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2014 LAND BANK of TAIWAN Annual Report



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The Bank Website : <http://www.landbank.com.tw>

Time of Publication : July 2015

Spokesman

Name : Huang,Chung-Min

Title : Executive Vice President
Tel : (886) 2-2348-3366
E-Mail : lbev2@landbank.com.tw

First Substitute Spokesman

Name : Chu,Yu-Feng

Title : Executive Vice President
Tel : (886) 2-2348-3686
E-Mail : lbev4@landbank.com.tw

Second Substitute Spokesman

Name : Huang,Cheng-Ching

Title : Executive Vice President
Tel : (886)2-2348-3555
E-Mail : lbev3@landbank.com.tw

Address &Tel of the bank's Head Office and Branches (please refer to"Directory of LBOT's offices")

Credit rating agencies

Name : Moody's Investors Service
Address : 24/F One Pacific Place 88 Queensway Admiralty, Hong Kong.
Tel : (852)3758-1330 Fax : (852)3758-1631
Web Site : <http://www.moodys.com>

Name : Standard & Poor's Corp.
Address : Unit 6901,level 69,International Commerce Centre 1 Austin Road West Kowloon,,Hong Kong
Tel : (852)2841-1030 Fax : (852)2537-6005
Web Site : <http://www.standardandpoors.com>

Name : Taiwan Ratings Corporation
Address : 49F.,No7,Sec. 5,Xinyi Rd.,Xinyi Dist.,Taipei City 11049,Taiwan (R.O.C)
Tel : (886)2-8722-5800 Fax : (886)2-8722-5879
Web Site : <http://www.taiwanratings.com>

Stock transfer agency

Name : Secretariat land bank of Taiwan Co., Ltd.
Address : 3F ,No.53,Huaining St. Zhongzheng Dist.,Taipei City 10046,Taiwan(R,O,C)
Tel:(886)2-2348-3456 Fax:(886)2-2375-7023
Web Site : <http://www.landbank.com.tw>

Certified Public Accountants of financial statements for the past year

Name of attesting CPAs : Gau,Wey-Chuan, Mei,Ynan-Chen
Name of Accounting Firm : KPMG
Address : 68F.,No.7,Sec.,5, ,Xinyi Rd.,Xinyi Dist.,Taipei City 11049,Taiwan (R.O.C)
Tel : (886)2-8101-6666 Fax : (886)2-8101-6667
Web Site : <http://www.kpmg.com.tw>

The Bank's Website : <http://www.landbank.com.tw>

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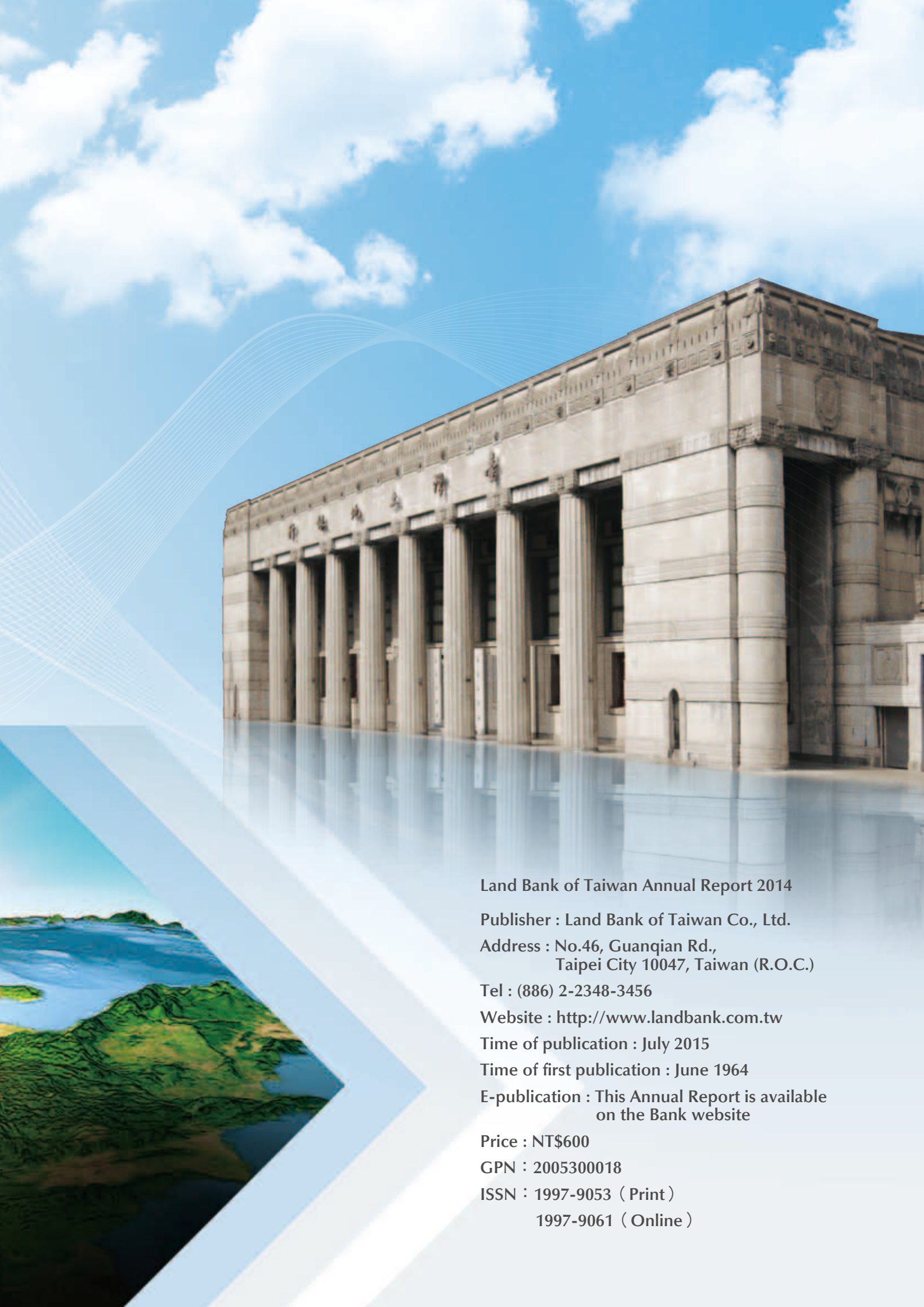
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GLOBAL COMPETITION AND MARKET DOMINANCE TERRITORIAL TARGETS AND EXPANSION

The financial market is like a choppy sea in which the situation varies from moment to moment. The Land Bank of Taiwan rides wind and wave in the financial sea, daring to face all kinds of challenges, actively paying attention to financial trends, and planning and preparing in advance for the future. We have built a solid foundation and have maintained a steadfast operation and management along the way. In the future the Land Bank of Taiwan will pilot you to the international stage while embracing the information, service and omni-channel Bank 3.0 era.





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Financial Highlights

Unit:NTD in millions;%

	2014		2013		2012		(2014/2013)	(2013/2012)
	NT\$	US\$	NT\$	US\$	NT\$	US\$	%	%
Assets	2,516,269	79,453	2,427,716	76,657	2,382,129	75,217	103.65	101.91
Deposits	2,050,349	64,741	1,977,494	62,441	1,946,031	61,447	103.68	101.62
Loans and Discounts	1,868,479	58,998	1,804,190	56,968	1,793,831	56,641	103.56	100.58
Investments	305,549	9,648	298,293	9,419	250,686	7,916	102.43	118.99
Net Worth	119,207	3,764	111,837	3,531	106,478	3,362	106.59	105.03
Interest Income	43,313	1,368	41,608	1,314	41,855	1,322	104.10	99.41
Interest Expenses	20,162	637	19,197	606	19,383	612	105.03	99.04
Net Income	9,436	298	8,958	283	7,998	253	105.34	112.00
ROA	0.38%		0.37%		0.34%			
ROE	8.17%		8.21%		7.70%			
NPL Ratio	0.19%		0.27%		0.27%			
Capital Adequacy Ratio	11.06%		11.30%		11.35%			

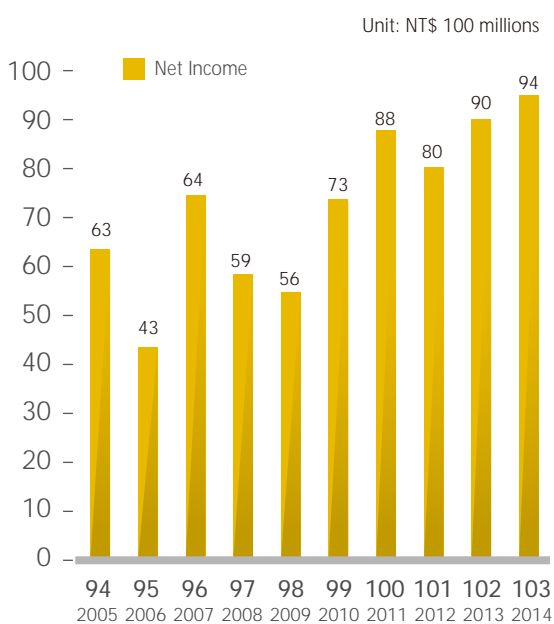
◆ Remarks:1.ROA=Net Income/ Average assets

2.ROE=Net income/ Average net worth

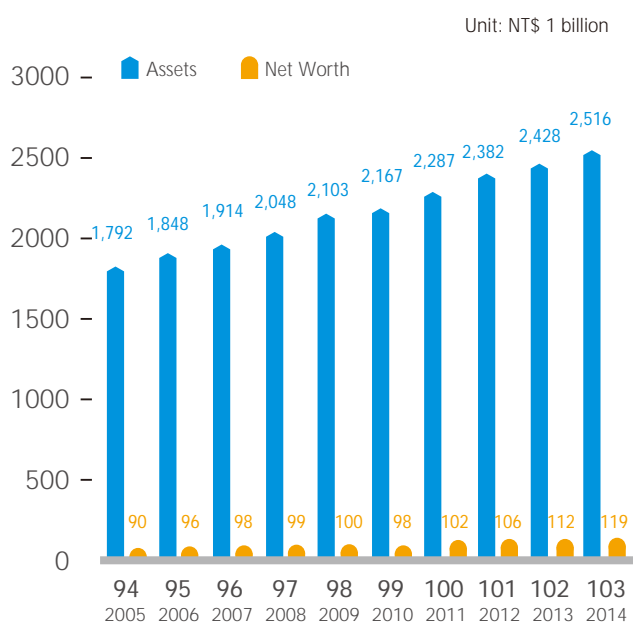
3.US dollar amounts are converted solely for convenience at NT\$31.67=US\$1.00, the Central Bank's closing exchange rate as of December 31, 2014.

2005~2014

Net Income 2005~2014



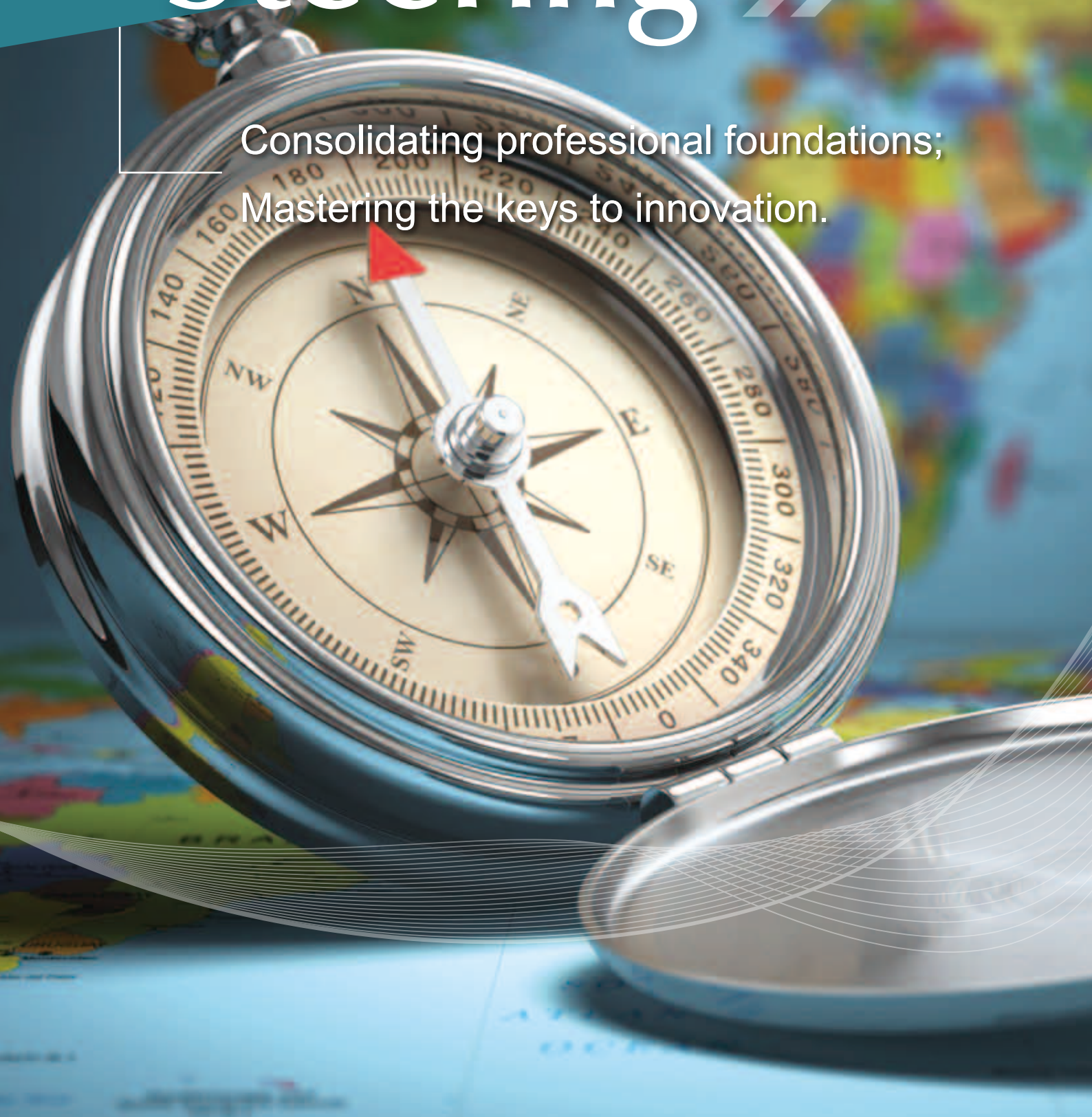
Assets and Net Worth 2005~2014



Steering



Consolidating professional foundations;
Mastering the keys to innovation.





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Business Reports

In 2014, the performance and development of the world economy varied, influences included America's financial problems, the political uncertainty in the Middle East and the irresolution of the European deficit crisis. These indefinite factors still persist. In spite of the Eurozone sovereign debt crisis easing slightly, the unemployment rate has not improved in this period of time. Retrenchment expenses have resulted in insufficient demand and an inflation crisis. The Japanese government has improved financial structures in order to increase consumption tax due to the degrading effect of economic change. Mainland China's adjustments to its economic structure has also resulted in the slow growth of domestic investment. These factors have resulted in the performance of economic figures falling below the targets set by the respective authorities. However, the stable economic recovery of the United States has provided the main momentum in increasing global economic growth.

Benefitted by the stock market performance turning good, the current deposits in the domestic banks have increased and the limitation of overseas financial business have been canceled. These factors led to a large increase being made in savings of foreign currencies and Chinese Yuan. The Central Bank of the Republic of China has calculated the balance of monetary financial institutions at 36.53 trillion, the highest recorded in its history. In terms of profitability, due to the economic boom and increased overseas profits, the before-tax profit accumulated is 320.1 billion dollars, compared to 257.6 billion dollars in the year 2013. The return on assets (ROA) and return on equity (ROE) increased 0.79 percent and 11.65 percent respectively. These facts indicate that bank asset quality remains in good order and that profitability performance is above the long-term average standard.

Chairperson of the Board
Shiu, Kuang-Si



In addition, the non-performing loans ratio in the year 2014 reached their lowest point. The average ratio being 0.24 percent. The coverage rate of allowance for uncollectable accounts has risen to 516.38 percent. Domestic banks have made a good profit in the year 2014. The before-tax profit has hit a record high and banks have also maintained their good financial quality. The reduction of non-performing loans ratio to their lowest point demonstrates the excellent ability of banking management to promote the business, expand the market in the future and lay solid foundations.

In compliance with government policies, and due to the excellent leadership of the management team and the dedication of its staff, the Bank was able to respond flexibly to market conditions, adjusting operating strategies and sustaining steady sales volume growth. The Bank has made a before-tax profit of 11.581 billion dollars since the year 2014 and has continued to break its records in terms of profit, earning more than 10 billion dollars. The non-performing loan ratio is 0.19 percent and the coverage rate for uncollectable accounts is 735.43 percent, better than the average value. Business operation volume has also seen stable growth. The business review of 2014 and business plan for 2015 is outlined below:

I. Business Review for the year 2014

(I) Bank Organization and Change

1. The new branch of Nanjing E. Rd has been built in order to expand business and public service.
2. The new branch of Tianjin has been built in order to strengthen overseas logistic management, increase business networking in Mainland China and expand service territory.
3. In order to rapidly develop foreign exchange and provide customers with comprehensive foreign exchange services, banks assigned for foreign exchange have increased to 151 since 2014. In this way, the Bank expects to improve service quality and internationalize its business.
4. In response to business demands, 19 specific schedules have been modified and set for departments including: the auditing department; corporate banking; general accounting; bonds' business units; financial bill and the CBC Interbank Funds Transfer System.
5. In order to comply with regulatory requirement and to strengthen business management, the Bank has set up an audit commission to replace the current role of supervisors on December 19, 2014.

(II) Business Plan and Operating Strategies Achievements

Unit: NTD in millions; USD in millions (foreign exchange); %

Major Operation Category \ Year	2014	2013	Growth Rate Compared to Preceding Year (%)
Deposits	2,091,776	2,024,917	3.30
Loans	1,872,389	1,817,004	3.05
Foreign Exchange	68,710	67,374	1.98
Scale of Trust Property	353,784	325,771	8.60
Guaranties	85,111	82,155	3.60
Securities Brokerage	167,654	138,452	21.09
Before-tax profit	11,581	10,880	6.44

(III) Status of Budget Execution

In the year 2014, the total accumulated average deposit amounted to NTD\$2.0918 trillion, achieving 115.31% of the budget goal. The accumulated average loan outstanding amounted to NTD\$1.8724 trillion, reaching 113.55% of the budget goal. The accumulated volume of foreign exchange transactions undertaken amounted to USD\$68.710 billion, reaching 152.69% of the budget goal. The before-tax net income amounted to NTD\$11.581 billion, reaching 130.83% of the budget goal.

(IV) Income, Expense and Profitability Analysis

After audit and attestation by the CPAs, the main categories of increase and decrease in income, expense and profitability for the year 2014 as compared to final accounts for the preceding year (2013) restated by the CPAs, are analyzed below:

Unit: NTD in millions; %

Category	Year 2014	Year 2013	Increase/Decrease Comparison (%)	
Net Interest Income	23,151	22,412	3.30	
Net Non-Interest Income	3,860	4,263	-9.45	
Total Net Income	27,011	26,675	1.26	
NPL Expense	191	1,410	-86.45	
Operating Expense	15,239	14,385	5.94	
Before-Tax Net Income	11,581	10,880	6.44	
Net Profit for the Period	9,436	8,958	5.34	
Return on Assets	Before-Tax	0.47	0.45	0.02
	After-Tax	0.38	0.37	0.01
Return on Equity	Before-Tax	10.02	9.97	0.05
	After-Tax	8.17	8.21	-0.04
Net Income Ratio	34.93	33.58	1.35	
Before-Tax Earnings Per Share (NT\$)	2.32	2.18	0.14	

- ◆ Remarks: 1. The figures contained within the table follow the International Financial Reporting Standards (IFRSs) and are verified by certified public accountants.
2. Net non-interest income for the year 2014 decreased when compared to the 2013, due mainly to the income statement of financial asset and financial assets and debt-to-net-income ration following fair value measurement decrease, comparing to the year 2013.
3. Before-tax net income for 2014 increased when compared to 2013, mainly due to the bad debt expense and guarantee liability provisions decreasing, when compared to the year 2013.

(V) Status in Research and Development

The Bank had a unit specially designated for periodical and non-periodical analysis of economic and financial situations, study of industry developments and trends, special topic research in banking business etc. Important R&D achievements for the year 2013 included: 16 R&D reports, domestic and foreign economic and financial situation reports (weekly and monthly), industry reports (monthly and quarterly), industry development status reports (bi-monthly), 8 special economic and financial topic research reports, and 12 domestic real estate market status survey reports for business reference.

II. Brief Business Plan for 2015

(I) Operating Guidelines and Major Operating Policies

1. Continuously improve asset quality, enlarge the capital scale, lower operational risk, exercise organizational efficiency, and boost information service capacity in order to consolidate the Bank's operating physique.
2. Follow financial policies, continuously expand the operating scale, develop multi-core niche businesses, and increase operating synergy.
3. Enlarge the deposit/loan spread, improve interest income, expand businesses for administrative fee income, increase investment income, strengthen benefits from use of own property, and reward employees for active marketing in order to enhance profitability.
4. Expand overseas operating locations aggressively, grasp international financial business opportunities, develop cross-strait electronic money flow business, build a worldwide corporate banking service network, and advance overseas operating performance.
5. Nurture professional talents, pay attention to customer rights and interests, implement corporate governance, and fulfill corporate social responsibility.

(II) Projected Operating Goals

1. Average deposit: NTD\$1,965 billion
2. Average loan outstanding: NTD\$1,745 billion
3. Foreign exchange undertaken: USD\$61 billion
4. Before-tax net income: NTD\$7.538 billion

III. Future Development Strategies

- (I) Strengthen capital, adjust asset structure, increase risk management function, and solidify risk information disclosure on a periodical and quantifiable basis and build up a risk management mechanism which is internationalized.



President

Kao, Ming-Hsien

- (II) Solidify the division of labor between the head office, district center and business unit and the horizontal connection between the departments of the head office in order to develop organizational efficiency.
- (III) Enlarge business loan, strive for organizing the business of syndicated loan and securities underwriting services, assist businesses to raise funding and plan their finances, reinforce financial services for small and medium-sized businesses, supply miscellaneous electronic money flow services and expand our financial business territory.
- (IV) Bring into line with the market trend, understand and carry out customer needs, and supply appropriate and multiple financial instruments. Through professional marketing assistance, integrate marketable securities, bonds, mortgages, mortgage life insurances, consumer loans, credit cards, gold passbooks, personal insurances, property insurances, comprehensive insurance of industry and commerce, etc. Provide complete financial services and create business opportunities for digital wealth management.
- (V) Promote “Online Transaction of Collection and Payment Transfer (the Third Party Payment Service) and Top-Up Payment Service Account” and “Mobile Payment Service” to combine with electronic and mobile payment functions in order to develop the integration and application of electronic business.

IV Influences on the Environment of External Competition, Acts and Comprehensive Management

(I) Environment of External Competition and Comprehensive Management

In recent years, the profits that the domestic banks have gained have grown high. However, the domestic market is small with a lot of competition. It has become a trend to leave Taiwan and establish overseas markets. Our banks develop more maturely than Mainland Chinese banks. We have a greater capability to deal with financial crisis management, fixing a price for corporation finance and consumer finance and credit analysis, the promotion of financial instruments and professional cultivation than the banks of Mainland China. Despite the rise of the Asian economy and regional economic integration, our banks are still superior and flexible in supplying our customers with transnational financial services. However, we are facing the problem in which the salaries of senior executives of banks in Mainland China are greater than comparable salaries here, leading to our banking experts leaving for Mainland China. This clearly indicates the importance of dealing immediately with the loss of our banking experts.

(II) Acts Environment

- » In March, 2014, the Financial Supervisory Commission, R.O.C (Taiwan) initiated Free Economic Pilot Zones. It mainly focuses on the opening of Offshore Banking Units, dealing with financial business and using negative listings which are beneficial in promoting more innovative products, and bringing money into our country to create new customers and revenues.
- » In July, 2014, the Financial Supervisory Commission, R.O.C (Taiwan) produced “Directions for Banks Conducting Financial Derivatives Business” which deals with providing assistance to customers and overseas financial organizations by providing advice and step-by-step information relating to each

transaction. Increases the Bank's understanding about the variety in the issue market for international financial instruments. Boost the development of financial instruments of our domestic banks in order to gradually attract more professional institutional investors to utilize the service provided by domestic financial organizations.

- » In September, 2014, the Financial Supervisory Commission, R.O.C (Taiwan) allowed business customers and business owners to open offshore bank accounts in order to check and sign documents, and verify identity to achieve "Opening Offshore Bank Account and Verifying Identity in a Domestic bank". Customers can open deposit accounts or wealth management accounts without giving credit restrictions. These services benefit domestic banks with overseas branches.
- » In September, 2014, the Central Bank announced that overseas branches of domestic banks can now apply for the service of Non-Delivery Forward of New Taiwan Dollars. This service will enlarge the business domain of overseas branches of domestic banks. It is expected that corporate clients will transfer their Non-Delivery Forward business from the overseas branch of foreign banks to domestic banks.
- » In September, 2014, the Central Bank built up the RMB Offshore Center and initiated the price fixing mechanism of CNT and interest rate, in order to set up the yield curve on the USD/RMB exchange rate, and the fixing price and assessment price of financial derivatives which will benefit the expansion of overseas business and enhance the opportunities for cooperation between Taiwanese and foreign business with our domestic banks.

To sum up, the global economic growth rate for 2015 is higher than 2014, which is expected to influence the domestic economy to advance, increase business capital demand and investment intention in markets, to sustain the bank loan business and maintain its growth, and to enhance the wealth management business markets. The Financial Supervisory Commission, R.O.C (Taiwan) and the Central Bank have permitted a gradual lessening of the restrictions on credit extension in accordance with the demand of overseas market and RMB business. These services are necessary for the bank's operation as well as for boosting competitiveness, gaining multiple sources of profit, and increasing the bankers' profits. Additionally, the trend of increasing interest rate and supervisory units strengthens its functions on monitoring and managing business, reducing excessive price-cutting competition, and better interest margins are expected to be beneficial in increasing the profits of the banks in the year 2015.

V. Credit Ratings

Rating Company	Rating Date	Rating Date		Other Rating Information
		Rating Date	Short-Term Rating	
Taiwan Ratings Corporation	June 26, 2014	twAA	twA-1+	Rating Outlook: Stable
Standard & Poor's Ratings Services	June 26, 2014	A-	A-2	Outlook: Stable
Moody's Investors Service	April 27, 2015	Aa3	P-1	Outlook: Stable

Chairperson



President





Breaking the waves

Adhering to our prominent traditions;
Initiating a lasting future.



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19 Directors

19 Officers

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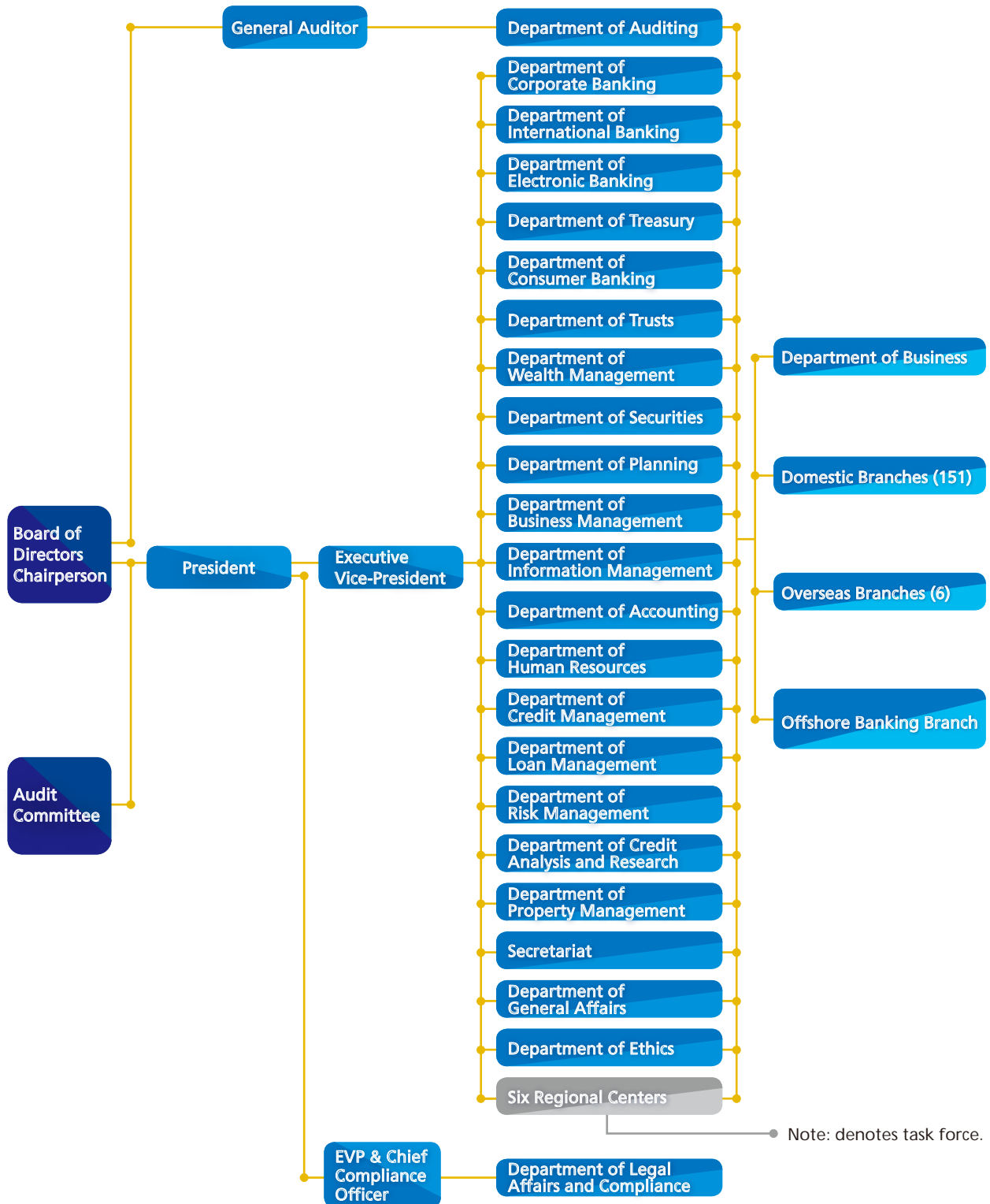
▶ Bank Profile

I . History

The history of the Land Bank of Taiwan dates from 1945 when World War II came to an end. 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 consecutively set up in Taipei, Hsinchu, Taichung, Tainan and Kaohsiung since 1922, 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 order to expand operating areas, the Land Bank of Taiwan transferred to investment and set up the Land Bank of Taiwan's Subsidiary Insurance Broker Corporation on June 3, 2013 which then opened for business on October 31, 2013.



II. Land Bank of Taiwan Organization Chart



III. Employees

Year		2014	2013
Number of Employees	Staff	5,210	5,202
	Technicians	546	587
	Total	5,756	5,789
Average Age		44.91	44.81
Average Service Seniority		17.37	17.23
Distribution of Education Levels (%)	Doctor of Philosophy	0.07	0.07
	Master	14.38	12.91
	College	74.01	74.69
	High School	9.45	10.19
	Below High School	2.09	2.14

IV. Capital Structure

Month & Year	Issue Price	Registered Capital		Paid-in Capital		Remarks	
		No. of Shares	Amount	No. of Shares	Amount	Capital Source	Others
Dec. 2014	NT\$10	5 billion	NT\$50 billion	5 billion	NT\$50 billion	Appropriation from National Treasury and Capitalization over Years	



▶ Directors and Officers

I. Directors

March,31 2015

Title	Name	Appointment Date	Term Duration	Institution Represented
Chairperson of the Board	Shiu,Kuang-Si	12/19/2014	12/18/2017	Ministry of Finance
Managing Director	Kao,Ming-Hsien	12/19/2014	12/18/2017	Ministry of Finance
Managing Director	Chang-Fang	12/19/2014	12/18/2017	Ministry of Finance
Managing Director	Chu,Hau-Min	12/19/2014	12/18/2017	Ministry of Finance
Managing Director	Lee,Tsung-Pei	12/19/2014	12/18/2017	Ministry of Finance (Independent Director)
Director	Hsu,Huoo-Ming	12/19/2014	12/18/2017	Ministry of Finance (Independent Director)
Director	Lee,Ching-Hua	12/19/2014	12/18/2017	Ministry of Finance
Director	Lee,Jih-Shyuan	12/19/2014	12/18/2017	Ministry of Finance
Director	Hwang,Jen-Te	12/19/2014	12/18/2017	Ministry of Finance
Director	Chen,Chih-Yuan	12/19/2014	12/18/2017	Ministry of Finance (Independent Director)
Director	Yang,Song-Ling	12/19/2014	12/18/2017	Ministry of Finance
Director	Jong,Jeng-Fang	12/19/2014	12/18/2017	Ministry of Finance
Director	Chen,Chung-Tsan	12/19/2014	12/18/2017	(Labor Director)
Director	Hsu,Ming-Chun	12/19/2014	12/18/2017	(Labor Director)

II. Officers

March,31 2015

Title	Name	Appointment Date
President	Kao, Ming-Hsien	01/03/2014
Executive Vice President	Chu,Yu-Feng	01/16/2011
Executive Vice President	Huang, Chung-Min	07/16/2011
Executive Vice President	Huang,Cheng-Ching	09/19/2011
Executive Vice President	Lee,Jenn-Ming	03/03/2014
Executive Vice President	Shyn,Ming-Jeng	06/30/2014
General Auditor	Wu,Mei-Yu	03/03/2014
EVP&Chief Compliance Officer	Yeh,Chin-Cheng	02/03/2015

Directors



» Managing Director
Chang-Fang

» Chairperson of the Board
Shiu,Kuang-Si

» Managing Director
Chu,Hau-Min

» Managing Director
Lee, Tsung-Pei

» Managing Director
Kao,Ming-Hsien

Management Team



1 » Chairperson of the Board / Shiu, Kuang-Si

2 » President / Kao, Ming-Hsien

3 » Executive Vice President / Chu, Yu-Feng

4 » Executive Vice President / Huang, Chung-Min

5 » Executive Vice President / Huang, Cheng-Ching

6 » Executive Vice President / Lee, Jenn-Ming

7 » Executive Vice President / Shyn, Ming-Jeng

8 » General Auditor / Wu, Mei-Yu

9 » EVP&Chief Compliance Officer / Yeh, Chin-Cheng

► Status of Corporate Governance Practice

I. Status of the Bank's Corporate Governance Practice and its Deviations from the Corporate Governance Best-Practice Principles for Banks (with Respective Reasoning)

Category	Status of Practice			Deviations from the Corporate Governance Best-Practice Principles for Banks and Respective Reasons
	Yes	No	Brief Description	
1. Bank ownership structure and shareholders' equity				
(1) Did the Bank set up the internal procedure of handling shareholder's suggestions, questions, disputes, and lawsuit? And does the Bank follow up the procedure to implement?	V		(1) There were specifically assigned personnel for handling related affairs and ensuring good channels of communication.	No deviation.
(2) Did the Bank actually control the major controlling shareholders of the Bank, and their ultimate controllers?	V		(2) The Ministry of Finance was the sole shareholder of the Bank, and the Bank specifically assigned personnel to handle stock affairs, so it was actually informed of its major shareholders and its ultimate controllers.	No deviation.
(3) Did the Bank build the risk control mechanism and firewall with affiliated enterprises?	V		(3) To reinforce control over its subsidiaries, the Bank had established the Subsidiaries Management Guideline and the Management Guideline for Appointing Personnel to Serve as Directors and Supervisors of Reinvested Businesses and Subsidiaries of the Land Bank of Taiwan in order to implement its supervision and management mechanism.	No deviation.
2. Composition and duties of the Board of Directors				
(1) Did the Bank follow up the law to set up the Remuneration Committee and voluntarily set up the other functional committees?		V	(1) The Board of Directors followed up the law to set up the Audit Commission On December 19 2014, but did not set up the other functional committees.	No deviation.
(2) Did the Bank periodically review the attesting CPA's independence?		V	(2) The Bank retained its attesting CPA in accordance with the Government Procurement Act, and had achieved the accounting firm provisions regarding annual review, contract termination, and contract cancellation.	No deviation.

Category	Status of Practice			Deviations from the Corporate Governance Best-Practice Principles for Banks and Respective Reasons
	Yes	No	Brief Description	
3. Did the Bank establish communication channels with stakeholders?	V		The Bank had established a toll-free customer complaints hotline, and had executive mailbox, customer complaints and e-mail on the opinion exchange section of the Bank's website, in which specifically-assigned personnel handled suggestions or disputes raised by customers and stakeholders.	No deviation.
4. Information disclosure				
(1) Did the Bank establish a website to disclose information regarding finance, business, and the Bank's corporate governance	V		(1) The Bank had set up a global website and disclosed information about important financial and business affairs, and corporate governance every quarter in accordance with pertinent regulations of the Ministry of Finance, R.O.C.	No deviation.
(2) Did the Bank adopt other means to disclose information (such as setting up an English website, specifically assigning personnel to collect and disclose bank information, implementing the spokesperson mechanism, and posting the taped investor conferences on the Bank website)?	V		(2) The Bank had set up an English website and specifically assigned personnel to periodically collect important financial and business information, and disclose related information on the website. To implement the spokesperson mechanism completely, the Bank had established the Notice for News Release and Contact, where the General manager appointed one Executive Vice-President as the news spokesperson, and separately appointed another two Executive Vice-managers as the deputy spokespersons, to exclusively make public comments on major policies and business measures adopted by the Bank. The Secretariat's Public Relations Section was in charge of the collection of related information and news releases. It also posted taped investor conferences on the Bank website. The Ministry of Finance was the institutional representative of the Bank. We did not hold investor conferences for emerging stocks.	No deviation.
5. Did the Bank have the other important information that enhances understanding of the Bank's corporate governance practice?	V		Refer to No.7	
6. Did the Bank have a self-assessment report of corporate governance or an assessment report of corporate governance made by a contracting professional institution, please clearly state the results of the self-assessment (or contracting assessment), the major defects (or suggestions), and the status of improvements?	V		Refer to No.8	

Category	Status of Practice			Deviations from the Corporate Governance Best-Practice Principles for Banks and Respective Reasons
	Yes	No	Brief Description	

7. Other important information that enhances understanding of the Bank's corporate governance practice (such as rights and interests of employees, employee care, investor relations, interests and rights between related parties, Directors and Supervisors continuing education, status of executing risk management policies and risk measurement standards, status of executing consumer or customer protection policy, status of the Bank purchasing liability insurance for Directors and Supervisors, status of donating money to political parties, stakeholders and charity groups, etc.):

- (1) Directors and Supervisors continuing education: The Bank hosted the keynote speech of Corporate Governance by Directors and Supervisors (Including Independent Supervisors) called "The Trend of Business Corruption and Prevention Measures – From the Viewpoint of Corporate Governance" on June 23, 2014. In addition, Shiu, Kuang-Si, the Executive Director, attended the course of "Capital Market and Corporate Governance" held by the Chinese National Association of Industry and commerce, Taiwan (CNAIC). After that, the Bank continued to arrange courses regarding administrative neutrality and corporate governance.
- (2) Status of executing risk management policies and risk measurement standards:
 - a. The Bank's "Risk Management Committee" convened 6 meetings during the year, in which the committee members reviewed the whole bank's risk monitoring reports and risk control proposals, and continued to have the Department of Risk Management handle measuring, monitoring and reporting of the whole bank's credit, market, operation and other risks. In addition, the Bank modified and issued Risk Management regulations below:
 - (a) On March 7, 2014, the Bank issued a letter to modify the "Statement of Land Bank of Taiwan's Risk Management Note".
 - (b) On April 7, 2014, the Bank issued a letter to modify the "Statement of Land Bank of Taiwan's Market Risk Value Limit Table".
 - (c) On May 3, 2014, the Bank issued a letter to modify the "Statement of Land Bank of Taiwan's Market Risk Essential".
 - (d) On June 18, 2014, according to the "Statement of Bank Capital Adequacy and Capital Management Ratio", the Bank issued a letter to the Financial Supervisory Commission to submit the "Operating Plan for the Year 2014," the "Capital Adequacy Assessment Result for the Year 2013" and the "Statement of Self-Assessment on Various Risk Indicators for the Year 2013" of the Land Bank of Taiwan.
- (3) Status of executing consumer or customer protection policy:
 - a. Information about each business service was announced on the Bank's website (www.landbank.com.tw) for people to view at any time.
 - b. Providing various inquiry channels:
 - (a) Providing information for each loan on the Bank's homepage for people to view.
 - (b) 24-hour customer service.
 - (c) Building a mortgage blog.
 - c. Establish a toll-free for customer complaint line: 0800-231590, in this way, the Bank could deal immediately with and analyze customer complaints in order to improve customer service.
 - d. The table of charges for services was placed in an easily seen place at the business office and on the bank's website in order to protect consumers' rights.
 - e. The Bank provided information on the prevention of fraud in the business service section, business brief section and loan section of the homepage of the Bank's website: "You have to apply for loan at the Bank yourself rather than have another person to do it for you. If someone asks you to "remit your money first" or "charges you an additional service fee or reward", the person could be an agent and you must be cautious. The Bank never outsources customer loans to other financial institutions or agents. If you have any loan needs, please contact the business office of the nearest branch. Be vigilant regarding claims made by third party institutions. The Land Bank of Taiwan cares about you'.
 - f. On March 5, 2014, in accordance with the right of using personal information subjecting to personal information regulations, the Bank issued a letter and announced "The Operation of the Personal Right and Charging Standard".

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g. In consideration of the needs and rights of visually impaired consumers when applying for bank loans, the Bank established the following procedures; visually impaired costumers may choose to either “provide a notary in compliance with the Notarization Law of the Republic of China” or authorize “a spouse, blood relative, relative, friend, or a social welfare and service worker” to act as a witness for the loan application.

h. On June 12, 2014, the Bank modified the regulations for the protection and management of personal data held in order to fully comply with the “Act of Protecting and Managing Personal Data Files of Non-government Agency Stipulated by Financial Supervisory Commission R.O.C (Taiwan)”.

i. On October 27, 2014, the Bank modified the notices of personal information protection in order to put into practice the Bank’s regulations for personal information protection and management.

(4) Status of the Bank purchasing liability insurance for Directors and Supervisors: No liability insurance policy was made at this time.

(5) Status of the donation of money to political parties, stakeholders, and charity groups:
 There was no donation to political parties and stakeholders. To fulfill corporate social responsibility, the Bank spared no efforts in donating money to charitable groups under the ideal of “What is taken from society is used for society.” Please refer to page 26, Column of Implementing Corporate Social Responsibility.

8. Where there is a self-assessment report of corporate governance or an assessment report of corporate governance made by a contracting professional institution, please clearly state the results of the self-assessment (or contracting assessment), the major defects (or suggestions), and the status of improvements:

In 2014 the Bank retained a professional institution, National Taipei University of Technology to conduct corporate governance assessment, for which the general opinions are summarized below:

- (1) The strengths of the Bank is summarized in four main dimensions:
 - a. Dimension of Information Transparency: Disclose the important information and periodically announce half- year and full year financial reports following associated regulations.
 - b. Dimension of Management Performance:
 - (a). The Bank had established an internal control system and assigned a certified accountant to examine the internal control system.
 - (b). The Bank follow the regulations to assess the employees’ work performance. In year 2014, the assessment of employees’ work performance and efficiency were examined by Ministry of Finance, R.O.C.
 - c. Dimension of Abilities of Directors of Board and Supervisors:
 - (a). It was very positive that the Bank established an Audit Commission on December 19, 2014.
 - (b). The hours of directors and supervisors undertaking further study are in conformity with the governance regulations of the Bank. In addition, the Bank continued to arrange courses of governance and training and held a series of lectures in the Bank.
 - d. Dimension of Stakeholders and Social Responsibility: The members of the Board of Directors include labor directors. In addition, the Bank established related laws and acts to safeguard employees’ rights.
- (2) Suggestions for the Bank:
 - a. Compared to the annual report of 2013, the annual report of 2014 showed the Bank had three more legal cases brought against it, these included defrauding subsidies of employees in foreign branches, diverted customers’ savings or careless mistakes of transmitting customers’ information etc. These cases reflect the need for the Bank to enhance internal controls. It is suggested that the Board of Directors and senior management should improve the internal control system thoroughly, and develop internal control function operations.
 - b. Financial intermediaries played an important role in the provision and allocation of capital in economic activities. The financial industry should consider how to use this distribution network to allocate economic resources to assist other industries in carrying out their corporate social responsibility. The recent food safety scandals and environmental pollution problems have made people realize the high risk of financial institutions providing funding to bad businesses. It has been suggested that the Equator Principles should be placed into the Bank’s governance code of practice or the code of extended credit finance. In this way, the Bank could evaluate whether the each financing case has considered the sustainable development of the economy, society and environment.
 - c. In terms of social responsibility, the suggestion is that the Bank could consider combining its professional expertise with social responsibility which would demonstrate uniqueness and create more social value. Also, the Bank could reflect on how to combine finance with business startups and alternative energy.

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			<p>d.The Bank's governance section placed on the lower right-hand corner of the homepage was not easily discernable for customers. As such the Bank could consider putting it on the left-hand side of the homepage. The governance section contains information on capital adequacy and social responsibility. In addition, there were capital adequacy and risk management information mentioned in regard to public disclosure issues. And there was a social responsibility area in the comprehensive information list on the left side of homepage. The suggestion is to reclassify the homepage to avoid the duplication of information.</p> <p>(3) the Bank's Reflection and Improvement</p> <p>a.In respect of the three legal cases, the related executives have reflected upon the issues raised and provided a thorough discussion about each of these individual cases. They have drawn up measures for improvement. It's planned to issue these suggestions to each of business departments at head office, and in this way restate the importance of implementing internal control systems.</p> <p>b.The Association of Banks added the Equator Principles to the extended credit finance principles of the banking industry. The Bank put it in the operational policy for 2015 and modified the related extended credit finance regulations.</p> <p>c.The Bank will combine its professional expertise with social responsibility in accordance with these suggestions.</p> <p>d.Concerning the Bank's homepage, information has been reclassified and reallocated, following the suggestions offered by the assessment units and the methods applied by the other banks. The Bank will review "Company Governance Area" and "Public Disclosure Issues" pages and re-adjust the layout of the Bank website's homepage accordingly.</p>	

II. Status of Social Responsibility Performance:

Category	Yes	No	Status of Practice
1. Implementing the promotion of corporate governance			
(1) Status of the Bank in establishing a corporate social responsibility policy or system and reviewing implementation achievements.		√	The Bank is a state-run business, of which the Ministry of Finance is the sole shareholder. For years, the Bank followed governmental policy for the provision of various special loans and the promotion of national economic development. Following the ideal of "What is taken from society is used for society," the Bank has spared no effort in positively sponsoring community care, environmental protection and underprivileged groups, and as such has not established a separate corporate social responsibility policy or system.
(2) Status of holding social responsibility training periodically		√	The Bank is a state-owned bank. The Bank arranged the following training programs: "Work Ethics and Integrity Ethics Regulations", "Theory and Practice of Administrative neutrality", "The Legal Responsibility of the Banker (including Civil Servant Service Act)", "A Brief Overview of Abiding Financial Law and Bank Law", "Abiding-Law Workshop".
(3) Operating status of the Bank in establishing a specially-set (adjunct) unit to promote corporate social responsibility and the Board of Directors assigning senior management to handle and report to the Board of Directors.		√	The Bank has not established any specially-set (adjunct) unit to promote corporate social responsibility.

Category	Yes	No	Status of Practice
<p>(4) Status of the Bank periodically holding corporate ethics training sessions and promotion campaigns for Directors, Supervisors and employees, and combining it with the employee performance evaluation system to establish a clear and effective reward and punishment mechanism.</p>	V		<p>The Bank is a state-run bank in which the government is a shareholder. The salary treatment of all employees follows the “Guidelines of Giving Employment Salary Applied to Business Subsidiary of the Ministry of Finance, R.O.C”. The mechanism in which performance related pay, unit operational performance and the various levels of employee contribution was implemented is outlined below:</p> <ol style="list-style-type: none"> 1. “The Guidelines of Approving the reward of Operation Performance Prize” indicated two-months’ salary to be awarded for job performance evaluation which included the prize of annual job performance, and up to one-month salary for the prize of job performance. Job performance awards were determined by the eagerness of employees in regard to job implementation, the achievement of each unit’s business policy targets, prize and punishment, attendance and absence. When employees met the above-mentioned conditions, they would be offered the prize of one-month salary in encouragement and appreciation of their efforts. 2. The Bank’s “Approving the Prize of Job Performance Evaluation – Working Regulations of Special Prize” comprises of unit operation performance and the result of employee’s annual job performance evaluation combined with the quota for each, and allocated 20% of job performance evaluation prize as a special prize (in which unit performance comprised 17% of the award and the encouragement prize comprised 3%). In addition, the Bank adapted to a reasonable ratio and set different prize standards according to each unit’s operation performance, and the employee’s contribution to the Bank.
<p>2. Developing a sustainable environment</p>			
<p>(1) Status of the Bank in striving for improved efficiency in usage of various resources, as well as using recycled materials of low environment load and impact.</p>	V		<ol style="list-style-type: none"> a.The Bank promoted using both sides of paper for copying (printing), and procured and used recycled paper. b.The Bank carried out garbage reduction, garbage sorting, and resources recycling. c.The Bank added a smart phone QR Code scanning service for customers to pay their bills. d.The service fee paper invoice has been replaced by an electronic invoice at authorized stores.
<p>(2) Status of the Bank in establishing a proper environmental management system according to the characteristics of its sector.</p>	V		<ol style="list-style-type: none"> a.The Occupational Office set up under the Office of General Affairs is in charge of promoting environmental education and clean environment maintenance. b.The Bank periodically cleans and waxes its working premises, cleared waste, renewed flowers, trees and pot plants, beautified the working environment, and regularly sent patrol personnel to enforce environmental management.

Category	Yes	No	Status of Practice
(3) Status of the Bank in paying attention to the impact of climate change on operating activities, as well as setting up its policy on energy saving, carbon reduction and greenhouse gas emission reduction.		V	<p>a. Every year the Bank conducted 4 hours of environmental education sessions, in order to advance the employees' understanding of environmental ethics and responsibilities, the maintenance of ecological balance, upholding respect for life, and fulfilling sustainable development.</p> <p>b. The Bank followed a campaign of green procurement by purchasing more environmentally-friendly products with the Energy Label, Water Saving Label, and Green Building Label.</p> <p>c. In compliance with the Energy Saving and Carbon Reduction policy, the Bank set an annual goal of saving over 2% of water, electricity and fuel expenditure and saving over 3% of paper. Every year, the Bank replaced 10% of high electricity-consuming appliances with energy-saving equipment.</p>

3. Safeguarding social interest

(1) Status of the Bank in observing pertinent labor laws and regulations, respecting internationally-recognized principles of basic labor rights, protecting legal rights and interests of employees, upholding non-discrimination in its employment policy, and establishing and implementing proper management conduct and procedures.		V	<p>a. In accordance with its business nature and Article 70 of the Labor Standards Act, the Bank had established work rules on the following matters, which were released after being submitted to, and approved by, the governing authority.</p> <p>(a) Work hours, time off, leave of absence, national holidays, special leave of absence, and methods for arranging shifts for doing continuous work.</p> <p>(b) Wage rates, calculation method and pay days.</p> <p>(c) Overtime work.</p> <p>(d) Allowances and bonuses.</p> <p>(e) Disciplinary policy.</p> <p>(f) Attendance, the taking of leave, commendations or demerits, and promotion and transfer.</p> <p>(g) Recruitment, discharge, separation, withdrawal of service, and retirement.</p> <p>(h) Compensation and pension for injury or disease caused by occupational accidents.</p> <p>(i) Welfare measures.</p> <p>(j) Health and safety regulations to be observed by employees and employer.</p> <p>(k) Methods for promoting communication and cooperation between employees and employer.</p> <p>(l) Others.</p> <p>b. The Bank held the "Labor-Management Meeting" in accordance with Article 83 of the Labor Standards Act and the Labor-Management Meeting Implementation Regulations:</p> <p>(a) The Bank held at least 1 periodical Labor-Management Meeting every 3 months.</p> <p>(b) Besides the aforesaid periodical meeting, the Bank also held the Interim Labor-Management Meeting whenever necessary.</p> <p>(c) The Bank's Executive Vice-President in charge of human resources and the labor union's Chairperson took turns serving as the chair of the Labor-Management Meeting, to maintain equity and impartiality in the meeting.</p>
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