125
Effects of changes in exchange rates and others	4,029	-	-	-	-	4,029	4,029
December 31, 2020	\$ 8,824	-	-	-	-	8,824	8,824

**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, 2019:

	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)	Impa.iment under IFRS 9	Total
January 1, 2019	\$ 3,036	-	-	-	-	3,036	3,036
Changes from financial instruments recognized at the beginning of period:							
— transfer to 12-month ECL	23	-	-	-	-	23	23
— derecognition	(318)	-	-	-	-	(318)	(318)
Initial or purchased financial assets	1,128	-	-	-	-	1,128	1,128
Effects of changes in exchange rates and others	336	-	-	-	-	336	336
December 31, 2019	<u>\$ 4,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,205</u>	<u>4,205</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, 2020:

	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, 2020	\$ 99,516,017	-	-	-	-	99,516,017
Derecognition	(24,142,676)	-	-	-	-	(24,142,676)
Initial or purchased financial assets	29,834,731	-	-	-	-	29,834,731
Others	(5,682,582)	-	-	-	-	(5,682,582)
December 31, 2020	\$ 99,525,490	-	-	-	-	99,525,490



**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, 2019:

	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, 2019	\$ 89,004,836	-	-	-	-	89,004,836
Derecognition	(22,755,722)	-	-	-	-	(22,755,722)
Initial or purchased financial assets	38,060,443	-	-	-	-	38,060,443
Others	(4,793,540)	-	-	-	-	(4,793,540)
December 31, 2019	<u>\$ 99,516,017</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,516,017</u>

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

- c) 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, 2020:

	12- month ECL	Life time ECL (collective 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, 2020	\$ 11,527	-	-	-	11,527	11,527
Changes from financial instruments recognized at the beginning of period:						
— derecognition	(11,890)	-	-	-	(11,890)	(11,890)
Initial or purchased financial assets	19,903	-	-	-	19,903	19,903
Effects of changes in exchange rates and others	14,750	-	-	-	14,750	14,750
December 31, 2020	\$ 34,290	-	-	-	34,290	34,290

**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, 2019:

	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, 2019	\$ 9,585	-	-	-	-	9,585	9,585
Changes from financial instruments recognized at the beginning of period:							
— derecognition	(9,638)	-	-	-	-	(9,638)	(9,638)
Initial or purchased financial assets	13,529	-	-	-	-	13,529	13,529
Effects of changes in exchange rates and others	(1,949)	-	-	-	-	(1,949)	(1,949)
December 31, 2019	\$ 11,527	-	-	-	-	11,527	11,527

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, 2020:

	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, 2020	\$ 628,734,350	-	-	-	-	628,734,350
Derecognition	(3,780,801,766)	-	-	-	-	(3,780,801,766)
Initial or purchased financial assets	3,840,970,010	-	-	-	-	3,840,970,010
Others	(2,061,509)	-	-	-	-	(2,061,509)
December 31, 2020	\$ 686,841,085	-	-	-	-	686,841,085

**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, 2019:

	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, 2019	\$ 623,055,402	-	-	-	-	623,055,402
Derecognition	(3,504,420,265)	-	-	-	-	(3,504,420,265)
Initial or purchased financial assets	3,511,139,664	-	-	-	-	3,511,139,664
Others	(1,040,451)	-	-	-	-	(1,040,451)
December 31, 2019	<u>\$ 628,734,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>628,734,350</u>

d) Reconciliation of guarantee liability provision and other provision

i) The following table reconciles the beginning carrying amount of guarantee liability provision and other provision of receivables from guarantors and commercial letter of credits to the amount as of December 31, 2020:

	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, 2020	\$ 104,191	20,997	-	15,293	-	140,481	373,221	513,702
Changes from financial instruments recognized at the beginning of period:								
— transfer to life time ECL	(23)	244	-	-	-	221		221
— derecognition	(47,719)	(15,692)	-	-	-	(63,411)		(63,411)
Initial or purchased financial assets	86,012	22	-	-	-	86,034		86,034
Difference with the impairment under Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non- accrual Loans	-	-	-	-	-	-	55,383	55,383
Effects of changes in exchange rates and others	(1,768)	(567)	-	219	-	(2,116)		(2,116)
December 31, 2020	\$ 140,693	5,004	-	15,512	-	161,209	428,604	589,813

# **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, 2019:

	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, 2019	\$ 102,057	1,159	-	52,259	-	155,475	347,048	502,523
Changes from financial instruments recognized at the beginning of period:								
— transfer to life time ECL	(731)	18,890	-	-	-	18,159	-	18,159
— transfer to 12-month ECL	2	(30)	-	-	-	(28)	-	(28)
— derecognition	(54,274)	(1,129)	-	(36,918)	-	(92,321)	-	(92,321)
Initial or purchased financial assets	57,918	2,107	-	-	-	60,025	-	60,025
Difference with the impairment under Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non- accrual Loans	-	-	-	-	-	-	26,173	26,173
Effects of changes in exchange rates and others	(781)	-	-	(48)	-	(829)	-	(829)
December 31, 2019	\$ 104,191	20,997	-	15,293	-	140,481	373,221	513,702



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, 2020:

	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, 2020	\$ 58,449,626	517,008	-	39,062	-	59,005,696
Derecognition	(28,620,939)	(751,934)	-	(1,471)	-	(29,374,344)
Initial or purchased financial assets	46,095,431	548	-	-	-	46,095,979
Others	(10,967,081)	372,330	-	772	-	(10,593,979)
December 31, 2020	\$ 64,957,037	137,952	-	38,363	-	65,133,352

**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, 2019:

	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, 2019	\$ 55,282,731	16,039	-	197,678	-	55,496,448
Derecognition	(27,780,532)	(15,281)	-	(159,303)	-	(27,955,116)
Initial or purchased financial assets	31,057,549	54,215	-	-	-	31,111,764
Others	(110,122)	462,035	-	687	-	352,600
December 31, 2019	<b>\$ 58,449,626</b>	<b>517,008</b>	<b>-</b>	<b>39,062</b>	<b>-</b>	<b>59,005,696</b>

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**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, 2019:

	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, 2019	\$ 22,997	2,644	-	210	-	25,851	-	25,851
Changes from financial instruments recognized at the beginning of period:								
— transfer to life time ECL	(26)	2,971	-	-	-	2,945	-	2,945
— transfer to credit-impaired financial assets	(4)	-	-	867	-	863	-	863
— transfer to 12-month ECL	14	(1,566)	-	(178)	-	(1,730)	-	(1,730)
— derecognition	(6,910)	(865)	-	(31)	-	(7,806)	-	(7,806)
Initial or purchased financial assets	6,879	213	-	27	-	7,119	-	7,119
Effects of changes in exchange rates and others	(198)	40	-	-	-	(158)	-	(158)
December 31, 2019	\$ 22,752	3,437	-	895	-	27,084	-	27,084

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, 2020:

	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, 2020	\$ 32,129,635	20,288	-	2,090	-	32,152,013
Individual financial assets transfer to life time ECL	(14,619)	12,413	-	-	-	(2,206)
Individual financial assets transfer to credit-impaired financial assets	(1,355)	(76)	-	714	-	(717)
Individual financial assets transfer from credit-impaired financial assets	18,218	(14,139)	-	-	-	4,079
Derecognition	(5,921,173)	(10,081)	-	(1,836)	-	(5,933,090)
Initial or purchased financial assets	3,012,098	1,168	-	-	-	3,013,266
Others	1,717,324	5,503	-	704	-	1,723,531
December 31, 2020	\$ 30,940,128	15,076	-	1,672	-	30,956,876

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

The following table reconciles the beginning carrying amount of loan commitments to the amount as of December 31, 2019:

	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, 2019	\$ 4,731,450	302,562	-	5,036	-	5,039,048
Individual financial assets transfer to life time ECL	(7,949)	6,017	-	-	-	(1,932)
Individual financial assets transfer to credit-impaired financial assets	(1,127)	(114)	-	1,273	-	32
Individual financial assets transfer from credit-impaired financial assets	21,629	(19,012)	-	(446)	-	2,171
Derecognition	(1,495,663)	(289,323)	-	-	-	(1,784,986)
Initial or purchased financial assets	28,933,638	12,102	-	746	-	28,946,486
Others	(52,343)	8,056	-	(4,519)	-	(48,806)
December 31, 2019	\$ 32,129,635	20,288	-	2,090	-	32,152,013

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

f) 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, 2020:							
	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, 2020	\$ 12,472	7,942	-	119,233	-	139,647	4,800	144,447
Changes from financial instruments recognized at the beginning of period:								
— transfer to life time ECL	18	(1,246)	-	-	-	(1,228)	(1,917)	(1,228)
— transfer to credit-impaired financial assets	1	15	-	(523)	-	(507)	(507)	(507)
— transfer to 12-month ECL	(7)	986	-	10	-	989	989	989
— derecognition	(1,283)	(131)	-	(2,010)	-	(3,424)	(3,424)	(3,424)
Initial or purchased financial assets	1,038	882	-	2,629	-	4,549	4,549	4,549
Difference with the impairment under Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	-	-	-	-	-	-	(1,917)	(1,917)
Write off	-	-	-	(24,889)	-	(24,889)	(24,889)	(24,889)
Recoveries	-	-	-	16,625	-	16,625	16,625	16,625
Effects of changes in exchange rates and others	45	2	-	(39)	-	8	8	8
December 31, 2019	\$ 12,284	8,450	-	111,036	-	131,770	2,883	134,653



# LAND BANK OF TAIWAN CO., LTD.

## 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, 2019:

	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, 2019	\$ 22,073	6,056	-	101,627	-	129,756	4,083	133,839
Changes from financial instruments recognized at the beginning of period:								
— transfer to life time ECL	(73)	6,273	-	-	-	6,200		6,200
— transfer to credit-impaired financial assets	(11)	-	-	2,682	-	2,671		2,671
— transfer to 12-month ECL	21	(2,243)	-	(3)	-	(2,225)		(2,225)
— derecognition	(9,984)	(2,929)	-	(9,207)	-	(22,120)		(22,120)
Initial or purchased financial assets	4,585	972	-	27,822	-	33,379		33,379
Difference with the impairment under Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	-	-	-	-	-	-	717	717
Write off	-	-	-	(32,856)	-	(32,856)		(32,856)
Recoveries	-	-	-	25,486	-	25,486		25,486
Effects of changes in exchange rates and others	(4,139)	(187)	-	3,682	-	(644)		(644)
December 31, 2019	\$ 12,472	7,942	-	119,233	-	139,647	4,800	144,447

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, 2020:

	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, 2020	\$ 8,679,395	37,169	-	80,326	-	8,796,890
Individual financial assets transfer to life time ECL	(12,681)	13,747	-	-	-	1,066
Individual financial assets transfer to credit-impaired financial assets	(1,033)	(121)	-	2,462	-	1,308
Individual financial assets transferred from credit-impaired financial assets	9,620	(17,095)	-	-	-	(7,475)
Derecognition	(27,554,110)	(37,421)	-	(55,715)	-	(27,647,246)
Initial or purchased financial assets	26,325,205	1,376	-	9,882	-	26,336,463
Write off	-	-	-	(24,889)	-	(24,889)
Others	1,537,323	12,346	-	17,960	-	1,567,629
December 31, 2020	\$ 8,983,719	10,001	-	30,026	-	9,023,746

# 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, 2019:

	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, 2018	\$ 9,181,360	27,609	-	278,219	-	9,487,188
Individual financial assets transfer to life time ECL	(18,310)	23,938	-	-	-	5,628
Individual financial assets transfer to credit-impaired financial assets	(1,942)	(34)	-	3,120	-	1,144
Individual financial assets transferred from credit-impaired financial assets	4,833	(9,116)	-	(1)	-	(4,284)
Derecognition	(2,409,523)	(28,062)	-	(214,632)	-	(2,652,217)
Initial or purchased financial assets	1,033,938	6,654	-	34,100	-	1,074,692
Write off	-	-	-	(32,856)	-	(32,856)
Others	889,039	16,180	-	12,376	-	917,595
December 31, 2018	\$ 8,679,395	37,169	-	80,326	-	8,796,890

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

#### 8) Maximum exposure credit risk

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

	December 31, 2020	December 31, 2019
Irrevocable loan commitments	\$ 3,332,996	5,396,922
Unused credit card	27,623,880	26,755,091
Letters of credit	8,748,684	9,332,677
Guarantees	56,384,668	49,673,019

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)

(in thousands of New Taiwan dollars)

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Private enterprises	\$ 786,858,471	37.27	684,641,641	33.98
Government owned enterprises	24,698,865	1.17	35,772,780	1.78
Government	3,696,897	0.18	11,132,304	0.55
Non-profit organizations	548,812	0.03	1,130,940	0.06
Individual	1,193,405,259	56.53	1,174,424,687	58.28
Others	102,024,484	4.82	107,980,329	5.35
Total	<u>\$ 2,111,232,788</u>	<u>100.00</u>	<u>2,015,082,681</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)

(in thousands of New Taiwan dollars)

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Domestic	\$ 1,970,464,821	93.33	1,869,660,571	92.78
Foreign	140,767,967	6.67	145,422,110	7.22
Total	<u>\$ 2,111,232,788</u>	<u>100.00</u>	<u>2,015,082,681</u>	<u>100.00</u>

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

(in thousands of New Taiwan dollars)

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Non-collateral	\$ 276,671,482	13.08	276,308,591	13.69
Collateral				
Financial collateral	6,732,793	0.32	7,578,700	0.38
Receivables	1,448,137	0.07	380,723	0.02
Property	1,650,848,690	78.08	1,590,469,981	78.80
Guarantee	64,539,924	3.05	32,370,439	1.60
Other	114,171,603	5.40	111,113,691	5.51
	<u>\$ 2,114,412,629</u>	<u>100.00</u>	<u>2,018,222,125</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

(in thousands of New Taiwan dollars)

Period			December 31, 2020				
Items			Non-performing Loans (Note 1)	Loans	Ratio of Non- performing Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate	Secured		988,882	738,935,960	0.13 %	11,324,887	1,145.22 %
Banking	Unsecured		88,146	318,123,000	0.03 %	8,595,347	9,751.23 %
Consumer Banking	Mortgage loans (Note 4)		1,558,700	895,281,000	0.17 %	14,005,941	898.57 %
	Cash card		209	10,299	2.03 %	526	252.14 %
	Small-scale credit loans (Note 5)		7,842	2,250,299	0.35 %	9,397	119.83 %
	Other (Note 6)	Secured	570,043	118,547,000	0.48 %	535,295	93.90 %
		Unsecured	30,232	41,265,071	0.07 %	78,471	259.56 %
Total loans			3,244,054	2,114,412,629	0.15 %	34,549,864	1,065.02 %
			Non-performing Receivables	Receivables	Ratio of Non- performing Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards			2,779	1,353,798	0.21 %	42,015	1,511.87 %
Factored accounts receivable without recourse (Note 7)			-	-	-	-	-

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

Period			December 31, 2019				
Items			Non-performing Loans (Note 1)	Loans	Ratio of Non- performing Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate	Secured		1,258,730	659,606,892	0.19 %	11,283,751	896.44 %
Banking	Unsecured		79,409	320,911,358	0.02 %	5,985,480	7,537.53 %
	Mortgage loans (Note 4)		1,555,906	888,342,279	0.18 %	13,881,841	892.20 %
Consumer	Cash card		287	14,515	1.98 %	821	286.06 %
Banking	Small-scale credit loans (Note 5)		7,201	1,951,211	0.37 %	8,887	123.41 %
	(Note 6)	Secured	616,593	110,194,090	0.56 %	499,057	80.94 %
		Unsecured	39,941	37,201,780	0.11 %	67,223	168.31 %
Total loans			3,558,067	2,018,222,125	0.18 %	31,727,060	891.69 %
			Non-performing Receivables	Receivables	Ratio of Non- performing Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards			3,780	1,441,607	0.26 %	46,234	1,223.12 %
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

(in thousands of New Taiwan dollars)

	December 31, 2020		December 31, 2019	
	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)	14,532	1,748	16,026	2,684
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	2,085	26,266	2,782	24,957
Total	16,617	28,014	18,808	27,641

## 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

(in thousands of New Taiwan dollars)

December 31, 2020			
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- Rail Transportation Industry	31,025,776	17.69
2	B Group- Real Estate Development Industry	27,437,412	15.64
3	C Group- Air Transportation Industry	16,742,510	9.55
4	D Group- Real Estate Development Industry	13,297,310	7.58
5	E Group-Smelting and Refining of Iron and Steel Industry	12,797,739	7.30
6	F Group- Real Estate Development Industry	12,547,185	7.15
7	G Group- Liquid Crystal Panel Industry	11,474,073	6.54
8	H Group- Real Estate Development Industry	10,104,941	5.76
9	I Group- Real Estate Development Industry	8,939,308	5.10
10	J Group- Other Retail Sale of General Merchandise Industry	8,906,861	5.08



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

December 31, 2020			
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- Rail Transportation Industry	33,253,176	19.77
2	B Group- Real Estate Development Industry	25,479,828	15.15
3	I Group- Other Retail Sale of General Merchandise Industry	12,099,437	7.19
4	D Group- Real Estate Development Industry	11,903,506	7.08
5	E Group-Smelting and Refining of Iron and Steel Industry	11,330,508	6.74
6	C Group- Real Estate Development Industry	10,876,255	6.47
7	H Group- Real Estate Development Industry	9,850,918	5.86
8	L Group- Real Estate Development Industry	8,974,600	5.33
9	J Group- Real Estate Development Industry	8,223,047	4.89
10	F Group- Air Transportation Industry	8,129,902	4.83

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."

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

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.

#### (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 Banks, 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 Banks.
- c) The Banks 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 Banks 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.

(in thousands of New Taiwan dollars)

December 31, 2020	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	166,394,876	133,412,478	37,566,515	6,231,952	3,901,482	347,507,303
Funds borrowed from the Central Bank and other banks	-	15,311	63,899	9,214,124	1,298,248	10,591,582
Non-derivative financial liability at fair value through profit or loss	-	-	-	-	6,395,062	6,395,062
Securities sold under repurchase agreements	11,668,558	4,764,526	1,597,448	603,967	-	18,634,499
Payables	5,508,092	1,379,245	1,893,863	5,472,245	8,112,963	22,366,408
Deposits and remittances	492,557,424	543,709,344	588,082,697	780,814,356	48,709,117	2,453,872,938
Bank debentures	-	-	-	-	46,294,550	46,294,550
Other financial liabilities	3,998	1,231	7,837	13,126	60,445	86,637
Lease liability	30,486	58,863	32,774	76,946	749,698	948,767
Total	676,163,434	683,340,998	629,245,033	802,426,716	115,521,565	2,906,697,746

December 31, 2019	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	71,844,871	168,048,206	33,752,800	24,517,619	15,414,463	313,577,959
Funds borrowed from the Central Bank and other banks	-	65,440	1,658,327	-	-	1,723,767
Non-derivative financial liability at fair value through profit or loss	-	-	-	-	10,081,735	10,081,735
Securities sold under repurchase agreements	1,644,407	3,742,717	1,012,013	1,000,000	-	7,399,137
Payables	2,558,965	1,600,836	2,018,357	5,737,778	9,319,837	21,235,773
Deposits and remittances	466,433,832	546,076,216	559,266,511	749,580,252	74,691,869	2,396,048,680
Bank debentures	-	-	-	-	53,293,705	53,293,705
Other financial liabilities	3,383	255	6,374	10,556	74,526	95,094
Lease liability	12,784	18,438	24,689	47,755	1,030,593	1,134,259
Total	542,498,242	719,552,108	597,739,071	780,893,960	163,906,728	2,804,590,109

## 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:

(in thousands of New Taiwan dollars)

December 31, 2020	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	9,020	8,600	(264,848)	16,108	(521,073)	(752,193)
Total	9,020	8,600	(264,848)	16,108	(521,073)	(752,193)

December 31, 2019	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	30,863	30,927	(383,167)	58,063	(475,293)	(738,607)
Total	30,863	30,927	(383,167)	58,063	(475,293)	(738,607)

##### 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.

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

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:

(in thousands of New Taiwan dollars)

December 31, 2020	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Derivative financial liabilities at FVTPL						
— Cash outflow	13,204,607	18,712,411	9,309,670	33,910,806	8,868,556	84,006,050
— Cash inflow	12,786,460	17,957,001	8,949,584	32,769,866	8,763,086	81,225,997
Net cash flow	(418,147)	(755,410)	(360,086)	(1,140,940)	(105,470)	(2,780,053)

December 31, 2019	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Derivative financial liabilities at FVTPL						
— Cash outflow	19,996,694	24,181,914	15,460,078	14,016,644	-	73,655,330
— Cash inflow	29,435,203	23,806,731	15,251,748	13,844,884	-	82,338,566
Net cash flow	(9,438,509)	375,183	208,330	171,760	-	(8,683,236)

#### 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.

(in thousands of New Taiwan dollars)

December 31, 2020	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Undrawn loan commitments	133,956	16,638	223,401	665,014	2,293,987	3,332,996
Undrawn credit cards commitments	19,509	844,302	2,113,719	2,243,787	22,402,563	27,623,880
Undrawn letters of credit	1,133,491	4,663,309	1,169,452	803,865	978,567	8,748,684
Guarantees	9,401,412	6,912,996	4,051,515	10,138,750	25,879,995	56,384,668
Total	10,688,368	12,437,245	7,558,087	13,851,416	51,555,112	96,090,228

# LAND BANK OF TAIWAN CO., LTD.

## Notes to the Financial Statements

December 31, 2019	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Undrawn loan commitments	1,313,166	3,457	186,824	391,067	3,502,408	5,396,922
Undrawn credit cards commitments	1,037	205,477	639,779	4,336,647	21,572,151	26,755,091
Undrawn letters of credit	1,291,375	3,523,879	585,144	3,024,832	907,447	9,332,677
Guarantees	6,380,720	4,463,161	3,759,233	8,131,270	26,938,635	49,673,019
Total	8,986,298	8,195,974	5,170,980	15,883,816	52,920,641	91,157,709

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

#### a) Maturity analysis of assets and liabilities

(in thousands of New Taiwan dollars)

December 31, 2020	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	219,054,566	279,348,311	155,887,180	117,866,467	196,886,074	1,879,959,369	2,849,001,967
Main capital outflow on maturity	113,350,984	274,621,727	476,057,008	567,753,526	903,591,230	1,075,335,203	3,410,709,678
Gap	105,703,582	4,726,584	(320,169,828)	(449,887,059)	(706,705,156)	804,624,166	(561,707,711)

December 31, 2019	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	207,710,293	247,730,636	135,094,499	119,701,127	205,882,738	1,765,451,095	2,681,570,388
Main capital outflow on maturity	98,916,657	200,163,513	551,178,219	538,713,545	887,204,917	997,147,334	3,273,324,185
Gap	108,793,636	47,567,123	(416,083,720)	(419,012,418)	(681,322,179)	768,303,761	(591,753,797)

#### b) Maturity analysis of assets and liabilities in US Dollars

(in thousands of New Taiwan dollars)

December 31, 2020	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Main capital inflow on maturity	3,094,882	1,859,494	1,752,182	934,476	5,938,267	13,579,301
Main capital outflow on maturity	4,878,263	4,173,593	2,113,058	1,085,316	2,257,130	14,507,360
Gap	(1,783,381)	(2,314,099)	(360,876)	(150,840)	3,681,137	(928,059)

December 31, 2019	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Main capital inflow on maturity	3,709,757	2,659,745	1,041,916	856,669	6,027,477	14,295,564
Main capital outflow on maturity	5,614,124	4,094,400	1,586,721	1,818,482	2,060,086	15,173,813
Gap	(1,904,367)	(1,434,655)	(544,805)	(961,813)	3,967,391	(878,249)

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

(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.

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.



## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

#### 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.

#### 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.

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

d) Measurement method

The Bank adopts the  $\beta$  value, DVO1, Delta, 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.

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) a) 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.

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

- ii) **Measurement:** The Bank adopts repricing gap analysis methods to measure repricing risks on interest rates and assess the impact of interest rate risk exposure on retained earnings and economic value on a monthly basis. The Bank also conducts scenario analysis and stress testing on a regular basis to assess the possible loss on future retained earnings and economic value.
- iii) **Monitor:** The Bank monitor the interest rate risk based on the limits of the interest rate risk management index on a monthly basis. The risk management department will monitor the Bank's interest rate risk based on the information provided by each business unit. If any significant limit-exceeding position is found, the risk management department will report to general managers immediately and the related departments (finance department, offshore operating units) have to provide improvements measures. If any significant risk exposure that affect the financial, business status or law compliant was found, it should be reported to the general managers and BoD immediately.
- iv) **Report:** The risk management department reports the interest rate risk management reports to the asset-liability committee and BoD on a regular basis to communicate information on interest rate risk exposure and control, which enhances the decision-making on interest rate risk management.

c) **Measurement method**

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

7) **Exchange rate risk management**

a) **Definition of exchange rate risk**

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

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.

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

**Notes to the Financial Statements**

8) Management of equity security price risk

a) Definition of equity security price risk

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

b) Purpose of equity security price risk management

The purpose of equity security price risk management is to avoid high fluctuation in equity security price, which will worsen the financial status of the Banks 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 Financial Supervisory Committee, for implementation of stress scenario set by Basel II Committee on Grouping Supervision and significant events in domestic and international.

ii) The market risk stress testing is executed by the risk management department and is included in the risk monitoring report, which is approved by the top management on the monthly basis.

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

#### b) Sensitivity analysis

##### i) Interest rate risk

The Bank assumes that if the yield curve of security market increases by 100bps, while other risk factors remain constant, the profit or loss as of December 31, 2020 and 2019 will decrease by \$96 thousand and \$368 thousand, respectively, while the other comprehensive statement of income will decrease by \$2,743,965 thousand and \$2,014,659 thousand, respectively. If the yield curve of security market decreases by 100bps, the profit or loss as of December 31, 2020 and 2019 will increase by \$47 thousand and \$242 thousand, respectively, while other comprehensive income or loss will increase \$1,173,088 thousand and \$1,880,403 thousand, respectively.

##### ii) Exchange rate risk

The Bank assumes other risk factors remain constant, if USD against TWD depreciates by 3%, the profit or loss as of December 31, 2020 and 2019 will decrease by \$8,635 thousand and \$6,787 thousand, respectively; if EUR against TWD depreciates by 3%, the profit or loss as of December 31, 2020 and 2019 will decrease by \$1,606 thousand and \$720 thousand; if JPY against TWD depreciates by 5%, the profit or loss as of December 31, 2020 and 2019 will decrease by \$1,473 thousand and \$4,655 thousand, respectively; if CNY against TWD depreciates by 5%, the profit or loss as of December 31, 2020 and 2019 will decrease by \$6,489 thousand and \$1,838 thousand, 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, 2020 and 2019 will decrease by \$87,841 thousand and \$163,055 thousand, respectively, while items other comprehensive income or loss will decrease by \$336,024 thousand, and \$439,057 thousand, respectively, and vice versa.

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

iv) Summary of sensitivity analysis is as follows:

(in thousands of New Taiwan dollars)

<b>December 31, 2020</b>			
<b>Main Risk</b>	<b>Sensitivity to change</b>	<b>Amount</b>	
		<b>Equity</b>	<b>Equity</b>
Currency Risk	USD/TWD increase 3%	-	(8,635)
	EUR/TWD increase 3%	-	1,606
	JPY/TWD increase 5%	-	1,473
	CNY/TWD increase 5%	-	6,489
Currency Risk	USD/TWD decrease 3%	-	8,635
	EUR/TWD decrease 3%	-	(1,606)
	JPY/TWD decrease 5%	-	(1,473)
	CNY/TWD decrease 5%	-	(6,489)
Interest Risk	Yield curve increase 100BPS	(2,743,965)	(96)
Interest Risk	Yield curve decrease 100BPS	1,173,088	47
Equity securities price risk	Price of equity securities increase 15%	336,024	87,841
Equity securities price risk	Price of equity securities decrease 15%	(336,024)	(87,841)

<b>December 31, 2019</b>			
<b>Main Risk</b>	<b>Sensitivity to change</b>	<b>Amount</b>	
		<b>Equity</b>	<b>Equity</b>
Currency Risk	USD/TWD increase 3%	-	(6,787)
	EUR/TWD increase 3%	-	720
	JPY/TWD increase 5%	-	4,655
	CNY/TWD increase 5%	-	1,838
Currency Risk	USD/TWD decrease 3%	-	6,787
	EUR/TWD decrease 3%	-	(720)
	JPY/TWD decrease 5%	-	(4,655)
	CNY/TWD decrease 5%	-	(1,838)
Interest Risk	Yield curve increase 100BPS	(2,014,659)	(368)
Interest Risk	Yield curve decrease 100BPS	1,880,403	242
Equity securities price risk	Price of equity securities increase 15%	439,057	163,055
Equity securities price risk	Price of equity securities decrease 15%	(439,057)	(163,055)

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

10) Concentration of currency risk information

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

(in thousands of New Taiwan dollars)

December 31, 2020	(USD)	(JPY)	(EUR)	(AUD)	(CNY)	Other	Total
Foreign currency financial assets							
Cash and cash equivalents	8,750,364	355,603	1,155,031	648,827	9,156,811	428,352	20,494,988
Due from the Central Bank and call loans to banks	41,541,845	-	553,440	-	22,201,596	155,813	64,452,694
Financial assets at fair value through profit or loss	867,870	-	87	-	-	405,809	1,273,766
Financial assets at fair value through other	38,542,131	-	311,017	20,553,556	1,234,788	237,555	60,879,047
Loans and discounts	145,878,791	556,888	2,829,280	1,920,030	22,068,096	3,475,635	176,728,720
Receivables	96,379,388	1,826,122	957,786	46,754	1,742,355	811,369	101,763,774
Held-to-maturity financial assets	17,296,601	-	-	4,614,412	5,347,478	5,021,364	32,279,855
Other financial assets	1,407	-	-	-	-	-	1,407
Other assets	284,834	-	849	-	1,741,643	292,192	2,319,518
Total assets	349,543,231	2,738,613	5,807,490	27,783,579	63,492,767	10,828,089	460,193,769
Foreign currency financial liabilities							
Due to the Central Bank and call loans to banks	89,798,246	13,146	1,205,932	19,236,025	20,538,883	2,029,796	132,822,028
Deposits and remittances	182,638,111	2,173,855	2,695,719	5,257,967	32,148,822	5,235,039	230,149,513
Financial liabilities at fair value through profit or loss	267,181	-	121	-	-	-	267,302
Payables	50,751,609	348,284	944,964	3,211,426	1,042,401	2,741,364	59,040,048
Other liabilities- Refundable deposits	10,622,639	34,829	146,962	78,055	2,962,693	112,422	13,957,600
Total liabilities	334,077,786	2,570,114	4,993,698	27,783,473	56,692,799	10,118,621	436,236,491

Note: As of December 31, 2020 the exchange rates of different currencies against the TWD are as follows: USD/TWD:28.10; JPY /TWD: 0.273; EUR /TWD: 34.59; AUD /TWD: 21.650; CNY /TWD: 4.325.



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

December 31, 2019	(USD)	(JPY)	(EUR)	(AUD)	(CNY)	Other	Total
Foreign currency financial assets							
Cash and cash equivalents	7,169,003	405,560	193,579	66,425	13,696,607	214,570	21,745,744
Due from the Central Bank and call loans to banks	103,579,096	-	487,780	8,637,165	26,351,219	710,619	139,765,879
Financial assets at fair value through profit or loss	1,142,039	-	-	-	-	504,412	1,646,451
Financial assets at fair value through other	5,700,172	-	-	14,701,111	-	(3,933)	20,397,350
Loans and discounts	141,131,813	1,163,957	1,579,500	1,863,981	19,494,564	4,231,796	169,465,611
Receivables	84,854,920	3,420,865	3,976,428	75,728	1,357,518	903,540	94,588,999
Held-to-maturity financial assets	8,829,588	-	-	1,061,095	1,832,290	2,749,724	14,472,697
Other financial assets	106	-	-	-	-	-	106
Other assets	170,700	-	14,665	-	1,729,644	134,126	2,049,135
Total assets	352,577,437	4,990,382	6,251,952	26,405,505	64,461,842	9,444,854	464,131,972
Foreign currency financial liabilities							
Due to the Central Bank and call loans to banks	134,901,780	10,948	487,935	19,880,190	29,009,077	1,938,509	186,228,439
Deposits and remittances	208,522,432	4,408,512	2,269,520	5,510,150	29,803,447	5,158,947	255,673,008
Financial liabilities at fair value through profit or loss	58,947	-	-	-	-	30,641	89,588
Payables	29,571,597	294,572	410,016	4,000,253	1,551,013	4,113,164	39,940,615
Other liabilities-Refundable deposits	13,671,064	99,514	48,977	31,038	3,046,725	103,798	17,001,116
Total liabilities	386,725,820	4,813,546	3,216,448	29,421,631	63,410,262	11,345,059	498,932,766

Note: As of December 31, 2019 the exchange rates of different currencies against the TWD are as follows: USD/TWD:29.990; JPY/TWD: 0.2761; EUR/TWD: 33.640; AUD/TWD: 21.015; CNY/TWD: 4.295.

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

(in thousands of New Taiwan dollars)

December 31, 2020					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest-rate-sensitive assets	\$ 2,434,097,298	27,929,139	32,580,929	195,754,903	2,690,362,269
Interest-rate-sensitive liabilities	1,070,771,602	1,107,365,547	258,271,932	60,551,527	2,496,960,608
Interest rate sensitivity gap	1,363,325,696	(1,079,436,408)	(225,691,003)	135,203,376	193,401,661
Net worth					175,380,587
Ratio of interest-rate-sensitive assets to liabilities (%)					107.75
Ratio of interest rate sensitivity gap to net worth (%)					110.28

# LAND BANK OF TAIWAN CO., LTD.

## Notes to the Financial Statements

December 31, 2019					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest-rate-sensitive assets	\$ 2,289,420,514	29,775,950	56,292,497	175,730,078	2,551,219,039
Interest-rate-sensitive liabilities	1,117,239,951	955,728,577	229,610,651	61,850,881	2,364,430,060
Interest rate sensitivity gap	1,172,180,563	(925,952,627)	(173,318,154)	113,879,197	186,788,979
Net worth					168,230,391
Ratio of interest-rate-sensitive assets to liabilities (%)					107.90
Ratio of interest rate sensitivity gap to net worth (%)					111.03

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

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

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

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

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

(in thousands of U.S. dollars)

December 31, 2020					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest-rate-sensitive assets	\$ 9,056,240	1,549,884	518,138	525,596	11,649,858
Interest-rate-sensitive liabilities	7,943,484	1,955,170	959,235	222,000	11,079,889
Interest rate sensitivity gap	1,112,756	(405,286)	(441,097)	303,596	569,969
Net worth					6,241,302
Ratio of interest-rate-sensitive assets to liabilities (%)					105.14
Ratio of interest rate sensitivity gap to net worth (%)					9.13

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

December 31, 2019					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest-rate-sensitive assets	\$ 11,052,189	963,154	555,719	555,129	13,126,191
Interest-rate-sensitive liabilities	9,065,364	1,486,205	1,688,585	321,300	12,561,454
Interest rate sensitivity gap	1,986,825	(523,051)	(1,132,866)	233,829	564,737
Net worth					5,609,550
Ratio of interest-rate-sensitive assets to liabilities (%)					104.50
Ratio of interest rate sensitivity gap to net worth (%)					10.07

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

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

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

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

12) Offsetting of financial assets and liabilities

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

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

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

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

December 31, 2020						
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	\$ 858,436	72,465	785,971	-	-	785,971
Reverse and Securities lending agreement	1,145,103	-	1,145,103	1,145,103	-	-
Total	<u>\$ 2,003,539</u>	<u>72,465</u>	<u>1,931,074</u>	<u>1,145,103</u>	<u>-</u>	<u>785,971</u>
December 31, 2020						
Financial liabilities 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 liabilities	\$ -	-	-	-	-	-
December 31, 2019						
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	\$ 1,724,198	962,302	761,896	-	-	761,896
Reverse repurchase and securities borrowing agreement	6,218,350	-	6,218,350	6,218,350	-	-
Total	<u>\$ 7,942,548</u>	<u>962,302</u>	<u>6,980,246</u>	<u>6,218,350</u>	<u>-</u>	<u>761,896</u>

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

December 31, 2019

Financial liabilities regulated by offset or enforceable net settlement agreement or similar agreement					
	Total amount of recognized financial assets (a)	Total amount of recognized offsetting financial liabilities in balance sheet (b)	Net amount of recognized financial assets in balance sheet (c)=(a)-(b)	The related amount not set off in balance sheet (d)	
				Financial instrument (Note)	cash collateral received
					net amount (e)=(c)-(d)
Derivative financial liabilities	\$ -	-	-	-	-

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

13) Transfers of Financial 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, 2020					
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
Available-for-sale financial assets					
Repurchase agreement	\$ 18,640,229	18,634,499	18,640,229	18,634,499	5,730

December 31, 2019					
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
Available-for-sale financial assets					
Repurchase agreement	\$ 7,401,398	7,399,137	7,401,398	7,399,137	2,261

(a) 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.

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

- 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 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. 10902745641 Regulations Governing the Capital Adequacy and Capital Category of Group. The capital adequacy ratio as of December 31, 2020 and 2019 are in compliance with regulations of local authorities.

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

(in thousands of New Taiwan dollars)

Items		Year	December 31, 2020	December 31, 2019
Eligible Capital	Common equity tier 1 capital		163,781,292	148,770,884
	Additional tier 1 capital		23,500,000	26,656,700
	Tier 2 capital		39,563,919	40,159,743
	Eligible capital		226,845,211	215,587,327
Risk- weighted Assets	Credit risk	Standardized approach	1,678,232,260	1,613,839,876
		Internal rating-based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	-	-
		Standardized approach/Alternative standardized approach	53,293,052	52,002,585
		Advanced measurement approach	-	-
	Market risk	Standardized approach	27,960,577	25,450,118
		Internal model approach	-	-
	Risk-weighted assets		1,759,485,889	1,691,292,579
Capital adequacy ratio			12.89	12.75
Ratio of common stock equity to risk-weighted assets (%)			9.31	8.80
Ratio of tier 1 capital to risk-weighted assets (%)			10.64	10.37
Leverage (%)			5.81	5.64

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's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2020 and 2019, were as follows:

	January 1, 2020	Cash flows	Acquisition	Non-cash changes		December 31, 2020
				Foreign exchange movement	Fair value changes	
Lease liabilities (note 6(u))	\$ 1,134,259	(467,796)	280,604	13,964	(12,264)	948,767

	January 1, 2019	Cash flows	Acquisition	Non-cash changes		December 31, 2019
				Foreign exchange movement	Fair value changes	
Lease liabilities (note 6(u))	\$ 1,186,109	(450,190)	391,761	14,869	(8,290)	1,134,259

(an) Involvement with consolidated structured entities

The Bank holds the following structured entities. The assessment shows that the Bank has no control over its entities and is exposed to their variable returns. Therefore, they are not consolidated into the Bank's financial report.

Type	Nature and purpose	Interest of the Company
REITs	The Company invests in titles or issues certificates on REIT funds delivered by the trustee, evidencing the beneficiary interests in the trust property in terms of the principal and profits, interest, and other proceeds accrued. The vehicles were financed by issuing deed titles or certificate on REIT funds delivered by the trustee	Unit of REIT securities

The Bank considers the characteristic of various types of its structured entities, and discloses their scales based on such entities' net assets, total assets or the principal amount outstanding. The scales of the unconsolidated structured entities were as follows:

	Scale	December 31, 2020	December 31, 2019
REITs	Net assets	\$ -	3,162,000

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The Bank's maximum exposures to the equity loss of the unconsolidated structured entities are the participating portion to such entities, the book value of asset related to the unconsolidated structured entities was \$0 and \$33,547 thousand as of December 31, 2020 and 2019, and recognized as financial assets at fair value through profit or loss.

The Bank did not, nor has any intention, to provide any financial or other support to the structured entity in 2020 and 2019. There were no equity losses in the unconsolidated structured entities in 2020 and 2019.

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

##### (a) Name and relation of related parties

Name of related parties	Relationship
Land Bank Insurance Brokerage Co., Ltd.	Subsidiary, it has been merged into the Bank since January 1, 2020.
Key management personnel	Director, supervisors, managers of the Bank and their relatives.

##### (b) Transactions with Key Management Personnel

Key management personnel compensation comprised:

	2020	2019
Short-term employee benefits	\$ 19,922	23,330
Post-employment benefits	20,477	962
	<u>\$ 40,399</u>	<u>24,292</u>

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

###### (i) Deposits

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Land Bank Insurance Brokerage Co., Ltd.	\$ -	-	57,788	-
Key management personnel	<u>1,086,948</u>	<u>0.04</u>	<u>1,018,009</u>	<u>0.04</u>

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, 2020		December 31, 2019	
	Amount	%	Amount	%
Key management personnel	<u>\$ 513,567</u>	<u>0.02</u>	<u>496,299</u>	<u>0.02</u>

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

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.

(in thousands of New Taiwan dollars)

December 31, 2020							
Type (Note 1)	Account Volume  (Number of Names)	Highest Balance	Ending Balance	Loan classification		Collateral (note2)	Differences in Transaction Terms from Those for Unrelated Parties
				Normal Loans	Non- performing loans		
Consumer loans for employees	40	\$ 20,121	17,899	17,899	-	Credit etc.	None
Private housing mortgage loan	87	319,231	314,854	314,854	-	Real estate	None
Other loans	51	192,045	180,814	180,814	-	Real estate etc.	None

(in thousands of New Taiwan dollars)

December 31, 2019							
Type (Note 1)	Account Volume  (Number of Names)	Highest Balance	Ending Balance	Loan classification		Collateral (note2)	Differences in Transaction Terms from Those for Unrelated Parties
				Normal Loans	Non- performing loans		
Consumer loans for employees	33	\$ 21,631	16,848	16,848	-	Credit etc.	None
Private housing mortgage loan	105	378,054	296,805	296,805	-	Real estate	None
Other loans	34	207,173	182,646	182,646	-	Real estate etc.	None

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

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

## LAND BANK OF TAIWAN CO., LTD.

### Notes to the Financial Statements

#### (iii) Service fees and Rental income

The Bank recognizes the service fee income for the transactions that the company signs a tripartite cooperation promotion and marketing contract with Land Bank Insurance Brokerage Co., Ltd. and various insurance companies, agreeing to sell insurance products through the company's channels. In addition, the Bank and Land Bank Insurance Brokerage Co., Ltd. have signed a lease contract to provide business premises for their office use, and recognized related rental income and unearned rental revenue. The balance of related items is listed below :

	2020
Service fee income	\$ <u>801,178</u>
Rental income	\$ <u>4,215</u>

On December 31, 2019 Land Bank Insurance Brokerage Co., Ltd. used a time deposit certificate of 664 thousand as the performance bond to lease the office to the Bank. In order to simplify the accounting treatment on the basis of merger, the company returned the performance bond of 664 thousand to Land Bank Insurance Brokerage Co., Ltd. on December 31, 2020.

#### (8) Pledged assets:

Pledged assets	December 31, 2020	December 31, 2019	Guarantee pledged
Government bonds (recorded as financial assets at FVOCI)	\$ 845,900	1,173,724	Guarantee of court leave or guarantee of tax claim
Government bonds (recorded as debt investment at amortized cost)	1,038,048	-	Guarantee of court leave or guarantee of tax claim
Negotiable certificate of time deposits (recorded as financial assets at FVOCI)	564,084	602,943	Operating guarantees of U.S. FINRA
Negotiable certificate of time deposits (recorded as debt investment at amortized cost)	4,660,000	4,660,000	Guarantee for settlement funds from Central Bank and other banks
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)	255,270	255,500	Operating guarantees of securities
Government bonds (recorded as debt investment at amortized cost)	310,712	304,230	Reserve for trust business losses
Negotiable certificate of time deposits (recorded as debt investment at amortized cost)	18,000,000	18,000,000	Operating guarantees of U.S. FINRA
Due from Central Bank - Statutory Reserves	20,000,000	-	Reservation for Project Financing from Central Bank
Asset swap	256,834	155,692	Guarantees for asset exchange valuation
Time deposits	1,730,000	1,718,000	Guarantee deposits for CNY overdraft
Total	\$ <u>47,730,686</u>	<u>26,939,927</u>	

# LAND BANK OF TAIWAN CO., LTD.

## Notes to the Financial Statements

### (9) Commitments and contingencies:

- (a) As of December 31, 2020, the Bank has the following contingent liabilities and commitments, which are not included in the above-mentioned financial statements:

	December 31, 2020	December 31, 2019
Loan commitments	\$ 3,332,996	5,396,922
Unused credit card	27,623,880	26,755,091
Unused commercial letters of credits	8,748,684	9,332,677
Guarantees	56,384,668	49,673,019
Trust liabilities	426,137,938	391,817,317
Trust liabilities	14,763,187	12,830,828
Property under custody for customers	456,586	316,795
Travellers' checks consignment-in	-	90,497
Collections for customers	49,014,628	55,095,173
Agency loans	40,983,656	45,117,882
Government bond under custody for customers	169,127,500	162,610,200
Consigned manager of bills	62,818,877	68,825,377
Consigned manager of bonds	361,926	592,395
Consigned sales of goods	10,291	10,143
Securities sold under repurchase agreement	18,647,689	7,408,866
Total	<u>\$ 878,412,506</u>	<u>835,873,182</u>

- (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, 2020 and 2019

(in thousands of New Taiwan dollars)

Trust Assets	December 31, 2020	December 31, 2019
Cash in bank	\$ 39,752,540	20,328,957
Bond	1,703,982	989,687
Stock	1,330,355	1,097,032
Mutual funds	55,568,336	55,540,606
Beneficial securities	1,188,086	1,120,221
Asset-backed securities	5,324,723	8,382,623
Structured products	22,761	62,379
Receivable account	147,782	73,686
Prepaid account	18,328	18,809
Real property	219,960,768	212,365,923
Intangible assets	5,373,143	6,730,511
Other assets	249,092	99,597
Securities under custody	95,498,042	85,007,286
Total trust assets	<u>\$ 426,137,938</u>	<u>391,817,317</u>

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

Trust Liabilities	December 31, 2020	December 31, 2019
Accounts payable	\$ 227,691	48,397
Borrowed	2,658,801	2,138,581
Advance receipts	7,009	9,556
Tax payable	61	69
Guarantee deposits received	1,068,078	1,503,332
Withholding	3,088	1,976
Other liabilities	1,153,956	1,154,408
Trust capital	323,923,173	300,359,676
Reserve account	286,608	288,333
Accumulated loss	260,572	219,110
Net income	1,050,859	1,086,593
Securities under custody	95,498,042	85,007,286
Total trust liabilities	<u>\$ 426,137,938</u>	<u>391,817,317</u>

Trust Property List  
December 31, 2020 and 2019

(in thousands of New Taiwan dollars)

Trust Assets	December 31, 2020	December 31, 2019
Cash in bank	\$ 39,752,540	20,328,957
Bond	1,703,982	989,687
Stock	1,330,355	1,097,032
Mutual funds	55,568,336	55,540,606
Beneficial securities	1,188,086	1,120,221
Asset-backed securities	5,324,723	8,382,623
Structured products	22,761	62,379
Receivable products	147,782	73,686
Prepaid account	18,328	18,809
Real property	219,960,768	212,365,923
Intangible assets	5,373,143	6,730,511
Other assets	249,092	99,597
Securities under custody	95,498,042	85,007,286
Total	<u>\$ 426,137,938</u>	<u>391,817,317</u>

# LAND BANK OF TAIWAN CO., LTD.

## Notes to the Financial Statements

### Statements of Income on Trust Accounts

For the years ended December 31, 2020 and 2019

(in thousands of New Taiwan dollars)

	For the years ended December 31	
	2020	2019
Revenues		
Interest revenues	\$ 471,106	420,248
Rental revenues	1,439,953	1,541,356
Revenues from cash dividend	10,886	13,016
Other revenues		
Realized gains on investment	18,137	-
Others	22,641	24,065
Total	1,962,723	1,998,685
Expenses		
Interest fees	414,288	370,325
Insurance fees	23,195	23,515
Management and maintenance fees		
Management fees	135,202	132,686
Maintenance fees	67,396	71,696
Service charges	4,452	5,735
Levies	124,899	123,586
Other expenses		
Realized losses on investment	9,731	-
Others	132,701	184,549
Total	911,864	912,092
Income before income tax	1,050,859	1,086,593
Income tax expense	-	-
Net income	\$ 1,050,859	1,086,593

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. As to foreign currency investments, partly are recognized at their book values which were suggested by other accountants in the audit report.



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

- (c) As of December 31, 2020, the Bank had various lawsuits, claims and proceedings from normal operation. The significant cases are summarized below:

The clients (plaintiffs) of the Bank's branch (defendant, Land Bank Co., Ltd.) claimed his deposits was stolen by certain employees working for the branch, and requested for compensation for the damage amounting to \$143,627 thousand. The District Court ruled in favor of the defendant. The plaintiff disagreed with the decision made by the District Court; hence, it filed an appeal to the Taiwan High Court, Tainan Branch, where it was dismissed. Therefore, the plaintiff filed an appeal to the Supreme Court, where the case was handed over back to the Taiwan High Court, Tainan Branch. However, the appeal was dismissed for the second time. Consequently, the plaintiff appealed again to the Supreme Court. The Supreme Court ruled that the company won the lawsuit on April 16, 2020.

**(10) Losses Due to Major Disasters:None**

**(11) Subsequent Events:None**

**(12) Other:**

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

	2020			2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Personnel expenses						
Salaries	-	8,094,041	8,094,041	-	7,825,417	7,825,417
Insurance	-	350,560	350,560	-	346,902	346,902
Pension	-	858,824	858,824	-	852,865	852,865
Employee benefit saving account	-	3,000	3,000	-	2,996	2,996
Other employee benefits expenses	-	105,239	105,239	-	121,654	121,654
Depreciation expenses	42,717	1,168,708	1,211,425	44,230	1,139,081	1,183,311
Amortization expenses	-	306,450	306,450	-	292,789	292,789

For 2020 and 2019, the Bank has 5,754 and 5,787 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.

# LAND BANK OF TAIWAN CO., LTD.

## Notes to the Financial Statements

### (b) Government audit adjustments

The financial statements for 2019 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, 2019	Adjustments- Increase (Decrease)	Accounts examined by the MOA December 31, 2019
Balance sheet			
Total Asset	<u>\$ 3,002,566,501</u>	<u>142,167</u>	<u>3,002,708,668</u>
Total liability	\$ 2,834,408,201	70,076	2,834,478,277
Total Equity	<u>168,158,300</u>	<u>72,091</u>	<u>168,230,391</u>
Total Liability and Equity	<u>\$ 3,002,566,501</u>	<u>142,167</u>	<u>3,002,708,668</u>
Income statement			
Interest income	\$ 31,221,035	7,716	31,228,751
Total bad debts expense and guarantee liability provision	2,907,339	-	2,907,339
Operating expense	<u>15,286,224</u>	<u>16,150</u>	<u>15,302,374</u>
Profit from continuing operations before tax	13,027,472	(8,434)	13,019,038
Income tax expense	<u>2,879,010</u>	<u>73,432</u>	<u>2,952,442</u>
Profit	<u>\$ 10,148,462</u>	<u>(81,866)</u>	<u>10,066,596</u>

The financial statements for 2019 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 increase 7,716 thousand, operating expense increase 16,150 thousand, income tax expense increase 73,342 thousand and net income decrease 81,866 thousand in Statement of comprehensive income in 2019. In addition, related adjustments effected Asset increase 142,167 thousand, Liability increase 70,076 thousand and Equity increase 72,091 thousand in Balance sheet in 2019.
- (ii) According to the Budget Act, National Audit Office accounted retroactive adjustment of Income distribution in 2019, result in special reserve of the income distribution decrease 32,746 thousand, legal reserve of the income distribution decrease 24,560 thousand.

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

(in thousands of New Taiwan dollars)

	December 31, 2020		December 31, 2019	
	Average balance	Average rates (%)	Average balance	Average rates (%)
Interest-earning assets:				
Due from the Central Bank	\$ 127,651,166	0.31	142,666,866	0.48
Due from banks and call loans to banks	105,701,613	0.94	178,096,467	1.30
Loans	2,061,506,518	1.71	1,861,130,517	1.89
Financial assets at fair value through profit or loss	2,096,443	2.22	3,205,456	1.56
Securities bought under resale agreements	2,947,995	0.43	4,796,160	0.39
Financial assets at fair value through other	96,504,381	1.47	-	-
Debt instruments invest at amortised cost	599,274,819	0.70	-	-
Interest-bearing liabilities:				
Due to banks and call loans from banks	184,640,038	0.69	153,137,402	0.77
Funds borrowed from the Central Bank and other banks	4,624,740	0.49	2,179,321	1.38
Demand deposits	366,384,347	0.08	309,690,774	0.15
Time deposits	714,041,824	0.84	836,550,688	0.90
Due to Taiwan Post Co., Ltd.	221,059,781	0.50	66,889,290	0.73
Saving deposits	1,100,596,299	0.74	989,775,513	0.87
Government deposits	156,496,327	0.36	153,540,449	0.46
Bank debentures	50,851,913	2.07	79,233,425	1.91

(ii) Net Position of Main Foreign Currencies

(in thousands of New Taiwan dollars)

December 31, 2020			December 31, 2019		
Currency	Original currency amount	TWD amount	Currency	Original currency amount	TWD amount
(USD)	\$ 344,000	9,666,392	(USD)	433,614	13,004,096
(CNY)	685,016	2,962,692	(CNY)	709,289	3,046,398
(SGD)	10,740	228,433	(JPY)	355,549	98,167
(ZAR)	39,232	75,364	(ZAR)	36,436	77,244
(AUD)	3,271	70,814	(EUR)	1,286	43,252

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, 2020	December 31, 2019
Return on total assets	Before income tax	0.36	0.43
	After income tax	0.28	0.34
Return on equity	Before income tax	6.36	8.00
	After income tax	5.03	6.19
Net income ratio		29.45	32.24

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.

Note 5: The above profitability ratios are expressed annually.

**(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:

The Bank disposed 14 lands , such as No. 117-10, Tuku Section, West District, Taichung City on February 17, the total transaction price is NT\$498,300 thousand and the gain of disposal is NT\$344,239 thousand.

- (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

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

(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

(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:

(In Thousands of New Taiwan Dollars)

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, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	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	( 1 )	4,688,702	-	-	4,688,702	194,868	100.00%	194,868	5,439,443	-
Taiwan Land Bank Tianjin Branch	Banking business approved by local government	4,861,745	( 1 )	4,861,745	-	-	4,861,745	165,502	100.00%	165,502	5,198,131	-
Taiwan Land Bank Wuhan Branch	Banking business approved by local government	5,141,281	( 1 )	5,141,281	-	-	5,141,281	160,371	100.00%	160,371	5,026,766	-

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.

## LAND BANK OF TAIWAN CO., LTD.

### Notes to Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
14,691,728	19,160,728	105,228,352

Note1: In response to Shanghai Branch, Tianjin Branch and Wuhan Branch, the Bank remitted CNY3,000,000 thousand equivalent to USD475,937 thousand, 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 limit is 60% of individual net asset or the Bank net asset whichever is higher.

#### (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) Department of Treasury: The department mainly manages the funds of New Taiwan dollars and foreign currencies used in operating, financing and investing activities.
- (b) Department 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) Department 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) Department 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 department may be Bank under this category.

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

(f) Segment Financial Information

For the year ended December 31, 2020							
	Department of Treasury	Department of Corporate Banking	Department of Consumer Banking	Department of Business Management	Other	Other Adjustment and Write- Off	Total
Net interest income	\$ 4,287,024	14,962,593	14,899,529	(10,862,414)	3,108,817	-	26,395,549
Net segment profit (loss)	(3,161,382)	(7,932,361)	(8,749,761)	20,222,529	(379,025)	-	-
Net fee income (loss)	(27,259)	822,920	302,488	161,913	1,272,575	-	2,532,637
Net other income (loss)	(925,109)	-	-	(103,605)	1,431,426	-	402,712
Net operating income	173,274	7,853,152	6,452,256	9,418,423	5,433,793	-	29,330,898
Operating expenses	-	-	-	-	(15,547,562)	-	(15,547,562)
Provision for loan losses and credit related losses	-	-	-	-	(2,854,589)	-	(2,854,589)
Inter expenses allocated	(100,828)	(2,752,113)	(4,205,747)	(5,910,736)	12,969,424	-	-
Income tax expenses	-	-	-	-	(2,291,628)	-	(2,291,628)
	<u>\$ 72,446</u>	<u>5,101,039</u>	<u>2,246,509</u>	<u>3,507,687</u>	<u>(2,290,562)</u>	<u>-</u>	<u>8,637,119</u>
For the year ended December 31, 2019							
	Department of Treasury	Department of Corporate Banking	Department of Consumer Banking	Department of Business Management	Other	Other Adjustment and Write- Off	Total
Net interest income	\$ 5,601,115	15,515,054	16,899,926	(13,884,833)	3,979,912	-	28,111,174
Net segment profit (loss)	(4,043,975)	(7,984,928)	(10,168,308)	22,547,999	(350,788)	-	-
Net fee income (loss)	(22,227)	760,159	339,348	157,318	1,392,921	-	2,627,519
Net other income (loss)	679,277	-	-	(102,303)	(86,916)	-	490,058
Net operating income	2,214,190	8,290,285	7,070,966	8,718,181	4,935,129	-	31,228,751
Operating expenses	-	-	-	-	(15,302,374)	-	(15,302,374)
Provision for loan losses and credit related losses	-	-	-	-	(2,907,339)	-	(2,907,339)
Inter expenses allocated	(18,518)	(2,376,211)	(3,778,453)	(5,376,747)	11,549,929	-	-
Income tax expenses	-	-	-	-	(2,952,442)	-	(2,952,442)
	<u>\$ 2,195,672</u>	<u>5,914,074</u>	<u>3,292,513</u>	<u>3,341,434</u>	<u>(4,677,097)</u>	<u>-</u>	<u>10,066,596</u>

The Bank provides only the operation volume of deposits and loans for its measurable amount in assets and liabilities. As a result, the measurable amount of the asset is 0 in accordance with the regulations under IFRS 8.



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

(g) Region

<u>Areas type</u>	<u>2020</u>	<u>2019</u>
Net revenue:		
Taiwan	\$ 27,064,595	28,867,721
U.S.A	941,221	999,308
Singapore	184,321	205,413
Hong Kong	254,432	313,310
China	886,329	842,999
Total	<u>\$ 29,330,898</u>	<u>31,228,751</u>

(h) Main customer information

There is no transaction with any individual consumer that constitutes 10% of the Banks' revenues.

## V. Risk Management Issues

### (I) Qualitative and quantitative information of various risk

#### 1. Credit Risk Management Strategies, Goals, Policies and Procedures

##### (1) Credit risk management system (2020)

Type	Summary
1. The strategy, target, policy and process for credit risk	<p>1. The management strategy of credit risk management: In order to employ and allocate the funds of bank effectively, the business management strategy of the credit risk of the Bank shall consider overall economic circumstances, the operation strategy, entire credit portfolio connotation and quality, cost and reward of risk, etc. then decide to adopt various tool to reduce credit risks which include the request for collateral, net amount settlement in the balance sheet, third-party guarantee, etc. And to mitigate or transfer credit risk.</p> <p>2. Management strategy of the credit risk: The target for the Bank to implement credit risk management is to keep capital adequacy and create the highest reward after risk adjustment within the scope of tolerable credit risk accepted by The Bank.</p> <p>3. The management strategy of credit risk management: (1) According to the credit management strategy and business guideline such as "The Policy and Procedure of Risk Management," "The Management Guideline for Credit Risk," "Credit Extension and Investment Policy," etc., which were approved by the Board of Directors. Under the related materials of Basel Accord and regulations of competent authorities, define the management process and procedure for all credit risk for implementation compliance. (2) To employ the funds of the Bank effectively, the formulation of all credit risk strategy and operation regulation will consider overall economic circumstances, the operation strategy, cost and reward of risk, Under the related materials of Basel Accord and regulations of competent authorities. The strategy and regulation will be reviewed and amended periodically and be effective after the approval of the Board of Directors /Top Management based on the approval process.</p> <p>4. Management process of the credit risk: For all credit extension and investment business, the various department and division under the head office, area center, and business unit conduct risk identification, measurement, monitor, report and control, assessment and review all possible credit risk to facilitate the implementation of credit risk management for the entire bank.</p>
2. The management organization and structure of credit risk.	<p>The structure of credit risk management and control function of the Bank is constituted with three lines of defense by Board of Directors, Risk Management Committee, Audit Department, Risk Management Department, the Supervision Unit of Various Business, Financial Trading Unit and Various Unit:</p> <p>1. First line of defense (Risk generating or bearing unit): The second line of defense (risk management department and various business supervision units) should assist and supervise the first line of defense to identify, measure and manage credit risk for the business under their management.</p> <p>2. II. Second line of defense (Risk control and management unit): The second line of defense (risk management department and various business supervision units) should assist and supervise the first line of defense to identify, measure and manage credit risk for the business under their management. (1) Risk Management Department serves as an independent and dedicated role and is responsible for the assessment, supervision, control, review, and reporting of the overall business risk of the Bank. (2) Other various business supervision unit shall identify, assess and control the credit risk of the business under its supervision, newly development business or financial products, formulating and executing credit risk management regulation and mechanism of various business, supervise risk undertaking ability and current status of risk-bearing for the business under its supervision, and make decision based on its responsibility.</p> <p>3. Third line of defense (Internal Audit Unit): To perform the audit and evaluate the effectiveness of the credit risk management system which was designed and executed by the First line and Second line of defense, and inspect the defects and correction or improvement of credit risk control of the entire Bank and follow up, provide a timely improvement recommendation.</p>

Type	Summary
3. The scope and features of the credit risk reporting and measurement system	<p>1. Credit risk reporting:</p> <p>(1) Scope: Regularly state and report the scope of credit risk monitoring report to the management which includes asset quality, various countries, industries, groups, credit holders of considerable amount, and exposure of collateral categories, etc.</p> <p>(2) Features: Immediately perform the dynamic monitoring of credit risk, if there is a significant change or exceed the relevant limit, apply for the further review of the supervisor of the business unit base on the procedure and then report to the chief to control credit risk effectively.</p> <p>2. Credit risk measurement system:</p> <p>(1) Scope: The Bank calculates the accrual capital based on credit risk standardized approach currently, the risk management system generates various reports as the basis of monitoring report for the top management, risk management committee and the Board of Directors. Besides, The Bank expects to measure credit risk with the more advanced approach, it implemented internal credit evaluation model and had developed the probability model of breach of contract such as scoring card for newly received mortgage loan application, scoring card for mortgage loan behavior, scoring card for consuming loan, scoring card for credit card and scoring card for enterprise financing, etc. and perform the segmentation for credit extension customers. Complete the establishment of loss rate model for mortgage loan contract breach. The Bank will keep planning to set up the quantitative model of credit risk for other business to improve the management ability of credit risk.</p> <p>(2) Features: Build up a whole-bank credit risk data supermarket for connectable relevant information system (such as credit evaluation system, credit check and loan process management system, etc.) to facilitate various credit risk limit control. Conducting risk segmentation based on the level of breach-contract customers to emphasize the credit risk management mechanisms of the Bank.</p>
4. Credit Risk Avoidance or Mitigation Policies, and Monitoring the Continued Effectiveness of Risk Avoidance and Mitigation Tools	<p>1. Policy on the credit risk hedge or risk reduction:</p> <p>(1) To prevent The Bank's loss because of breach of contract by borrowers or trading counterparties, the Bank will request for collateral, guarantor or get the guarantee from credit guarantee agency to mitigate the credit risk.</p> <p>(2) According to relevant contents of Basel Accord II and the regulations of the competent authorities, the operation methods (such as qualified collaterals and guarantee agencies) for conducting credit risk reduction because of regulatory compliance shall be included in the information systems to calculate the effectiveness of credit risk reduction of the Bank accurately.</p> <p>2. Policy on the credit risk hedge or risk reduction: The strategy and processes for the continuous and effectiveness of credit risk monitoring avoidance and credit reduction tools: Through the mechanism of post-lending management and review, focus on the operation status of credit customers, status of collaterals, credit status of guarantors and cases guaranteed by the guarantee agencies to check whether the results comply with the regulations of the Bank and guarantee agencies and conduct regular inspections to ensure the effectiveness of risk reduction.</p>
5. Approaches Adopted for Statutory Capital Charges	Credit Risk Standardized Approach.

(2) Risk exposure amount and accrued capital after risk mitigation under the credit risk standardized approach

December 31, 2020

Unit: NT\$ thousands

Type of Risk Exposure	Risk Exposure Amount after Risk Mitigation	Capital Charges (Note)
Sovereign country	727,035,335	0
Non-central government public sectors	6,675,640	106,810
Banks (including multilateral development banks)	138,971,047	4,318,752
Corporation (including securities and insurance companies)	887,828,182	64,649,118
Retail claims	393,680,623	25,211,915
Real Estate for Residence	882,621,850	34,086,332
Equity Security Investments	12,053,755	964,300
Other Assets	74,878,272	4,682,649
Total	3,123,744,703	134,019,877

Note: Capital charge = Exposure after risk mitigation x Statutory minimum capital adequacy ratio.

## 2. Securitization Risk Management System, Exposure and Capital Charges

### (1) Risk Management System for Securitization For the Year 2020

Type	Summary
1. Management strategy and process of asset securitization	<p>1.The management strategy of asset securitization: According to the "Guidelines Governing Investment Beneficiary Certificates and Asset Backed Securities", "Guidelines Governing Foreign Currency Trading" and "Guidelines Governing Short-term Bills Business" approved by the Board of Directors of the Bank. The regulation was defined for business when investment in beneficiary certificates, asset backed securities (non-founding bank), or perform as underwriter institute (founding bank) of asset-backed commercial paper for process compliance.</p> <p>2.The management process of asset securitization:            (1) According to the rules of "Guidelines Governing Investment Beneficiary Certificates and Asset Backed Securities" and "Guidelines Governing Short-term Bills Business" of the Bank, when investing in beneficiary certificates, asset backed securities (non-founding bank), and underwriting agency business (founding bank) of asset-backed commercial paper, the investment target must be a certain level of credit rating or above and establish the authorization limit approval amount of different level of supervisor. When the credit rating agencies downgraded the investment target, the "The Special Task Force Team for Investment in Marketable Securities" shall convene a meeting immediately to study the corresponding solutions and apply the approval of the general manager.</p> <p>(2) In accordance with The Bank's "Guidelines for Handling Foreign Currency Fund Transactions", if a business unit purchases financial instruments in foreign currency for business purposes, such as convertible bonds, asset securitization or linked bonds (e.g. CDOs, SIVs, etc.), the business unit should submit them to the "Investment Review Committee" for review and approval, and submit them to the Board of Directors or the Standing Board of Directors for approval before making the purchase.</p>

Type	Summary
2. Management organization and structure of asset securitization	<p>Establish a risk management organization and structure which is constituted with three lines of defense by Board of Directors, Risk Management Committee, Risk Management Department, the Supervision Unit of Various Business, Operating (Trading) Unit, and Audit Division:</p> <ol style="list-style-type: none"> <li>1. First line of defense (Risk generating or bearing unit): The relevant units (including but not limited to the financial department and financial transaction unit) conducting the asset securitization business shall bear, identify, evaluate and control the risks arising from their asset securitization business concerning their functions and business scope, and state and report the related risk management information accordingly.</li> <li>2. Second line of defense (Risk control and management unit): Risk Management Department and the Supervision Unit of Various Business should assist and supervise the first line of defense to identify, measure and manage the risk arising from asset securitization business for the business under their management. <ol style="list-style-type: none"> <li>(1) Risk Management Department performs as an independent and dedicated role and is responsible for the assessment, supervision, control, review, and reporting of the overall asset securitization business of the Bank.</li> <li>(2) Other various business supervision unit shall identify, assess and control the asset securitization business risk of the business under its supervision, formulating and executing the management regulation and mechanism for asset securitization business risk of the business under its supervision, supervise risk undertaking ability and current status of risk-bearing for the business under its supervision, and make decision based on its responsibility.</li> </ol> </li> <li>3. Third line of defense (Internal Audit Unit): To perform the audit and evaluate the effectiveness of the asset securitization risk management system which was designed and executed by the First line and Second line of defense, and inspect its appropriateness, reliability and the status of legal compliance.</li> </ol>
3. The scope and features of asset securitization risk report and measurement system.	<ol style="list-style-type: none"> <li>1. Risk report of asset securitization: <ol style="list-style-type: none"> <li>(1) 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.</li> <li>(2) Features: The Bank formulated loss control standard and relevant corresponding solution for the investment in real estate investment trust beneficiary certificates, domestic beneficiary certificates and asset backed securities, foreign currency asset securitization products, etc. to control risk.</li> </ol> </li> <li>2. Asset securitization measurement system: <ol style="list-style-type: none"> <li>(1) 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.</li> <li>(2) Features: The monitor result conducted based on the regulations mentioned above shall be summarized and regularly included in the risk monitor report and submitted to the Board of Directors and Risk Management Committee. In case of significant abnormal situation, the business supervision unit shall report to the chief based on the regulation to study and develop the countermeasures accordingly.</li> </ol> </li> </ol>
4. Policies on the asset securitization hedge or risk reduction and the strategy and processes for the continuous and effectiveness of monitoring avoidance and risk reduction tools.	<ol style="list-style-type: none"> <li>1. The policy on asset securitization hedge or risk reduction: According to the material of Basel Accord and the regulation of competent authorities, the credit risk reduction tools of asset securitization exposure based on the regulation should be included to calculate accuracy risk reduction effectiveness of asset securitization of the Bank.</li> <li>2. The continuous and effective strategy and process on asset securitization monitoring avoidance and risk reduction tools: By regularly and periodically monitoring the credit rating and the changes in asset pool of investment in beneficiary securities and asset backed securities, execute stop-loss limit mechanism when it is necessary and report to the chief based on the procedure and facilitate controlling the risk of asset securitization.</li> </ol>
5. Approaches Adopted for Statutory Capital Charges	Asset Securitization Standard Approach.

- (2) Engage in securitization: None
- (3) Securitization exposure and capital accrual: None
- (4) Securitization product information: None

### 3. Operational risk management system and capital charges

#### (1) Operational Risk Management System (For the Year 2020)

Disclosure Information	Summary
1. Operational risk management strategy	<p>1. The management strategy of operational risk: In order to control the materiality of the frequency of occurrence and loss amount of the Banks operational risk within the tolerance, aggressively identify, measure, monitor all business and operational process and continue to develop and establish various operation risk management tools.</p> <p>2. The management process of operational risk:</p> <ul style="list-style-type: none"> <li>(1) There are business regulation, internal control system and standard operation process for all the Bank's products, operating activities and for business unit's compliance. Employ risk identify, measure, monitor, report and control, assess and review all material operational risk of The Bank.</li> <li>(2) Formulate relevant emergency response and recovery plan (Business Continuity Plan) to ensure the various business will continue to operate when there is nature or severe human-made accident and formulate relevant regulation for the outsourced business by The Bank.</li> </ul>
2. Operational Risk Management Organization and Framework	<p>The operational risk management organization structure of the Bank is constituted by the Board of Directors, Risk Management Committee, Audit Department, Risk Management Department, the Supervision Unit of Various Business (including the various department and division of head quarter, all regional center), Financial Trading Unit and Various Business Unit.</p> <p>The Bank identifies the operational risk management responsibility for each unit with three lines of defense:</p> <p>1. First line of defense (Risk generating or bearing unit):</p> <ul style="list-style-type: none"> <li>(1) It is the first line of defense for all unit of the Bank to take the responsibility of the operational risk arising from its daily business operation under its function and business scope. It should be responsible for identifying and managing the risk, based on the features of the risk, design and execute adequate internal control procedure to cover all relevant operational activities. According to applicable laws and regulation, the Bank formulates the management tools for operational risk, performs the control of operational risk under its business and state and reports the relevant management risk to the various business supervision unit based on the regulation.</li> <li>(2) The first line of defense is responsible and continuously manage the operational risk arising from operating activities which include: <ul style="list-style-type: none"> <li>① Identify, measure, assess, control and decrease the operational risk resulting from operating activities to ensure the operation activities agree with the goal and mission of the Bank.</li> <li>② The first line of defense shall control the operational risk within the tolerant scope of the unit, it should report the status of exposure to the second line of defense if necessary.</li> <li>③ Perform the management procedure for operational risk and ensure adequate internal control.</li> <li>④ When the process and control procedure are not enough, it should provide the improvement solution immediately.</li> </ul> </li> <li>(3) The first line of defense shall regularly or irregularly conduct a self-assessment on the issues mentioned in the previous paragraph to ensure the operational risk is adequately controlled and managed.</li> </ul>

Disclosure Information	Summary
	<p>2. Second line of defense (Risk control and management unit which is the risk management department and the various business supervision unit):</p> <p>(1) The second line of defense shall assist and supervise the first line of defense to identify, measure and manage operational risk and the execution status of self-assessment.</p> <p>(2) Risk Management Department serves as an independent and dedicated role and is responsible for the assessment, supervision, control, review, and reporting of the overall operational risk of the Bank.</p> <p>(3) Other various business supervision unit shall identify, assess and control the operating of the business under its supervision, newly development business or financial products, core products, operating activities, operation process, information system and newly developed business or financial products. Formulate the management regulation and mechanism for the operational risk of its business and operating activities. Supervise the risk undertaking ability and status of risk tolerance for the various business and through education and training, employees from all level are fully aware that they should cooperate to implement the execution of operational risk management and taking their responsibilities within the scope of their duties.</p> <p>3. Third line of defense (Audit Department):</p> <p>(1) Audit department is the third line of defense, and is responsible for performing the audit and evaluation of the effectiveness of the operational risk management system which was designed and executed by the First line and Second line of defense, and provide improvement recommendation in a timely manner.</p> <p>(2) Audit department is responsible for checking the effectiveness of the implementation of operational risk across all units of the Bank, the regular audit the execution status of operational risk management system and process control. And inspect the follow-up to the correction or improvement of the operational risk defects control of the Bank.</p>
<p>3. Scope and Features of Operational Risk Reporting and Measurement Systems</p>	<p>1. Operational risk report:</p> <p>(1) Scope: the operational risk monitoring report which should state and report to the management level regularly</p> <p>① The monthly conducted operation risk loss business, operating risk exposure situation, key risk indicators established by each business unit, warning or proposed matters, and trend analysis, etc.</p> <p>② The self-assessment result of the various major business operational risk conducted with the current year.</p> <p>(2) Features: When encounter the various major operational risk issues, irregularly prepare relevant dynamic risk monitoring report; when the relevant risk exposure and control assessment changes because of the external environment and internal environment change, it should be disclosed in the operational risk monitoring report.</p> <p>2. Operational risk management system:</p> <p>(1) Scope: According to the Basel Accord, the regulations of the competent authorities and the Bank's business requirements, implement the management tools such as internal loss event management to identify, measure and assess the operational risk of the Bank's core products, operating activities, operational processes and information systems. Besides, based on the risk causes, types, and business type to summarize the risk profile information of the Bank, and through the connecting function to connect management tools, establish the Bank's operational risk database. Then calculate capital accrual for the operational risk accurately. And gradually implement advanced risk measure method.</p> <p>(2) Features: Collect internal loss data and establish the operational risk loss database. For quantifiable risks, implement key risk indicators (KRI) and set warning limits to assist in identifying the operational risks involved in the leading products and business activities of the Bank; for qualitative risks, implement Risk and Control Self Assessment (RCSA) and request all units of the Bank to assess the control status of operational risk of main operating activities.</p>

Disclosure Information	Summary
4. Operational Risk Hedging or Risk Mitigation Policies, and Monitoring the Continued Effectiveness of Risk Hedging and Mitigation Tools	<p>1. Policy on operational risk hedge or risk reduction</p> <p>(1) Based on the frequency of occurrence of operational risk loss event in The Bank and the materiality of loss amount to analyze to decide the corresponding strategy for the core products, operating activities. Including risk hedge, risk transfer or offset, risk reduction or control, risk undertaking and other strategy as below:</p> <p>① For the risk of a low frequency but high in loss amount, it should adopt prevention and reduction methodology such as limitation control, business transfer or business continuity plan, etc.</p> <p>② For the risk of high frequency but low in loss amount, it should adopt internal control, insurance policy, outsource, know your client, legal compliance management, ethics regulation management and emphasis on education and training, etc.</p> <p>③ For the loss of high frequency and high in loss amount, it should adopt avoidance methodology to avoid the operating activities which may cause risks.</p> <p>④ For the loss of low frequency and low in loss amount, the risk is acceptable.</p> <p>(2) The processes outsourced by the Bank (such as data processing, credit card processing, shipment and supplementary of banknote, internal audit, etc.) are conducted based on "Management Guideline of Taiwan Land Bank Operation Outsource to Third Party Service Provider", "Directions for Taiwan Land Bank Data Processing Outsource to Third Party Service Provider" to prevent the operational risk because of outsourcing processes and as the strategy of operational risk reduction.</p> <p>(3) Take out the fidelity bond insurance, cash insurance, financial industry safe deposit box liability insurance, theft insurance, public liability insurance, fire insurance, electronic equipment insurance, etc. to reduce the risk because of operation and as the operational risk reduction tools.</p> <p>2 The strategy and processes for the continuous and effectiveness of monitoring avoidance and risk reduction tools</p> <p>(1) The relevant regulations, standard operation procedure for all business supervision unit to regularly review the business under its supervision, and through self-assessment of operational risk to discover risks which are not identified and control points are not implemented effectively.</p> <p>(2) Risk Management Department regular review the status of operational risk control of the Bank and relevant operational risk issues, provide suggestions on the timely manner, and continuously monitor and track the part where risk control is not enough. Adopt adequate management methodology to reduce operational risk.</p> <p>(3) All insured units shall review the insured business items regularly to ensure the insurance policies are effective.</p>
5. Approaches Adopted for Statutory Capital Charges	Operational Risk Standard Approach.

## (2) Accrued capital for operational risks

Unit: TWD in thousand

Year	Gross Profit	Accrued capital
Year 2018 (Note)	30,950,391	
Year 2019 (Note)	32,019,325	
Year 2020	31,168,727	
Total	94,138,443	4,263,444

Note: Since The Bank has recovered the investment of its subsidiary, Land Bank Insurance Brokerage Company, since 2020, there is no longer any subsidiary under The Bank. According to the regulations of the single reporting window of the FSC on capital adequacy ratio reporting: if the calculation of the consolidated capital adequacy ratio is not required, the individual figures should still be reported in the consolidated items, and the two figures should be consistent. After consulting with the FSC, the Bank's gross profit for 2018 and 2019 was reported as consolidated gross profit since 2020.



## 4. The Market Risk Management System and Capital Charges

### (1) Market Risk Management System For the Year 2020

Type	Summary
1.The strategy and process for market risk management	<p>1. Market risk management strategy: When conducting market risk related business, assess the materiality of the loss may occur of the transaction before or after the transaction or severe change in economic environment and adopt methodology such as risk avoidance, risk reduction or transfer, risk control, risk undertaking, etc. For example, actively avoiding high leverage, financial products with high volatility and significant losses, or adopting strategies for liquidation, selling, and hedging strategies; and in accordance with relevant regulations such as limit management, stop-loss mechanism, over-limit treatment, and risk exposure, effectively control market risks. Take control of the overall risk position and the result of risk measurement to ensure continued effectiveness.</p> <p>2. Market risk management process:</p> <p>(1) Basic principles include the various product standards, the standards of new products/business and relevant rules and process of market risk identification, measurement, monitoring and reporting.</p> <p>(2) Market risk identification: Financial trading unit and risk management personnel shall fully understand and confirm that each financial instrument should have its specific market risk factors. Risk management personnel should try their best to identify the risk factor that may lead to the market risks and confirm the accurateness and applicability of financial instruments evaluation formula.</p> <p>(3) Market risk measurement: Develop a quantifiable model to measure market risk and integrate with daily risk limitation management.</p> <p>(4) Market risk evaluation: According to the market price evaluation method, model evaluation, the external source or independent market price verification to evaluate the evaluation of the financial product on hand.</p> <p>(5) Market risk monitoring: According to various limitations, the financial trading unit routinely monitors the transaction status throughout business activities to control and control the execution of multiple transactions within the scope of authorization and limits. The monitoring includes the trading modes, trading targets, and transaction process, position and change in profit or loss shall comply with regulations and be conducted within limits and authorizations. The Risk Management Department shall monitor and analyze the data generated by the risk measurement model on a daily basis, if there is a significant exposure which will endanger financial or business conditions or legal compliance, it should immediately report to the general manager and report to the board of directors.</p> <p>(6) Market risk report: Risk Management Department regularly reports The Bank's market risk management schedule or report to the Risk Management Committee, including the risk positions, exposure situations, profit/loss situations, status of limits utilization, and compliance situation of relevant market risk management regulations of The Bank; In order to comply with the principle of public disclosure, and in accordance with the regulations of the competent authorities, The Bank regularly disclose the market risk management information.</p>
2.Market risk management organization and structure	<p>Establish a market risk management organization and structure which is constituted with three lines of defense by Board of Directors, Risk Management Committee, Audit Department, Risk Management Department, the Supervision Unit of Various Business in headquarter and financial trading unit:</p> <p>1. First line of defense (financial trading unit): Each financial trading unit shall follow the relevant regulations of the Bank's market risk management, and formulate applicable regulations for market risk control and position management. Actively monitor various limits and state and report relevant management information to business units or risk management departments according to rules.</p> <p>2. Second line of defense (Risk control and management unit which is the risk management department and the various business supervision unit):</p>

Type	Summary
	<p>(1) Risk Management Department is an independent and dedicated unit of the bank's market risk management. It serves as a base of centralization and is responsible for planning and establishing the market risk management framework and procedures approved by the board of directors. Collect and disclose the Bank's market risk information and status of execution, regularly submits reports and recommendations to the Risk Management Committee and the Board of Directors, and serves as a communication center for market risk management intelligence and culture.</p> <p>(2) The relevant business unit of the headquarter shall be responsible for identifying, assessing, supervising and controlling the market risks arising from the business under its risk management policies, and cooperate with Risk Management Department to complete the market risk control of the Bank. And formulating the product guidelines for the products transaction process under its supervision, limits management and risk control.</p> <p>3. Third line of defense (Audit Department): Audit department is responsible for performing the audit and evaluation of the effectiveness of the marketing risk management system which was designed and executed by the First line and Second line of defense, inspect the follow-up to the correction or improvement of the operational risk defects control of the Bank and provide improvement recommendation in a timely manner.</p>
3.Scope and features of market risk reporting and measurement systems	<p>1. Market risk report:</p> <p>(1) Scope: The scope of regularly state and report the market risk monitoring report to the management includes equity securities risk, interest risk of fixed-income instrument, exchange rate risk, derivative financial product risk, overseas marketable securities risk, New Taiwan dollar and foreign currency liquidity risk, interest rate risk and investment limit monitoring, etc.</p> <p>(2) Features: Market risk report presents the Bank's market risk of financial assets denominated in New Taiwan Dollar and foreign currency financial asset based on risk value, <math>\beta</math> value, DV01, duration, variance analysis, scenario simulation, etc. In addition to reflecting market exposure risks, the report can also provide various profit and loss to the management, limit usage status, investment performance, market trend overview, etc., and as the evidence for the management to adjust market risk management policies, procedures and limits.</p> <p>2. Market risk measurement system:</p> <p>(1) Scope: Currently, the scope of financial products measured by the risk value assessment system includes the single risk value of the stocks, funds, bonds, bills and foreign exchange positions of the Bank and the calculation and measurement of the risk value of the market risk factor and the total component risk value.</p> <p>(2) Features: The risk assessment system assesses the maximum loss that will occur at a given probability for a specified period based on statistical methods, to reasonably estimate the Bank's market risk exposure situation of stocks, funds, bonds, bills, and foreign exchange position. And present the Bank's risk value base on factors such as interest rate, exchange rates, and securities to measure the market risk of each factor and as the evidence for the management to adjust market investment strategy, risk tolerance limits.</p>
4.Market risk hedging or mitigation policies, and effective strategies and processes for controlling risk hedging and mitigation tools	<p>1. Policy on market risk hedge or risk reduction:</p> <p>(1) According to relevant regulations of The Bank, the transaction limits, risk limits, time limits, stop-loss mechanisms of various financial products, and derivative products transactions for hedging purpose are implemented to avoid market risks.</p> <p>(2) Currently, the Bank holds foreign currency securities with fixed-rate interest. The transaction unit evaluates the trend of market interest rate and conducts interest rate swap to avoid the risk of interest rate changes. Before reaching the loss control standards, design various early-warning standards and when the early-warning standard is met, notify relevant unit immediately by e-mail. It is expected to control and avoid market risk effectively. Besides, the primary purpose of foreign exchange forward contract is to meet the requirement of customers' payment for international trade or hedge for financial management, aiming at the settlement of customers' position. The foreign currency swap held by customers are also aiming at the settlement of customer's foreign currency exchange or forward. The primary purpose of these exchanges is to hedge and the market risk is controlled within a certain level.</p>

Type	Summary
	2.The strategy and processes for the continuous and effectiveness of market risk monitoring avoidance and risk reduction tools: Regularly and irregularly reviewing the Bank's risk value, nominal capital, stop-loss limit, trading strategy, etc., the emergency situation or over time-limit trading unit should perform the processing plan, or reduce the position, or sold at the stop-loss limit, or entering hedge contract to avoid loss increase.
5. Approaches adopted for statutory capital charges	Market Risk Standard Approach

## (2) Accrued capital for market risks

December 31, 2020

Unit: TWD in thousand

Risk	Accrued capital
Interest rate risk	1,781,965
Equity securities risk	366,915
Foreign exchange risk	86,602
Commodity risk	
Options (accounted for using the simplified approach)	1,364
Total	2,236,846

## (II) Other risk management

### 1.The impact of significant domestic and international policy and legal changes on the financial operations of The Bank and the corresponding measures

Taiwan's real estate market has been in a period of price and volume correction over the past few years, and the residential market has gradually seen a rebound in owner-occupied purchases after the withdrawal of investors. However, the U.S.-China trade war also brought a wave of industrial and residential demand from Taiwanese businessmen returning to Taiwan. Under the expectation that interest rates will remain low and flat, domestic banks will continue to be aggressive in their commitment to real estate mortgage loans, and the market will become increasingly competitive. How to balance business growth and risk management will make the development of The Bank's mortgage business more challenging.

Summary of the countermeasures:

- ①Providing a vertical service advantages, we are able to capture the business opportunities of sub-account loan underwriting: maintaining good relationship with quality builders to consolidate The Bank's financing and strive for the renewal of the future private housing mortgage business.
- ②Actively promote excellence in the core business areas, adjust mortgage loans based on credit condition: To strengthen The Bank's mortgage loan business, enhance market competitiveness and pay attention to credit risk, The Bank amended the "Personal Mortgage Loan and Quantity-Added Service Statistics and Grace Period of The Lank Bank of Taiwan" in order to sustain the number 1 position in mortgage market share. Adjust mortgage loans based on credit condition following market demand in order to maintain the competitive advantage in the mortgage products.

- ③Continue to follow government policies and apply our professional banking knowledge in the real estate business: Participate in the “Preferential Mortgage Loans for Housing for the Youth Program”, and various strategic loan programs and actively involve in policy related loan business to further the Bank’s image as a professional real estate bank.
- ④To enhance the existing customer’s loyalty and to prevent remortgage to other banks. Monthly review of mortgage revenue report from relevant business unit and each unit should take initiative in understanding reasons behind the early settlement accounts. Take a balanced approach on credit risk and sales revenue and consider the working costs and customer loyalty and review existing customer’s application on change of interest rate.
- ⑤In order to continue to strengthen The Bank’s market share in mortgage loans and to meet the diversified needs of customers and the special needs of various project loans, The Bank has amended the regulations related to the lending of secured loans from interbank to The Bank, and has mainly relaxed the restrictions on the income and debt conditions for project loans such as urban renewal, reconstruction of unsafe and old buildings, quality living of the elderly, and loans to bank employees.
- ⑥Actively control the quality of mortgage loans and avoid excessive concentration of mortgage collateral: To avoid a downturn in the real estate market that could affect the quality of credit facilities, in addition to continue to implement the high-priced residential housing purchase guarantee and self-discipline credit line, The Bank will consistently monitor regional housing market transactions and market demand and adjust mortgage credit policy in the future in order to reduce the credit risk on excessive concentration of collateral of the real estate.
- ⑦Strengthen the after sales management in order to reduce the risk of non-performing loans: For high-risk customers with a mortgage scorecard rating of 7, 8 or 9, a detailed assessment of the potential credit risk may be conducted. If approved, state the reasons for accepting the loan, and track the payment status of the second customer every two months from the time the loan is granted to the end of the grace period for one year to control the credit quality and reduce The Bank’s credit risk.
- ⑧A thorough evaluation to reflect the truthful value of the real estate and protect the Bank’s claim: In the case where contract value is higher than the actual purchase price, an assessment form shall be completed. If the relevant business unit assess a risk in The Bank’s claim, depending on the circumstances, it can be considered to recover part of the loan or shorten the loan term, or Appropriate measures such as full maturity to protect the Bank’s claims.
- ⑨In response to the decline of traditional single premium life insurance products, we have been offering diversified portfolio such as Taiwan dollar and foreign currency investment products to meet the needs of customers who seek interest distribution and protection; we have been actively training insurance salespersons and providing related financial courses through digital learning or external training institutions to enhance the professionalism of insurance salespersons; we have been optimizing system functions to simplify manual work and cooperating with related units to provide comprehensive insurance services to enhance the competitiveness of our insurance business and expand our customer base, thereby driving further business growth.

## 2. Effect on The Bank’s financial operations of developments in science and technology as well as industrial change, and measures to be taken in response

Technological advancement has driven the transformation of financial industry to respond to the mobile communications, social media, big data, cloud technology, and other information technology.

The financial services must be in line with the trend of the technological development and information development to enhance consumer convenience. How to create a customer-oriented digital financial model and enhance the overall competitiveness is a common issue for the banking industry. The Bank actively promotes the digital transformation by offering more services and improving our service quality in order to provide convenience to our customers.

Summary of the countermeasures:

- (1) Establish an online pre-approval system to provide customers with online calculations of credit limits, interest rates and other conditions, and link to the loan application website to facilitate customer applications.
- (2) Integrate personal financial products and services and establish an online service platform: Build a personal financial service platform that integrates various personal financial services such as personal financial products browsing, credit limit calculations, online loan application, credit card and credit card-related transactions on a single platform, allowing both new and existing customers to apply for personal financial services online in accordance with the applicable multiple identity verification mechanism without going to a branch for the whole process, thus enhancing customer experience and expanding the customer base. Meanwhile, The Bank aims to construct a back-end management system to manage and analyze online application cases such as revision, replacement, progress tracking, etc.
- (3) Develop new types of digital financial services and strengthen the functions of various electronic channel services:
  - ① In order to provide customers with a more convenient transaction experience, The Bank offers cell phone number transfer service. Customers can set their cell phone numbers to correspond to their current deposit accounts through internet banking or mobile banking, so that the remitter can complete the transfer by simply entering the payee's cell phone number instead of having to enter a long list of account numbers every time when making a transfer to ensure convenience, simple and accuracy.
  - ② In response to the competent authorities' policy to increase the domestic e-payment penetration rate, we intent to continue to promote Taiwan Pay and establish the Taiwan Pay bonus point service in order to strengthen customers' recognition and loyalty to the Taiwan Pay brand through the bonus point spending reward mechanism, so as to increase and popularize the usage rate and usage of mobile payment.
  - ③ To meet customers' one-stop cash withdrawal needs in Taiwan dollars and foreign currencies, the Bank plans to provide ATMs with foreign currency withdrawal functions for Taiwan dollars and foreign currencies to provide a more complete and convenient financial service.
- (4) Cross-industry cooperation to build a financial ecosystem and continue to promote open banking.
  - ① In order to provide customers with more diverse and convenient payment service options, and to strengthen the adhesion with young customers, we continue to make strategic alliances with various electronic payment institutions, adding icash Pay and GAMA PAY to link to The Bank's Account Link payment service
  - ② In order to expand the scope of financial services, The Bank has actively invested in the R&D and application of Open API. The Bank has completed the first phase of "Public Information Inquiry" of Open API, and is planning to promote the second phase of "Consumer Information Inquiry". It will cooperate with third-party TSP operators to provide customers with richer account integration services.

- (5) To create a barrier-free digital financial environment: To enhance the digital experience of the disabled and to implement financial inclusion, the Bank provides barrier-free internet banking for non-designated transfer function and barrier-free APP non-designated transfer function, and continues to review and optimize to build a more complete financial friendly service environment.
- (6) To create a mobile payment environment and diversify the functions of the card machine: In order to comply with the policy of the competent authorities to increase the penetration rate of electronic payment in Taiwan and to create a mobile payment environment without cash transactions, the QR CODE scanning function of credit card is incorporated into The Bank's mobile banking app to enhance the convenience of using The Bank's credit card and to improve The Bank's excellent corporate image. In addition, to enhance the performance of The Bank's card machines, The Bank has added "LINE Pay" and "QR Code" models to enhance the competitiveness of The Bank in the industry.
- (7) Actively attracting new special stores and seeking business opportunities for cross-sector cooperation: In the past, The Bank's credit card acquiring business was mainly for land and construction financing loans. In recent years, The Bank has actively diversified categories of special stores, targeting large special stores or chain stores in addition to hospitality industry and hospitals. In addition, since The Bank's credit card equipment can support the function of electronic invoice carriers, it intends cooperate with the tax authorities to promote the merchants. When the regional taxation bureaus know that other merchants are in need for this function, they will refer The Bank as their acquirer bank. Therefore, The Bank will help the special stores to improve the performance of the credit card equipment, so as to expand the market of The Bank's acquiring business.
- (8) In line with the trend of financial development and cultivate FinTech talent: Due to the development of FinTech, digital finance, and the opening of internet-only bank, consumers' expectations for financial services are gradually shifting from offline to online. Bankers are required to develop cross-disciplinary knowledge in information and the internet other than their professional skills. The Bank will continue to arrange professional education and training courses for its employees and encourage them to study on their own or attend courses related to FinTech organized by external professional organizations, so that they can familiarize themselves with the security control standards of financial institutions in conducting electronic banking business, the Personal Data Protection Law, the Financial Consumer Protection Law and other relevant laws and regulations in order to ensure information security and consumer protection in the process of applying FinTech and promoting Open Banking.
- (9) Apply AI to expand intelligent customer service system: To provide customers with better consulting service, The Bank has built an "Intelligent Customer Service" system, which allows customers to make 24-hour online inquiries through various channels such as The Bank's website, Facebook Messenger, LINE, Personal Internet Banking, and Mobile Banking App. There is also a quick function menu for credit card bill inquiries and reissues, exchange rate conversions, exchange rate inquiries, branch inquiries, and other quick services. We will continue to update and expand our database of financial professionals in order to provide accurate responses that are more closely aligned with consumer behavior.

### 3. Effect on The Bank's crisis management of changes in The Bank's corporate image, and measures to be taken in response

The Bank is the only professional commercial bank that engages in real estate, in addition to cooperate with government policies on various loan projects, through the Bank's real estate professional niche, integrates core business such as personal finance, corporate finance, foreign exchange, trust, securities, and wealth management to provide customers with a diversified and complete financial

services. The Bank adopts a generous harmonious, enthusiastic and innovative business philosophy to return the society and actively participate in various public welfare activities and be dedicated to be recognized by the public. It is an obligation as part of the society and provide dedicated team in planning and responding to various situations

#### 4.Expected benefits and possible risks associated with any business expansion, and mitigation measures being or to be taken

- (1) For effective use of the financial resources and improve the overall business performance. a comprehensive evaluation on branch performance, business developments, number of total financial institutions within a designated region, customers ratio to number of employees per branch, number of local businesses, local financial condition and combination of factors will be conducted and formulate plans following relevant procedures on branch establishment, relocation, reorganization plans, which help to establish a solid foundation on business niche by providing customers a convenient financial service.
- (2) Develop overseas markets will not only expand the business scale and reduce the concentration of business operations in China, it also provides financial services to Taiwanese businesses and support their overseas business development. Overseas operation may encounter local, political, economical, financial and other risks and regulatory compliance issues. To better evaluate the branches locations, The Bank will continue to select cities where the majority of Taiwanese business customers locate, or cities as regional financial center, or cities with development potentials, along with research on political and economical status and field trips analysis in various countries.

#### 5.Risks associated with any consolidation of business operations, and mitigation measures being or to be taken

In order to avoid excessive concentration of credit risk, we have set limits on credit risk exposures for our credit business and adjusted them in a timely manner, taking into account factors such as changes in the economic environment, industry fluctuations, The Bank's credit policy and business development needs, etc. The main measures adopted are summarized below:

- (1) The credit limit ratios are set for each industry sector (including the real estate sector), and are reviewed semi-annually.
- (2) 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.
- (3) Credit of the construction industry: Restricted ratios are set by county, city, region, and group of the location of the collateral and are reviewed semi-annually.
- (4) The concentration of real estate loans is subject to relevant measures and monitoring mechanisms, and the implementation is reviewed at least once a year.

#### 6.Disclosure of issues in dispute, monetary amount of claims, filing date, parties involved, and status of any litigation or other legal proceedings within the latest fiscal year and as of the date of the annual report where The Bank and/or any of its directors, supervisors, president, shareholders with 1% or more share ownership, or affiliates are involved in a pending litigation, legal proceedings or administrative proceedings, or a final judgment or ruling which may have a material adverse effect on The Bank's depositor or shareholder equity or price of securities:



## **218** Directory of Head Office and Branches

218 Domestic Head Office and Branches Units

224 Overseas Units





# Directory of Head Office and Branches

## I.Domestic Head Office and Branches Units

Branch	Address	Telephone	FAX	SWIFT
HEAD OFFICE				
Department of Securities	No.81, Yanping S. Rd., Zhongzheng District, Taipei City 10043, Taiwan (R.O.C.)	(02)23483962	(02)23891864	
Department of Trusts	No.53, Huaining St., Zhongzheng District, Taipei City 10046, Taiwan (R.O.C.)	(02)23483456	(02)23754092	
Department of International Banking	No.46, Guanqian Rd., Zhongzheng District, Taipei City 10047, Taiwan (R.O.C.)	(02)23483456	(02)23317322	LBOTTWTP088
Department of Business	No.46, Guanqian Rd., Zhongzheng District, Taipei City 10047, Taiwan (R.O.C.)	(02)23483456	(02)23752716	LBOTTWTP041
Department of Insurance Agent	No.53, Huaining St., Zhongzheng District, Taipei City 10046, Taiwan (R.O.C.)	(02)23484100	(02)23755255	
DOMESTIC BRANCHES				
Taipei City				
Offshore Banking Branch	No.46, Guanqian Rd., Zhongzheng District, Taipei City 10047, Taiwan (R.O.C.)	(02)23483456		
Nankang Branch	No.364 Sec. 1, Nangang Rd., Nangang District, Taipei City 11579, Taiwan (R.O.C.)	(02)27834161	(02)27820454	LBOTTWTP004
Taipei Branch	No.72, Bo-ai Rd., Zhongzheng District, Taipei City 10043, Taiwan (R.O.C.)	(02)23713241	(02)23752122	LBOTTWTP005
Minquan Branch	No.26, Minquan W. Rd., Zhongshan District, Taipei City 10449, Taiwan (R.O.C.)	(02)25629801	(02)25616053	LBOTTWTP006
Kuting Branch	No.125, Sec. 3, Roosevelt Rd., Da-an District, Taipei City 10647, Taiwan (R.O.C.)	(02)23634747	(02)23632118	LBOTTWTP007
Changan Branch	No.52, Sec. 2, Chang-an E. Rd., Zhongshan District, Taipei City 10456, Taiwan (R.O.C.)	(02)25238166	(02)25434262	LBOTTWTP008
Shihlin Branch	No.689, Sec. 5, Zhongshan N. Rd., Shilin District, Taipei City 11145, Taiwan (R.O.C.)	(02)28341361	(02)28313863	LBOTTWTP009
Hoping Branch	No.15, Sec. 3, Heping E. Rd., Da-an District, Taipei City 10670, Taiwan (R.O.C.)	(02)27057505	(02)27015459	LBOTTWTP045
Jenai Branch	No.29, Sec. 3, Ren-ai Rd., Da-an District, Taipei City 10651, Taiwan (R.O.C.)	(02)27728282	(02)27110884	LBOTTWTP057
Chunghsiao Branch	No.129, Sec. 1, Fuxing S. Rd., Da-an District, Taipei City 10666, Taiwan (R.O.C.)	(02)27312393	(02)27313649	LBOTTWTP058
Sungshan Branch	No.2, Sec. 1, Dunhua S. Rd., Songshan District, Taipei City 10506, Taiwan (R.O.C.)	(02)25774558	(02)25780590	LBOTTWTP063
Neihu Branch	No.156, Sec. 6, Minquan E. Rd., Neihu District, Taipei City 11490, Taiwan (R.O.C.)	(02)27963800	(02)27963961	LBOTTWTP064
Tunhua Branch	No.76, Sec. 2, Dunhua S. Rd., Da-an District, Taipei City 10683, Taiwan (R.O.C.)	(02)27071234	(02)27066470	LBOTTWTP074
Hinyi Branch	No.436, Sec. 1, Keelung Rd., Xinyi District, Taipei City 11051, Taiwan (R.O.C.)	(02)27585667	(02)27582282	LBOTTWTP079
Fuhsin Branch	No. 234, Fuxing North Road, Songshan District, Taipei City 10480, Taiwan (R.O.C.)	(02)25090888	(02)25160825	LBOTTWTP090
Wenshan Branch	No.206, Jingxing Rd., Wenshan District, Taipei City 11669, Taiwan (R.O.C.)	(02)29336222	(02)29335279	LBOTTWTP093
Tungtaipei Branch	No.107, Songde Rd., Xinyi District, Taipei City 11075, Taiwan (R.O.C.)	(02)27272588	(02)27285721	LBOTTWTP099
Changchuen Branch	No.156, Changchun Rd., Zhongshan District, Taipei City 10459, Taiwan (R.O.C.)	(02)25681988	(02)25683261	LBOTTWTP102



Branch	Address	Telephone	FAX	SWIFT
Chunglun Branch	No.26, Dongxing Rd., Songshan District, Taipei City 10565, Taiwan (R.O.C.)	(02)27477070	(02)27471762	LBOTTWTP106
Wanhua Branch	No.205, Sec. 2, Xiyuan Rd., Wanhua District, Taipei City 10864, Taiwan (R.O.C.)	(02)23322778	(02)23323391	LBOTTWTP116
Shihu Branch	No.185, Gangqian Rd., Neihu District, Taipei City 11494, Taiwan (R.O.C.)	(02)26599888	(02)26593659	LBOTTWTP120
Dah An Branch	No.37, Sec. 2, Da-an Rd., Da-an District, Taipei City 10667, Taiwan (R.O.C.)	(02)23256266	(02)23259819	LBOTTWTP123
Tienmu Branch	No.122, Sec. 2, Zhongzheng Rd., Shilin District, Taipei City 11148, Taiwan (R.O.C.)	(02)28767287	(02)28767257	LBOTTWTP133
Dongmen Branch	No.165, Sec.2, Jinshan S. Rd, Da-an District, Taipei City 10644, Taiwan (R.O.C.)	(02)23911188	(02)23960209	LBOTTWTP138
Chengtung Branch	No.46-2, Sec. 2, Zhongshan N. Rd., Zhongshan District, Taipei City 10448, Taiwan (R.O.C.)	(02)25676268	(02)25217239	LBOTTWTP140
Sungnan Branch	No.130, Songshan Rd., Xinyi District, Taipei City 11090, Taiwan (R.O.C.)	(02)27631111	(02)27669933	LBOTTWTP141
Yuanshan Branch	No.91, Sec. 4, Chengde Rd., Shilin District, Taipei City 11166, Taiwan (R.O.C.)	(02)28866379	(02)28866556	LBOTTWTP155
DaZhi Branch	No.289, Lequn 2nd Rd., Zhongshan Dist., Taipei City 10462, Taiwan (R.O.C.)	(02)85025868	(02)85026786	LBOTTWTP160
NanJing Donglu Branch	1F, No.70, Sec.3, NanJing E.Rd., ZhongShan District, Taipei City10489, Taiwan (R.O.C.)	(02)25036345	(02)25035643	LBOTTWTP165
New Taipei City				
Chungho Branch	No.323, Jingping Rd., Zhonghe District, New Taipei City 23577, Taiwan (R.O.C.)	(02)29461123	(02)29440419	LBOTTWTP003
Sanchung Branch	No.1-8, Sec. 2, Chongxin Rd., Sanchong District, New Taipei City 24147, Taiwan (R.O.C.)	(02)89712222	(02)29848053	LBOTTWTP010
Yungho Branch	No.33, Zhulin Rd., Yonghe District, New Taipei City 23441, Taiwan (R.O.C.)	(02)89268168	(02)89268181	LBOTTWTP049
Panchiao Branch	No.143, Sec. 1, Wunhua Rd., Banqiao District., New Taipei City 22050, Taiwan (R.O.C.)	(02)29689111	(02)29667278	LBOTTWTP050
Hsintien Branch	No.309, Sec. 1, Beixin Rd., Xindian District, New Taipei City 23147, Taiwan (R.O.C.)	(02)29151234	(02)29178333	LBOTTWTP061
Luchou Branch	No.100, Zhongshan 1st Rd., Luzhou District, New Taipei City 24748, Taiwan (R.O.C.)	(02)22859100	(02)22858983	LBOTTWTP076
Tucheng Branch	No.127, Sec. 1, Zhongyang Rd., Tucheng District, New Taipei City 23664, Taiwan (R.O.C.)	(02)22651000	(02)22667858	LBOTTWTP080
Tanshui Branch	No.42, Sec. 1, Zhongshan N. Rd., Danshui District, New Taipei City 25157, Taiwan (R.O.C.)	(02)26219691	(02)26219695	LBOTTWTP081
Hsinchuang Branch	No.221, Siyuan Rd., Xinzhuang District, New Taipei City 24250, Taiwan (R.O.C.)	(02)29973321	(02)29973320	LBOTTWTP086
Shuangho Branch	No.120, Sec. 2, Zhongshan Rd., Zhonghe District, New Taipei City 23555, Taiwan (R.O.C.)	(02)22425300	(02)22425495	LBOTTWTP087
Tungpanchiao Branch	No.212, Minzu Rd., Banqiao District, New Taipei City 22065, Taiwan (R.O.C.)	(02)29633939	(02)29633931	LBOTTWTP095
Shulin Branch	No.82, Bao-an 2nd St., Shulin District, New Taipei City 23860, Taiwan (R.O.C.)	(02)26845116	(02)26845115	LBOTTWTP098
Hsisanchung Branch	No.88, Sec. 1, Chongyang Rd., Sanchong District, New Taipei City 24161, 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 22044, Taiwan (R.O.C.)	(02)22518599	(02)22517665	LBOTTWTP107
Nanhsinchuang Branch	No.288-23, Xinshu. Rd., Xinzhuang District, New Taipei City 24262, Taiwan (R.O.C.)	(02)22066080	(02)22066372	LBOTTWTP111
Sanshia Branch	No.83, Minsheng St., Sanxia District, New Taipei City 23741, Taiwan (R.O.C.)	(02)86711010	(02)86711033	LBOTTWTP112

Branch	Address	Telephone	FAX	SWIFT
Hsichih Branch	No.306-3, Sec. 1, Datong Rd., Xizhi District, New Taipei City 22146, Taiwan (R.O.C.)	(02)26498577	(02)26498666	LBOTTWTP115
Kuangfu Branch	No.148, Sec. 2, Sanmin Rd., Banqiao District, New Taipei City, 22069 Taiwan (R.O.C.)	(02)89522345	(02)89522395	LBOTTWTP129
Taishan Branch	No.168, Sec. 3, Mingzhi Rd., Taishan District, New Taipei 24354, Taiwan (R.O.C.)	(02)29018899	(02)29014174	LBOTTWTP134
Xike Branch	No.93, Sec. 1, Xintai 5 th Rd., Xizhi District, New Taipei City 22175, Taiwan (R.O.C.)	(02)26972858	(02)26972601	LBOTTWTP148
Beisanchong Branch	No. 99, Sec. 4, Chongyang Rd., Sanchong District, New Taipei City 24145, Taiwan (R.O.C.)	(02)89821919	(02)89819492	LBOTTWTP157
Yuantong Branch	No.192, Liancheng Rd., Zhonghe District, New Taipei City 23553, Taiwan (R.O.C.)	(02)22497071	(02)22497701	LBOTTWTP158
Baozhong Branch	No.94-3, Baozhong Rd., Xindian District, New Taipei City 23144, Taiwan (R.O.C.)	(02)29111898	(02)29111737	LBOTTWTP163
Keelung City				
Keelung Branch	No.18, Yi 1st Rd., Zhongzheng District, Keelung City 20241, Taiwan (R.O.C.)	(02)24210200	(02)24224407	LBOTTWTP002
Chengping Branch	No.652, Zhongzheng Rd., Zhongzheng District, Keelung City 20248, Taiwan (R.O.C.)	(02)24621111	(02)24627214	LBOTTWTP073
Taoyuan County				
Taoyuan Branch	No.75, Zhongzheng Rd., Taoyuan District, Taoyuan City 33041, Taiwan (R.O.C.)	(03)3379911	(03)3379976	LBOTTWTP013
Chungli Branch	No.190, Zhongshan Rd., Zhongli District, Taoyuan City 32041, Taiwan (R.O.C.)	(03)4253140	(03)4253674	LBOTTWTP014
Shihmen Branch	No.49, Beilong Rd., Longtan District, Taoyuan City 32552, Taiwan (R.O.C.)	(03)4792101	(03)4708934	LBOTTWTP015
Pingchen Branch	No.5, Shanding Sec., Zhongfeng Rd., Pingzhen District, Taoyuan City 32463, Taiwan (R.O.C.)	(03)4699111	(03)4699119	LBOTTWTP091
Nanknag Branch	No.16, Luoyang St., Luzhu District, Taoyuan City 33845, Taiwan (R.O.C.)	(03)3526556	(03)3527099	LBOTTWTP096
Nantaoyuan Branch	No.835, Zhongshan Rd., Taoyuan District, Taoyuan City 33059, Taiwan (R.O.C.)	(03)3786969	(03)3786984	LBOTTWTP114
Bade Branch	No.702, Sec. 1, Jieshou Rd., Bade District, Taoyuan City 33450, Taiwan (R.O.C.)	(03)3667966	(03)3669900	LBOTTWTP121
Peichungli Branch	No.400, Huanbei Rd., Zhongli District, Taoyuan City 32070, Taiwan (R.O.C.)	(03)4250011	(03)4223230	LBOTTWTP124
Peitaoyuan Branch	1F-1, No.1071, Zhongzheng Rd., Taoyuan District, Taoyuan City 33045, Taiwan (R.O.C.)	(03)3566199	(03)3565406	LBOTTWTP131
Dayuan Branch	No. 55, Zhongzheng E. Rd., Dayuan District, Taoyuan City 33756, Taiwan (R.O.C.)	(03)3850805	(03)3856625	LBOTTWTP136
Yangmei Branch	No.116, Daping St., Yangmei District, Taoyuan City 32643, Taiwan (R.O.C.)	(03)4881215	(03)4881217	LBOTTWTP137
Linkou Branch	No.109, Wunhua 2nd Rd., Guishan District, Taoyuan City 33377, Taiwan (R.O.C.)	(03)3182128	(03)3183719	LBOTTWTP143
Neili Branch	No.33, Huanzhong E. Rd., Zhongli District, Taoyuan City 32071, Taiwan (R.O.C.)	(03)4612666	(03)4613868	LBOTTWTP145
Hsinchu City				
Hsinchu Branch	No.1, Zhongyang Rd., Hsinchu City 30041, Taiwan (R.O.C.)	(03)5213211	(03)5233693	LBOTTWTP016
Tunghsinchu Branch	No.22, Beida Rd., Hsinchu City 30044, Taiwan (R.O.C.)	(03)5353998	(03)5353923	LBOTTWTP103
Hsinchu County				
Chutung Branch	No.10, Donglin Rd., Zhudong Township, Hsinchu County 31047, Taiwan (R.O.C.)	(03)5961171	(03)5961175	LBOTTWTP017

Branch	Address	Telephone	FAX	SWIFT
Hukou Branch	No.102, Sec. 1, Zhongzheng Rd., Hukou Township, Hsinchu County 30342, Taiwan (R.O.C.)	(03)5996111	(03)5901987	LBOTTWTP052
Chupei Branch	No.130, Xianzheng 9th Rd., Zhubei City, Hsinchu County 30251, Taiwan (R.O.C.)	(03)5532231	(03)5532308	LBOTTWTP108
Hsingong Branch	No.76, Zhonghua Rd., Hukou Township, Hsinchu County 30353, Taiwan (R.O.C.)	(03)5981969	(03)5985373	LBOTTWTP118
ITRI Branch	No.195, Sec. 4, Zhongxing Rd., Zhudong Township, Hsinchu County 31040, Taiwan (R.O.C.)	(03)5910188	(03)5910199	LBOTTWTP156
Miaoli County				
Miaoli Branch	No.402, Zhongzheng Rd., Miaoli City, Miaoli County 36043, Taiwan (R.O.C.)	(037)320531	(037)329215	LBOTTWTP020
Toufen Branch	No.932, Zhonghua Rd., Toufen Township, Miaoli County 35159, Taiwan (R.O.C.)	(037)667185	(037)667188	LBOTTWTP021
Tunghsiao Branch	No.85, Zhongzheng Rd., Tongxiao Township, Miaoli County 35741, Taiwan (R.O.C.)	(037)756010	(037)756014	LBOTTWTP084
Chunan Branch	No.62, Zhongzheng Rd., Zhunan Township, Miaoli County 35047, Taiwan (R.O.C.)	(037)551022	(037)551090	LBOTTWTP146
Taichung City				
Fengyuan Branch	No.508, Zhongshan Rd., Fengyuan District, Taichung City 42044, Taiwan (R.O.C.)	(04)25242191	(04)25283716	LBOTTWTP022
Tachia Branch	No.40, Zhenzheng Rd., Dajia District, Taichung City 43746, Taiwan (R.O.C.)	(04)26877181	(04)26860142	LBOTTWTP023
Taichung Branch	No.1, Sec. 2, Ziyou Rd., Central District, Taichung City 40045, Taiwan (R.O.C.)	(04)22235021	(04)22204961	LBOTTWTP024
Hsitaichung Branch	No.2-4, Wuquan Rd., West District, Taichung City 40355, Taiwan (R.O.C.)	(04)22289151	(04)22276621	LBOTTWTP055
Taiping Branch	No.131, Sec. 3, Zhongshan Rd., Taiping District, Taichung City 41169, Taiwan (R.O.C.)	(04)22780788	(04)22783488	LBOTTWTP072
Peitaichung Branch	No.79, Sec.1, Zhongping Rd., Beitun District, Taichung City 40458, Taiwan (R.O.C.)	(04)22016902	(04)22014766	LBOTTWTP077
Chungkang Branch	No.598, Sec.2, Wenxin Rd., Xitun District, Taichung City 40758, Taiwan (R.O.C.)	(04)23288800	(04)23287958	LBOTTWTP094
Nantaichung Branch	No.81, Guoguang Rd., South District, Taichung City 40254, Taiwan (R.O.C.)	(04)22240323	(04)22201390	LBOTTWTP101
Shalu Branch	No.407, Zhongshan Rd., Shalu District, Taichung City 43350, Taiwan (R.O.C.)	(04)26651717	(04)26651256	LBOTTWTP113
Wujih Branch	No.535, Sec.1, Zhongshan Rd., Wuri District, Taichung City 41443, Taiwan (R.O.C.)	(04)23360311	(04)23360321	LBOTTWTP119
Beituen Branch	No.232, Sec. 4, Wenxin Rd., North District, Taichung City 40462, Taiwan (R.O.C.)	(04)22915678	(04)22913636	LBOTTWTP122
Jhongke Branch	2F-1, No.6, Zhongke Rd., Daya District, Taichung City 42881, Taiwan (R.O.C.)	(04)25658228	(04)25658255	LBOTTWTP135
Situn Branch	No. 286, Shizheng North 2nd Road, Xitun District, Taichung City 40756, Taiwan (R.O.C.)	(04)22593111	(04)22580129	LBOTTWTP144
Dali Branch	No.405, Sec. 2, Guoguang Rd., Dali District, Taichung City 41266, Taiwan (R.O.C.)	(04)24061679	(04)24061579	LBOTTWTP150
Nantun Branch	No.65, Wenxin S. Rd., Nantun District, Taichung City 40854, Taiwan (R.O.C.)	(04)24723568	(04)24727911	LBOTTWTP161
Zhongcing Branch	No.358 Sec.2, Zhongcing Rd., Beitun District, Taichung City 40676, Taiwan (R.O.C.)	(04)22956677	(04)22956776	LBOTTWTP164
Nantou County				
Nantou Branch	No.202, Zhongshan St., Nantou City, Nantou County 54057, Taiwan (R.O.C.)	(049)2222143	(049)2221833	LBOTTWTP025

Branch	Address	Telephone	FAX	SWIFT
Tsaotun Branch	No.601-7, Zhongzheng Rd., Caotun Township, Nantou County 54241, Taiwan (R.O.C.)	(049)2330573	(049)2353647	LBOTTWTP082
Changhua County				
Yuanlin Branch	No.100, Sec. 2, Zhongshan Rd., Yuanlin City, Changhua County 51052 Taiwan (R.O.C.)	(04)8323171	(04)8330634	LBOTTWTP026
Changhua Branch	No.98, Guangfu Rd., Changhua City, Changhua County 50045, Taiwan (R.O.C.)	(04)7230777	(04)7242934	LBOTTWTP047
Fuhsing Branch	No.399, Sec. 7, Zhonglu Rd., Fuxing Township, Changhua County 50661, Taiwan (R.O.C.)	(04)7785566	(04)7789933	LBOTTWTP142
Yunlin County				
Touliu Branch	No.72, Zhongshan Rd., Douliu City, Yunlin County 64051, Taiwan (R.O.C.)	(05)5323901	(05)5334295	LBOTTWTP027
Peikang Branch	No.90, Minzhu Rd., Beigang Township, Yunlin County 65142, Taiwan (R.O.C.)	(05)7836111	(05)7835525	LBOTTWTP028
Huwei Branch	No.490, Sec. 1, Linsen Rd., Huwei Township, Yunlin County 63243, Taiwan (R.O.C.)	(05)6327373	(05)6320297	LBOTTWTP056
Chiayi City				
Chiayi Branch	No.309, Zhongshan Rd., Chiayi City 60041, Taiwan (R.O.C.)	(05)2241150	(05)2283540	LBOTTWTP029
Chiasing Branch	No.28, Ziyou Rd., Chiayi City 60093, Taiwan (R.O.C.)	(05)2810866	(05)2810882	LBOTTWTP110
Chiayi County				
Minhsiung Branch	No.126, Sec. 3, Jianguo Rd., Minxiung Township, Chiayi County 62157, Taiwan (R.O.C.)	(05)2200180	(05)2214643	LBOTTWTP066
Tainan City				
Hsinying Branch	No.79, Zhongshan Rd., Xinying District, Tainan City, 73045, Taiwan (R.O.C.)	(06)6322441	(06)6357300	LBOTTWTP030
Yungkang Branch	No.20, Zhongshan S. Rd., Yongkang District, Tainan City, 71075, Taiwan (R.O.C.)	(06)2321171	(06)2324144	LBOTTWTP031
Tainan Branch	No.28, Zhongzheng Rd., West District, Tainan City 70048, Taiwan (R.O.C.)	(06)2265211	(06)2240057	LBOTTWTP032
Peitainan Branch	No.128-7, Gongyuan Rd., North District, Tainan City 70448, Taiwan (R.O.C.)	(06)2210071	(06)2256036	LBOTTWTP062
Tungtainan Branch	No.261, Sec. 3, Dongmen Rd., East District, Tainan City 70172, Taiwan (R.O.C.)	(06)2902789	(06)2906946	LBOTTWTP083
Hsuehchia Branch	No.303, Zhongzheng Rd., Xuejia District, Tainan City 72641, Taiwan (R.O.C.)	(06)7832166	(06)7836743	LBOTTWTP085
Paiho Branch	No.395, Sanmin Rd., Baihe District, Tainan City 73242, Taiwan (R.O.C.)	(06)6855301	(06)6852545	LBOTTWTP089
Hsinshih Branch	No.10, Fusing Rd., Xinshi District, Tainan City 74444, Taiwan (R.O.C.)	(06)5997373	(06)5990799	LBOTTWTP104
Anping Branch	No.23, Sec. 2, Zhonghua W. Rd., Anping District, Tainan City 70844, Taiwan (R.O.C.)	(06)2933555	(06)2933666	LBOTTWTP109
Annan Branch	No.47, Sec. 3, Haidian Rd., Annan District, Tainan City 70966, Taiwan (R.O.C.)	(06)2568669	(06)2569778	LBOTTWTP147
Dawan Branch	No.1062, Sec. 2, Yongda Rd., Yongkang District, Tainan City, 71080, Taiwan (R.O.C.)	(06)2071200	(06)2071250	LBOTTWTP151
Kaohsiung City				
Kaohsiung Branch	No.131, Dayong Rd., Yancheng District, Kaohsiung City 80343, Taiwan (R.O.C.)	(07)5515231	(07)5510428	LBOTTWTP033
Kangshan Branch	No.285, Gangshan Rd., Gangshan District, Kaohsiung City 82041, Taiwan (R.O.C.)	(07)6216102	(07)6213119	LBOTTWTP034
Meinung Branch	No.65, Sec. 1, Zhongshan Rd., Meinong District, Kaohsiung City 84348, Taiwan (R.O.C.)	(07)6813211	(07)6813111	LBOTTWTP035

Branch	Address	Telephone	FAX	SWIFT
Cingnian Branch	No.281, Sec. 2, Qingnian Rd., Fengshan District, Kaohsiung City 83048, Taiwan (R.O.C.)	(07)7808700	(07)7805166	LBOTTWTP038
Chungshan Branch	No.87, Wufu 3rd Rd., Qianjin District, Kaohsiung City 80148, Taiwan (R.O.C.)	(07)2519406	(07)2518154	LBOTTWTP048
Fengshan Branch	No.15, Caogong Rd., Fengshan District, Kaohsiung City 83064, Taiwan (R.O.C.)	(07)7460121	(07)7436569	LBOTTWTP051
Hsinhsing Branch	No.480, Qixian 1st Rd., Xinxing District, Kaohsiung City 80053, Taiwan (R.O.C.)	(07)2355111	(07)2355118	LBOTTWTP054
Chungcheng Branch	No.158, Zhongzheng 3rd Rd., Xinxing District, Kaohsiung City 80052, Taiwan (R.O.C.)	(07)2352156	(07)2352140	LBOTTWTP059
Shanming Branch	No.657, Jiangong Rd., Sanmin District, Kaohsiung City 80778, Taiwan (R.O.C.)	(07)3861301	(07)3891941	LBOTTWTP065
Tashe Branch	No.369, Zhongshan Rd., Dashe District, Kaohsiung City 81547, Taiwan (R.O.C.)	(07)3520779	(07)3529804	LBOTTWTP067
Chiencheng Branch	No.241, Yixin 1st Rd., Qianzhen District, Kaohsiung City 80606, Taiwan (R.O.C.)	(07)3329755	(07)3313296	LBOTTWTP069
Luzhu Branch	No.18, Guochang Rd., Luzhu District, Kaohsiung City 82150, Taiwan (R.O.C.)	(07)6972131	(07)6973834	LBOTTWTP070
Wuchia Branch	No.256, Wujia 2nd Rd., Fengshan District, Kaohsiung City,83083, Taiwan (R.O.C.)	(07)7715176	(07)7715170	LBOTTWTP071
Lingya Branch	No.18, Zhongxiao 2nd Rd., Lingya District, Kaohsiung City 80241, Taiwan (R.O.C.)	(07)3328477	(07)3356471	LBOTTWTP078
Chienkuo Branch	No.458, Jianguo 1st Rd., Sanmin District, Kaohsiung City 80760, Taiwan (R.O.C.)	(07)2250011	(07)2250077	LBOTTWTP097
Poi Branch	No.300, Bo-ai 1st Rd., Sanmin District, Kaohsiung City 80757, Taiwan (R.O.C.)	(07)3150301	(07)3226961	LBOTTWTP105
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
Pingtung County				
Pingtung Branch	No.78, Fongjia Rd., Pingtung City, Pingtung County 90075, Taiwan (R.O.C.)	(08)7325131	(08)7322236	LBOTTWTP036
Chaochou Branch	No.12, Xinsheng Rd., Chaozhou Township, Pingtung County 92046, Taiwan (R.O.C.)	(08)7884111	(08)7881972	LBOTTWTP046
Kaoshu Branch	No.99, Nanxing Rd., Gaoshu Township, Pingtung County 90641, Taiwan (R.O.C.)	(08)7963399	(08)7966333	LBOTTWTP125
Fangliao Branch	No.111, Longshan Rd., Fangliao Township, Pingtung County 94049, Taiwan (R.O.C.)	(08)8781533	(08)8786282	LBOTTWTP126
Donggang Branch	No.27, Sec. 2, Guangfu Rd., Donggang Township, Pingtung County 92847, Taiwan (R.O.C.)	(08)8332255	(08)8325399	LBOTTWTP132
Yilan County				
Ilan Branch	No. 43, Guangfu Road, Yilan City, Yilan County 26043, Taiwan (R.O.C.)	(03)9361101	(03)9323692	LBOTTWTP011
Lotung Branch	No.158, Gongzheng Rd., Luodong Township, Yilan County 26550, Taiwan (R.O.C.)	(03)9571111	(03)9571117	LBOTTWTP012



Branch	Address	Telephone	FAX	SWIFT
Suao Branch	No.17, Taiping Rd., Su'ao Township, Yilan County 27048, Taiwan (R.O.C.)	(03)9961100	(03)9965334	LBOTTWTP053
Hualien County				
Hualien Branch	No.356, Zhongshan Rd., Hualien City, Hualien County 97050, Taiwan (R.O.C.)	(03)8312601	(03)8320482	LBOTTWTP018
Yuli Branch	No.51, Sec.2, Zhongshan Rd., Yuli Township, Hualien County 98142, Taiwan (R.O.C.)	(03)8886181	(03)8882320	LBOTTWTP019
Taitung County				
Taitung Branch	No.357, Sec. 1, Zhonghua Rd., Taitung City, Taitung County 95046, Taiwan (R.O.C.)	(089)310111	(089)310100	LBOTTWTP037
Penghu County				
Penghu Branch	No.20, Sanmin Rd., Magong City, Penghu County 88050, Taiwan (R.O.C.)	(06)9262141	(06)9278371	LBOTTWTP040
Kinmen County				
Kinmen Branch	No.34, Minsheng Rd., Jincheng Township, Kinmen County 89345, Taiwan (R.O.C.)	(082)327300	(082)327305	LBOTTWTP039
Kincheng Branch	No.6, Minsheng Rd., Jincheng Township, Kinmen County 89345, Taiwan (R.O.C.)	(082)311981	(082)311986	LBOTTWTP128

## II. Overseas Units

Branch	Address	Telephone	FAX	SWIFT
Los Angeles Branch	Suite 1900,811Wilshire 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, Kowloon., H.K.	(852)2581-0788	(852)2581-0777	LBOTHKHH
Singapore Branch	80,Raffles Place, #34-01 UOB Plaza 1, Singapore	(65)6349-4555	(65)6349-4545	LBOTSGSG
Shanghai Branch	Room 1703-1704, No. 99 Fucheng Road (Aurora Plaza), Free Economic Pilot Zone, Shanghai, China	(86)21-5037-2495	(86)21-5037-2497	LBOTCNSh
New York Branch	100 Wall Street, 14F New York, New York 10005 U.S.A.	(1)917-542-0222	(1)917-542-0288	LBOTUS33
TianJin Branch	Room 3701-3702, Xin Silver Building, No.28, Zeng Jin Dao, Hexi District, TianJin, China	(86)22-2837-1115	(86)22-2837-1113	LBOTCNBT
Wuhan Branch	Unit 01-03,41F, Wuhan Wanda Center,No.96 Linjiang Avenue,Jiyuqiao,Wuchang District, Wuhan, China	(86)27-59606939	(86)27-59606936	LBOTCNBW
Kuala Lumpur Representative Office(Chief Representative : Yang Chih Chun)	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	