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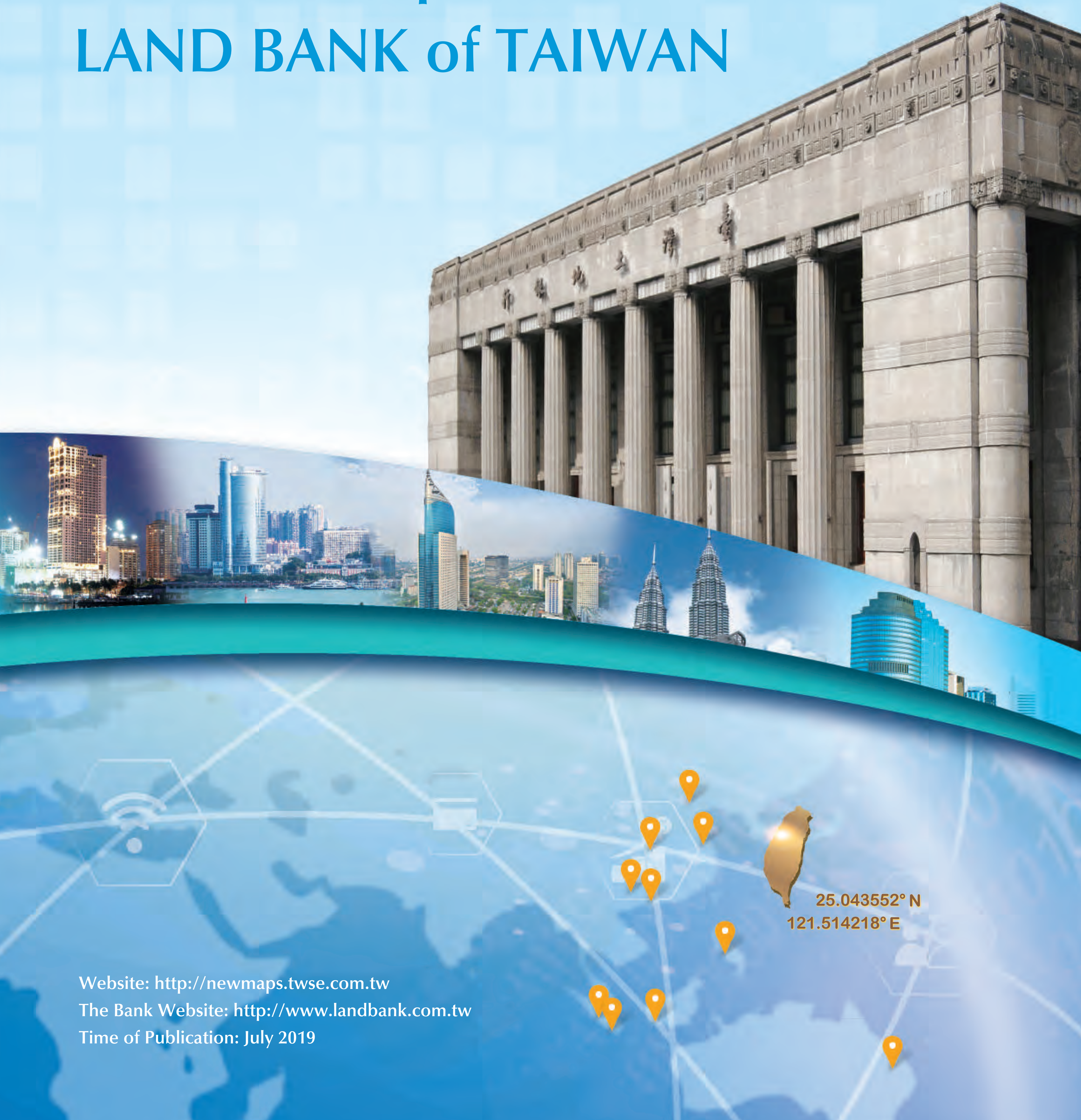
臺灣土地銀行
LAND BANK OF TAIWAN

Annual Report 2018
LAND BANK of TAIWAN



Website: http://newmaps.twse.com.tw
The Bank Website: http://www.landbank.com.tw
Time of Publication: July 2019

Spokesman

Name：He,Ying-Ming

Title：Executive Vice President
Tel：(02)2348-3366
E-Mail：lbevp2@landbank.com.tw

First Substitute Spokesman

Name：Chu,Yu-Feng

Title：Executive Vice President
Tel：(02) 2348-3686
E-Mail：lbevp4@landbank.com.tw

Second Substitute Spokesman

Name：Huang,Cheng-Ching

Title： Executive Vice President
Tel：(02) 2348-3555
E-Mail：lbevp3@landbank.com.tw

Address &Tel of the bank's head office and Branches(please refer to'' Directory of Head Office and Branches'')

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 Publick Accountants of financial statements for the past year

Name of attesting CPAs：Mei,Ynan-Chen and Hsiao Pei-Ju
Name of Accounting Firm：KPMG
Addres：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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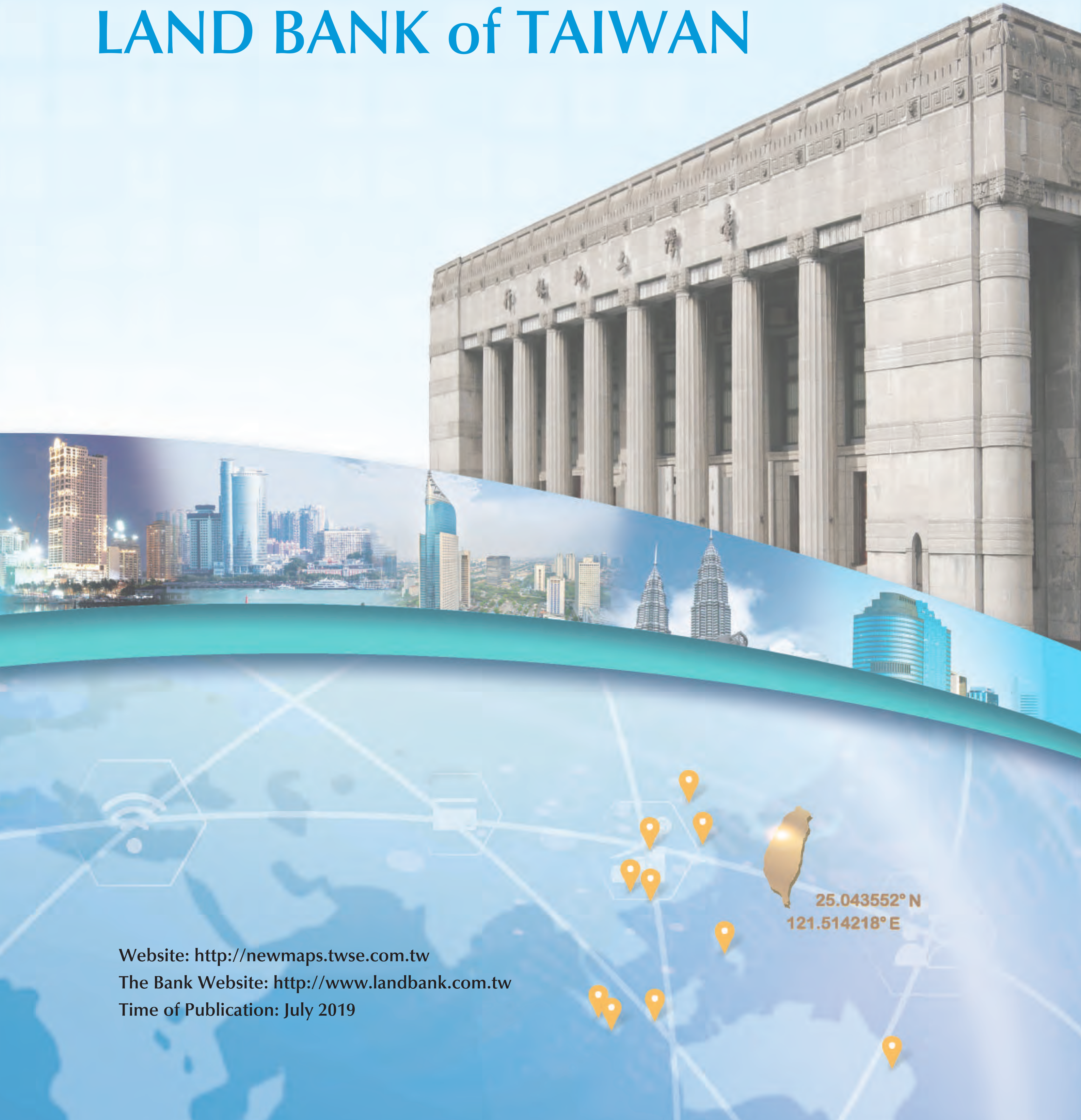

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Forerunner of Mobile and Smart Financial Services

Years of solid experience and attention to trends have made Land Bank of Taiwan a forerunner with remarkable view.

As a leader in the banking industry, Land Bank of Taiwan upholds forward-looking visions and opens up a smart future at a steady pace.

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Achieving Remarkable Success with Intensive Expertise

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Business Report

In 2017, the global economy experienced the steady improvement with synchronized recoveries from advanced, emerging and developing economies. Unlike last year, in 2018, the growth of the global economy was mainly led by the tax abatement and deregulation in the US economy. The growth from Europe and Japan, the advanced economies under performed, and China growth rate has significantly slowed down. Emerging markets were under pressure from the increased interest rate in the US which led to a strong dollar rate forcing capital outflow, exchange rate depreciation and tighten liquidity. All of which made the global financial market more volatile, and imbalanced growth in the global economy. Towards the second half of the year, the risk grew when the China-US Trade War intensified.

As for Taiwan, align with global economic recovery, the export experienced a stable double digit growth in the first half of 2018. The growth in export in both first and second quarter of 2018 was above 3%. However, from third quarter onward, the demand in export businesses and the consumption momentum had been shrinking, given the global economic uncertainty and global capital movement with results of U.S. interest rates and exchange rates rise in tandem. We still have a favorable balance and high foreign exchange reserve, the interest rate differential, the capital outflow and exchange rate depreciate had been relatively softer, which offset the growth momentum in the second half of the year. Thanks to stable price level of goods and services, The Central Bank remains its loose monetary policy, which benefits the overall economic growth.

Under the joint efforts from the management team and all colleagues, the Bank delivered a pre-tax earnings of NT$ 12,180 million, which is the 8th consecutive year reaching over the NT$10,000 million in earnings. Earnings per share of NT$1.95, a NPL ratio of 0.19% and a NPL coverage ratio of 798.31%. All of which above the 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 continued to provide the capital funds to business operation and expansion. On Apr 13th, 2018, we were awarded the "Five-Plus-two Innovation Key Industry Excellence Award" and "Green Energy Technology", "Biotechnology", and "New Agriculture" awards by the Financial Supervisory Commission.

Chairperson
Hwang,Bor-Chang

In terms of Corporate Social Responsibilities, The Bank has been actively involving in the Government's policy, promoting public sports, providing appropriation to the developments and sponsoring badminton players on international competition. In addition, organizing badminton and tennis summer camps charity events to show our commitment in the promotion of public sports. On September 7th, 2018, the Bank was granted 3 awards by the Ministry of Education for our commitment in promoting public sports. In recent years, we have been purchasing local seasonal produce from local farmers and donating towards local social groups through our corporate office and branches, hoping to deliver our loving care to the society, we have received contribution award from Agriculture and Food Agency, COA. Lastly, working in accordance to the Government's social policy, we have been working to promote the "Caring for the Elderly" mortgage program, Elderly and Disabled trust fund program. On July 12th, 2018, we received Excellent Bank Award from the Financial Supervisory Commission (FSC).

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Below is the business summary for 2018 and business plan for 2019:

I. 2018 Business Results

(I) Bank organization and Change

1. Following Item 1, Paragraph 2, Article 32 of the "Implementation Rules for Internal Control and Audit Systems of Financial Holding Companies and Banking Industries" (hereinafter referred to as the "Internal Audit and Audit System") issued by the FSC, dated March 31, 2018: "For Banking sector if total assets in the previous financial year audited by a CPA that is or above NT$1 trillion shall establish a dedicated unit responsible for anti-money laundering and combating the financing of terrorism." And the department shall not be involved in the planning, management and implementation of operations or other conflict-related legislation or regulations, which may lead to a conflict of interest. The Chief Compliance Officer may concurrently serve as the head of the dedicated unit of anti-money laundering and combating the financing of terrorism, but shall not concurrently serve as the head of legal affairs or other internal positions. The Legal Affairs and Compliance Department shall change to the "Compliance Department" and transfer the legal affairs and legal advice related functions to the "Secretary Office" from September 10th, 2018
2. In compliance with the Article 38-1 of the Regulations Governing Internal Control and Internal Audit, the "For Banking sector if total assets in the previous financial year audited by a CPA that is or above NT$1 trillion shall establish a dedicated unit responsible for anti-money laundering and combating the financing of terrorism.". The Bank set up the "Information Security Division" on September 10, 2018, responsible in formulating the information security management measures to assess the degree of risk and provide concentration of risk management.
3. The Bank shall formulate the detailed list of responsibilities for the Compliance Department, Secretariat and the Information Security Division in accordance with the aforementioned organizational adjustment. The amendments to the new and revised units shall be added to the Accounting Department and Securities Division.

(II) Business plan and operating strategies achievements

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

Year / Major Operation Category	2018	2017	Year on Year growth (%)
Deposits	2,553,126	2,379,559	7.29
Loans	1,940,264	1,860,875	4.27
Foreign Exchange Operations	81,577	85,074	-4.11
Trust Activities	359,885	377,137	-4.57
Guaranties	42,604	42,249	0.84
Securities brokerage	240,238	217,359	10.53
Net Profit before Tax	12,180	11,882	2.51

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

(III) Status of Budget execution

The Deposit volume for 2018 was NT$2,553 billion, achieving a budget hit rate of 114.44%; The total Loan volume reached NT$1,940.2 billion, which was 105.45% of the original budget target, The Foreign Exchange operation was US$81,577 million, with a hit rate of 107.34%. Net Profit before Tax was NT$12,180 million or reached 129.33% of our budget target.

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(IV) Analysis of Income, Expenditure and Profitability

Below is the addition or deduction restated to the main categories following the CPA audit based on the accounting principles for the 2018 financial year in comparison to 2017:

Unit: NT$ million; %

Category		Financial Year end 2018	Financial Year end 2017	Increase / Decrease Comparison (%)
Net interest income		26,623	24,739	7.62
Net income other than interest		3,416	2,127	60.60
Total net income		30,039	26,866	11.81
Provision for bad debt expenses and provision for guarantee		3,173	493	543.61
Operating expenses		14,686	14,491	1.35
Net Profit before Tax		12,180	11,882	2.51
Net income		9,697	9,634	0.65
Return on Assets	Before tax	0.41	0.43	-0.02
	After tax	0.33	0.35	-0.02
Return on Equity	Before Tax	8.07	8.51	-0.44
	After Tax	6.43	6.90	-0.47
Net Profit ratio		32.28	35.86	-3.58
Earnings per share (EPS), before Tax		1.95	1.90	0.05

Notes: 1. IFRS compiled, consolidated figures from CPA reports

2. The increase in net revenues and gains other than interest in 2018 was mainly contributed from the increase in miscellaneous revenue comparing to the previous year.

3. The bad debt expenses and provisions for losses on guarantee for 2018 increased. This was mainly due to the change of assessment method from IAS 39 to IFRS9, where the provision guideline was shifted from "the obvious objective evidence of impairment in bad debts" to "expected bad debts", hence the increase on bad debts comparing to the previous year.

(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 2018 for business references include 9 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), 9 specialized report projects on economies and financial markets and 12 issues on the domestic real estate analysis.

II. Summary of Business Plan for 2019

(I) Operation Guidelines and Major Operating Policies

1. Continue to capitalize asset quality, expand capital investment scale, reduce business risks, exert organizational effectiveness, enhance information technology services and protection of information security in order to strengthen our compliance level and our operational process.

2. Comply to financial policy and expand the business scope. Develop multiple niche business strategy and achieve the overall synergy.

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3. Expand the interest rate spreads to increase interest income, explore commission based operational revenue, enhance investment yields, and motivate employees to make proactive sales 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 and to strengthen the customer relations. Utilize big data analysis to nurture financial innovation mindset.

5. Grasp international financial business opportunities, build a global corporate financial service network and improve overseas business performance.

6. Cultivate professional talents, protect customer rights, strengthen corporate governance and fulfill corporate social responsibility.

(II) Projected Operating Goals

The annual operating objectives for 2019 is based upon the business plan approved by the regulators, 2018 annual results, current operation performances and predicted trends:

1. Deposit volume: NT$2,375 billion
2. Loan volume: NT$1,845 billion
3. Foreign exchange operation: USD 80 billion
4. Net Profit before Tax: NT$9,119.89 million

＊ 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) Strengthen capital, adjust assets and liabilities structure, enhance risk management and liquidity management functions, implement qualitative and quantitative risk information disclosure, and establish a comprehensive mechanism which is aligned to international risk management.

(II) Reinforce the division of labor between business units and head office and the horizontal communication in order to optimize the organizational productivities.

(III) Develop corporate lending, secure syndicated loan and securities underwriting, assist enterprises in fund raising and financial planning, strengthen financial services for SMEs, provide various electronic payment services, and expand corporate banking offerings.

(IV) Aligned to market trend, meet customer needs and provide suitable and diversified financial products. Moreover, through our sales and marketing team, we will integrate product offering, including securities, mutual funds, mortgage, critical life insurance, personal loan, credit cards, gold passbook, life insurance, content insurance, comprehensive business

President Hsieh,Chuan-Chuan

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insurance and so on, providing a wide range of financial services, and developing digitalized wealth management business.

(V) Develop new payment methods, promote domestic and cross-border payment alliances, facilitate customer payment and transactions, expand customer base, and create a win-win interdisciplinary e-commerce strategy.

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

(I) External Competition

1. The low interest rate policy in the domestic financial market and the global market competition led to a limited improvement on NTD interest rate differential. With mounting pressure on capital outflow and domestic market saturated, Banking and Financial sectors have been proactively expanding their overseas presence and wealth management services in order to further their operation scale and profitability.

2. The China-US Trade War has had an knock on effect on the economy and the level of impact on profitability vary between industries. This has disrupted the global stock market, loan market and interest rates. In addition, the interest rate differential gap has widening between countries, which leads to the increase in foreign exchange rate fluctuation and loans and investments risk exposure.

3. The Financial Supervisory Commission has been actively promoted the “Build a Digital Financial Environment 3.0” program in recent years. With the development of financial technology (FinTech), the usage of mobile payment and services has started taken shape in younger generation. This has led to new banking policy in 2018 moving towards internet banking. This is a new untapped business area and will encourage productivity and hopefully a more complete banking service for our customers. In response to the operational impact that internet banking has brought in the market, State owned Bank of Taiwan will accelerate the improvement of its digital infrastructure and talent acquisition.

(II) Regulatory

1. In order to accelerate financial institution M&A to enhance scale and competitiveness of financial institutions, the Financial Supervisory Commission has amended and established the regulations governing the investment and management of financial holding companies, as well as the interpretation of the regulations of the Financial Holding Company's investment in the financial holding company following Article 74, item 4 of the Bank Act, and the financial holding company, bank, insurance companies and securities investment financial holding company, shall comply to merger and acquisition related legislation and provide eligible shareholders as the major shareholder and participate in other joint ventures holding no more than 10% of the share for future merger and acquisition opportunities and the incentive will be the flexibility on capital investment. Mergers and Acquisitions include both friendly acquisition and hostile takeover, both should be executed under "Tender offer" with 3-year lockup period. In the case of hostile takeover, the acquirer shall be subject to the following four conditions in order to proceed: capital adequacy, operation performance, ability for global expansion, and corporate social responsibility. In addition, both acquirer and target company shall not be any state-owned financial institutions.

2. In response to Asia/Pacific Group on Money Laundering Organization (APG)'s mutual assessment on preventing money laundering and countering financing of terrorism, Financial Supervisory Commission added and amended legislation to ensure they are aligned to FATF's 40 suggestions, these include: Anti-Money Launching Act, the Financial Institutions Anti-Laundering measures and Banking and financial sectors governing committee's anti-money laundering and countering the financing of terrorism internal control and audit system and financial institution notification process on sanctioned interests on designated wealth and property. The Asia-Pacific Anti-Money Laundering Organization (APG) completed the third-round evaluation in November. The preliminary

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report was provided and revision meeting is scheduled in March 2019, where we have a chance to discuss the comments from the preliminary report. The final report will be released by APG during their official member meeting in July 2019.

3. State owned banks continue to breakthrough in developments and growth on financial technology, effectively drive the financial business market to expand, and the industry comply to policies, and the industry is expected to improve the internal information security system. The risk exposure of the financial technology by the State owned banks is expected to be controlled. In 2018, the financial technology business is expected to grow at a rapid and secure pace.

4. To strengthen the protection of consumer banking, the financial sector will adopt the principles of customer service evaluation in 2019. The focused sector in the first year will be: Banking, Securities, Life Insurance. The evaluation period is between January to December in 2018, this is conducted by assessing instances where principles of customer services were violated and unfair treatments were feedback by customers. Solutions and necessary changes in internal cultural will be recommended through the evaluation and assessments, in order to promote a corporate culture with principles of customers service in mind and enhance the protection of consumer rights.

(III) Overall Business Outlook

Looking ahead although the conflict between the China-US Trade War continues, the exposure of risk increase on investment and loan. However, the government continues to support the overseas expansion, loosen legislation during the development on the "new southbound policy", and the improvement on financial technology application, all of which help to facilitate the growth of new markets and new customers. In the event of the uncertainty of the overall operating environment, the State owned bank shall still strengthen its capital investment, implement risk management, establish innovative thinking, provide customers with diversified financial services, and continue to focus on the global economic status in order to overcome any potential challenges. However, with low interest rate and a stable housing market, it provides a stable asset quality in conjunction with a consistent demand on wealth management services, we are able to strengthen the profitability through the increase in commission earning. According to the Economic Outlook Report issued by the Directorate of Budget, Accounting, Statistics, the Taiwan Economic Growth Rate in 2018, the economic growth of the country was 2.63% in 2018, and 2019 is estimated to be 2.27%.

V. Credit Rating

Our credit rating is assigned to three credit rating agencies: Taiwan Ratings Corporation, the US Standard & Poor’ s and Moody's Investor Services. Taiwan Rating Corporation gave twAA for the long-term rating, and twA-1 for the short-term rating; the US Standard & Poor's credited A- for the long term and A-2 for the short-term rating. Moody's Investors Service gave Aa3 for the long-term and P-1 for the short-term and outlook was stable.

Rating Agency	Latest Rating Date	Rating results		Other rating information
		Long-term rating	Short-term rating	
Taiwan Ratings Corporation	2018.08.06	twAA	twA-1	Outlook: Stable
Standard & Poor’ s Global Ratings	2018.08.06	A-	A-2	Outlook: Stable
Moody's Credit Rating (Moody's Investors Service)	2019.02.11	Aa3	P-1	Outlook: Stable

Chairperson Hwang, Bor-Chang President

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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。

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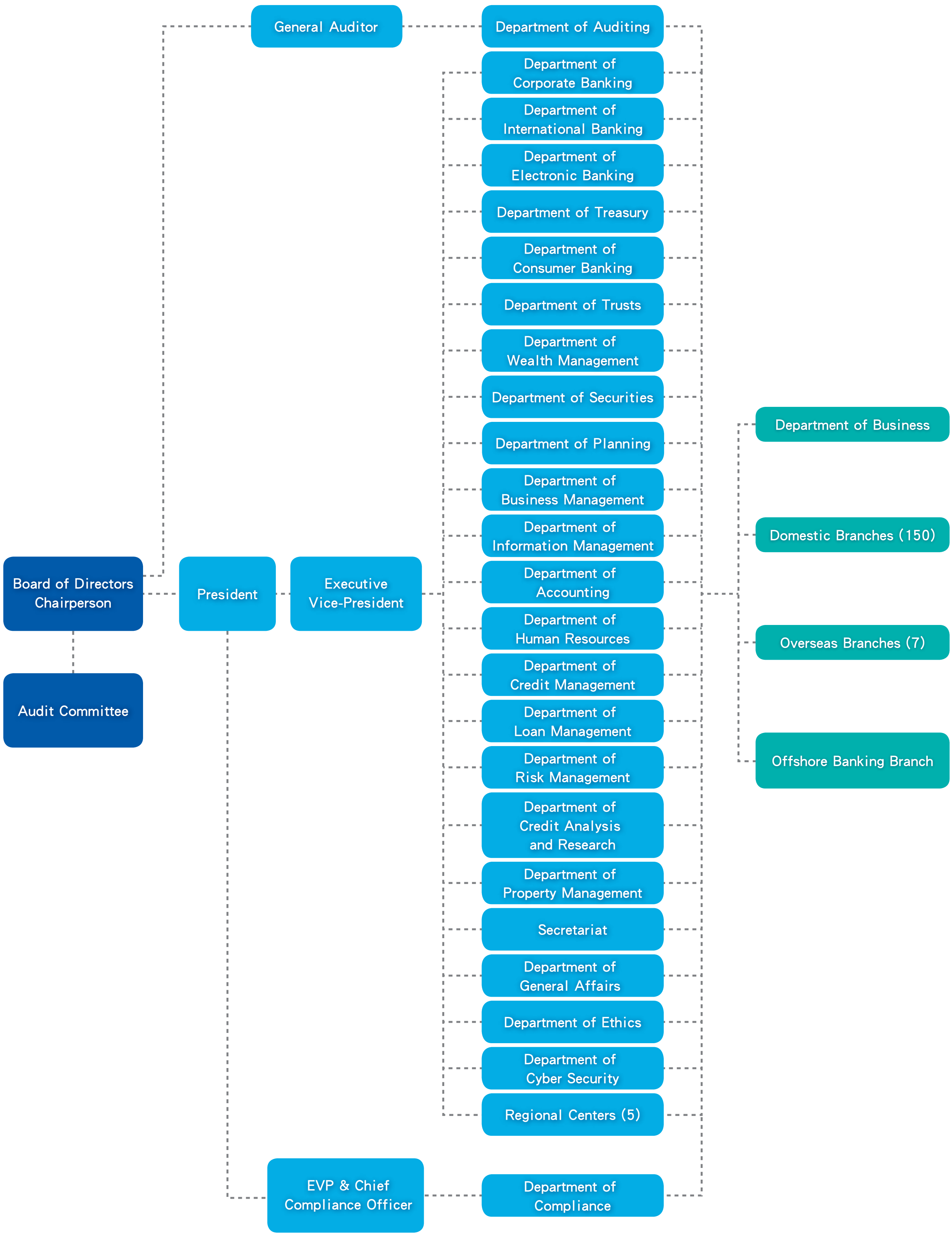
II. Land Bank of Taiwan Organization Chart



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III. Employees

DEC.31.2018

Year		2018	2017
Number of Employees	Staff	5,229	5,204
	Technicians	432	467
	Total	5,661	5,671
Average Age		44.57	44.66
Average Service Seniority		16.97	17.12
Distribution of Education Levels	Doctor of Philosophy	7	4
	Master	1,266	1,188
	College	3,900	3,950
	High School	400	430
	Below High School	88	99

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.2018	NT$10	6.2594 billion	NT$62.594billion	6.2594 billion	NT$62.594billion	Appropriation from National Treasury and Capitalization over Years	

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Directors and Officers

I. Directors

APR.22 .2019

Title	Name	Appointment Date	Term Duration	Institution Represented
Chairperson of the Board	Hwang,Bor-Chang	04/08/2019	12/18/2020	Ministry of Finance
Managing Director	Hsieh,Chuan-Chuan	04/08/2019	12/18/2020	Ministry of Finance
Managing Director	Chuang,Tsui-Yun	12/19/2017	12/18/2020	Ministry of Finance
Managing Director	Chang,Chin-Oh	12/19/2017	12/18/2020	Ministry of Finance
Managing Director	Lee,Tsung-Pei	12/19/2017	12/18/2020	Ministry of Finance (Independent Director)
Director	Lai,Ching-Chong	12/19/2017	12/18/2020	Ministry of Finance (Independent Director)
Director	Lai,Hung-Neng	08/09/2018	12/18/2020	Ministry of Finance (Independent Director)
Director	Yang,Yeh-Cheng	03/21/2019	12/18/2020	Ministry of Finance
Director	Yang,Song-Ling	12/19/2017	12/18/2020	Ministry of Finance
Director	Wang,Shu-Tuan	12/19/2017	12/18/2020	Ministry of Finance
Director	Chan,Hung-Hsi	12/19/2017	12/18/2020	Ministry of Finance
Director	Wang,Hsiou-shih	12/13/2018	12/18/2020	Ministry of Finance
Director	Hsu,Ming-Chin	12/19/2017	12/18/2020	(Labor Director)
Director	Chen,Jong-Shan	12/19/2017	12/18/2020	(Labor Director)
Director	Sun,Hao-Jan	12/19/2017	12/18/2020	(Labor Director)

II. Officers

APR.22 .2019

Title	Name	Institution Represented
President	Hsieh,Chuan-Chuan	04/15/2019
Executive Vice President	Chu,Yu-Feng	01/16/2011
Executive Vice President	Huang,Cheng-Ching	09/19/2011
Executive Vice President	Lee,Jenn-Ming	03/03/2014
Executive Vice President	Hsu,Ming-Cheng	06/30/2014
Executive Vice President	He,Ying-Ming	05/02/2017
General Auditor	Chiu,Tien-Sheng	05/02/2017
EVP&Chief Compliance Officer	Liang,Mei-Yuh	01/18/2017

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Directors

Manager Director	President	Chairperson of the Board	Manager Director	Manager Director
Lee, Tsung-Pei	Hsieh,Chuan-Chuan	Hwang,Bor-Chang	Chuang, Tsui-Yun	Chang, Chin-Oh

Management Team

EVP&Chief Compliance Officer	General Auditor	Executive Vice President	Executive Vice President	Chairperson of the Board	President	Executive Vice President	Executive Vice President	Executive Vice President
Liang, Mei-Yuh	Chiu, Tien-Sheng	Lee, Jenn-Ming	Chu, Yu-Feng	Hwang, Bor-Chang	Hsieh, Chuan-Chuan	Huang, Cheng-Ching	Hsu, Ming-Cheng	He, Ying-Ming

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Corporate Governance Operations

I. Corporate Governance Status and Deviations from the Corporate Governance Best-Practice Principles for Banking Industries

Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for Banking Industries and Reasons
	Yes	No	Summary	
1. Shareholding Structure and Shareholders' Rights Within the Bank (1) Has the bank implemented a set of internal procedures to handle shareholders' proposals, inquiries, disputes and litigations?	V		A dedicated personnel in handling of stock related matters to ensure communication channel functions well.	No deviation was found.
(2) Is the bank informed of the identities of its major shareholders and the ultimate controller?	V		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 deviation was found.
(3) Has the bank established and implemented risk management and firewalls on its affiliates?	V		In order to strengthen the control of its subsidiaries, 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 deviation was found.
2. Composition and Responsibilities of the Board of Directors (1) In addition to the Remuneration Committee and Audit Committee, has the Bank assembled other functional committees at its own discretion?		V	In addition to the Audit Committee established on December 19, 2014, the Board of Directors currently does not have other functional committees.	No discrepancy
(2) Does the Bank regularly evaluate the independence of the CPA?	V		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 to 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
3. Where the Bank is a TWSE/TPEX listed company, has the company designated a dedicated unit for corporate governance (concurrent) and responsible for corporate governance related matters (including but not limited to providing directors/supervisors with the information needed to perform their duties, convention of board meetings and shareholder meetings, company registration and changes, preparation of the minutes of board meeting and shareholders meeting, etc.)?		V	The Bank is not a TWSE/TPEX listed company.	No deviation was found.

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Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for Banking Industries and Reasons
	Yes	No	Summary	
4. Does the bank have any means to communicate with stakeholders (including but not limited to shareholders, employees, customers etc.)?	V		The Bank has established a "Stakeholders Engagement" section on its website to provide stakeholders with a transparent and efficient communication channel. Mailboxs 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 deviation was found.
5. Information Disclosure (1) Has the Bank established a website to disclose financial, business, and corporate governance-related information?	V		The Bank has set up a global information network and discloses significant financial and corporate governance information on a quarterly basis as required by the competent authority.	No deviation was found.
(2) 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		The Bank has set up a website in English and a designated personnel to collect significant financial information regularly and disclose relevant information on the website. To implement the spokesperson system, the Bank has established the "Guidelines for Press Release and Contact", and president will appoint one of the Vice President as the spokesperson and another Vice President as the acting spokesperson to announce major policies and business measures to the public. The Bank is not a listed company on the stock exchange and the legal representative is the Ministry of Finance. Public Relation Department is responsible for information collection and news release.	No deviation was found.
6. Does the Bank have other important information that facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, stakeholders' rights, continuing education of Directors and Supervisors, implementation of risk policies and risk measurements, implementation of customer policies, insuring against liabilities of company directors and supervisors, and donation of political parties, stakeholders and charity groups, etc.)?	V		1. To improve the Bank's corporate governance structure and enhance corporate governance effectiveness, the Bank has formulated the "Corporate Governance Best Practice Principles" and with reference to the guidelines from the Taiwan Banking Union, and relevant laws and legislation and discloses the information on the Bank's intranet as well as external website. 2. Employee's rights and care: a. Employee benefits: (1) Employee benefits: loans with preferential interest rate, hosting sports and cultural activities, providing on-paid holiday, subsidizing training courses,etc. (2) Benefits provided by the Employee Welfare Committee: Group insurance, holiday bonuses, subsidized education for employees children, critical illness subsidies and etc. b. 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 State-Owned Finance and 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. c. Agreements of Labor Management (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.	No deviation was found.

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Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for Banking Industries and Reasons
	Yes	No	Summary	
			(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. d. Measures for Safeguarding Employee Rights: (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. (2) The "Collective Agreement Between Land Bank of Taiwan and Land Bank of Taiwan Union" is reached, reviewed and approved for the implementation by the Ministry of Finance, and a reference is filed with the Ministry of Labor and Department of Labor of Taipei City. This encourages a stable labor relations and through communication and collaboration of the Good Faith principle to ensure the protection of employees' rights and an enhanced labor relations. In response to the amendments to regulations such as the Labor Standards Act, the Bank intends to amend to a newer version of the agreement. The negotiation is aimed to be completed by the end of December 2018. Follow-up actions are to be implemented according to procedures. (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. 3. Investor relations and stakeholders' Interests: a. The main academic background and other information on the Bank's directors are disclosed in the Annual Report for stakeholder reference. b. 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. 4. Directors and supervisors' Training: a. The Bank held a total of 6-hour seminar on the topics of "Implementation and control methods of anti-money laundering prevention" and "cyber security and data protection" for Directors and Supervisors (including independent directors) on 25 May 2018 and 23 November 2018, respectively. b. Lai, Hung-Nung, the Independent Director participated a 12-hour seminar on the topics related to "The Best Practices for the Board of Directors" and "Corporate Governance Best Practice Principles" and "Case Studies of Implementation and Monitor on Risk Management and Crisis Management by the Board of Directors and Supervisors, including Independent Directors" held by Corporate Operation Association (COA), Taiwan Academy of Bank and Finance (TABF), Securities and Futures Institute (SFI) on 29 October, 2018, 21 November, 2018, 27 November, 2018 and 29 November 2018. Chuang, Tsui-Yuen, the Managing Director participated in a 3-hour seminar on "Case Studies on Business Management and Risk Management" held by the Corporate Operation association (COA) on 5 December, 2018.	

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Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for Banking Industries and Reasons
	Yes	No	Summary	
			c. Continue to arrange administrative neutral and corporate governance-related courses. 5. Implementation of risk management policy and risk measurement standard: The Risk Management Committee convened seven meetings in 2018, 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: a. The amended "Land Bank of Taiwan Liquidity Risk Management Indicator" was issued according to the Letter dated on March 31, 2018. b. The amended "Land Bank of Taiwan Key Operational Business Risk Assessment Guidelines" was issued according to the Letter dated on June 6, 2018. c. The amended "Land Bank of Taiwan Risk Management Policies and Procedures" was issued according to the Letter dated on June 7, 2018. d. The amended "Land Bank of Taiwan Market Risk Ceiling Control Guidelines" and revised "Implementation of Value-at-Risk Limit Control Check List" were issued to according to the Letter dated June 8, 2018, e. The amended and amended definition of "Land Bank of Taiwan Operation Risk on Exception Cases" and amended to "Value-at-Risk Limit Control Check List" were issued on 4 July, 2018. f. The amended "Land Bank of Taiwan Guidelines on Operation Risk Management" was issued to the Letter dated August 3, 2018. g. The "Land Bank of Taiwan Summary of the Key Risk Indicators" was received on September 21, 2018. h. The amended "Guidelines for Checking Reasonableness of Financial Commodity Transaction Price of Land Bank of Taiwan Precaution" and the amended attachment "Reasonable Transaction Prices of Financial Instruments Checklist" were issued according to the Letter dated December 22, 2018. i. The amended "Guidelines of Derivatives Risk Management of Land Bank of Taiwan" was issued according to the Letter dated December 25, 2018. 6. Implementation of customer policies: a. The Bank's corporate website (www.landbank.com.tw) is available for viewing at any time. b. Provide a wide range of information channel. In addition to various loan information on the corporate website available for searching, the customer service center also provides real-time 24 hour inquiries, online telephone (Web Call) and web chat customer service with consultation on mortgage, ATM cards, credit cards information, and etc. c. The Bank has a Toll Free Customer Complaint Hotline (0800-231-590), where the complaints are processed in real-time with improvement measures. d. The Bank's Fee and Charges List is published in branches and the Bank's corporate website to safeguard consumer rights.	

Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for Banking Industries and Reasons
	Yes	No	Summary	
			e. The Bank shall implement "Prevention of Fraud" statement on the Bank's corporate portal under "Loans" section: "Applicants or Account Holder must be present in person during loans application. To stay alert for any request on "remittance in advance" or "collecting service fees or remuneration," by third-party agencies. The Bank does not outsource its business to any third-party marketing agencies. Please contact the nearest branch for any loan request. Don't trust any third-party agencies for the avoidance of frauds. Land Bank of Taiwan Care for You! f. 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. g. 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. h. To ensure the effective operation of the Bank's personal data protection system, the Bank will reinforce the message to all business units to provide a duplication of principle applicant's rights to customers to enhance customer's awareness of their personal data safety. i. The Bank has commissioned CPAs to conduct audit of the personal data protection project and assurance report for 2017. The report was submitted to the Financial Supervisory Commission on April 25, 2018. j. To ensure customer data security, each business unit should verify the security and maintenance of the operations to prevent leakage of personal data and related documents. k. In accordance with the provision of Article 18, Paragraph 3 of the Bank's Guidelines for Protection of Personal Information, the Bank shall implement review of the operation of personal data to ensure the accuracy of the personal information held, and refer to the BIF unit at Head Office and personal data inventory review operations. l. According to Article 26 of the Bank's Guidelines for Protection of Personal Information, all relevant business units at the Head Office shall emphasis the review and improvement plans on the e-commerce service system. The plans to follow shall be provided after relevant business units trial and complete the suggested improvement plans. m. Meeting shall be held once a year by The Promotion Committee in accordance with Article 9, Paragraph 2 of the Bank's Personal Information Protection Management Guidelines. The Promotion Committee held the Personal Data Protection Management System meeting on September 6, 2018 with meeting minutes recorded.	

Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for Banking Industries and Reasons
	Yes	No	Summary	
			n. According to Article 23, Paragraph 5 of the Bank's Guidelines for Protecting Personal Information, the management of each business units shall provide a summary on incidents where there is a breach of personal data, area of dispute and the outcome. As well as the updated status on improvement and suggestions where applicable. All of these will be included in the Bank's "Personal Information Infringe Incident Review Analysis and the Status of Improvement Report". There are no reported incidents in 2018. o. Regarding the topic of Personal Data Protection, In 2018, the Bank provided a total of 57.5 hours of training with 3,759 attendees participated, through training courses and intranet announcement. 7. Purchase of liability insurance for Directors and Supervisors: There is no liability insurance contract currently. The Bank is 100% government-owned and is not listed on the stock exchange or listed on the TWSE. Due to the cost of the liability insurance and limited risk to shareholders other than the government itself, with practicality in mind and references to Bank of Taiwan (Bank of Taiwan currently does not have liability insurance), the Bank does not purchase any liability insurance at present time. It will be reviewed in the future, based on regulators policies and references with other banks. 8. Donations made to political parties, stakeholders and charity groups: There are no donations to political parties and 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 page 28 the fulfilling of the corporate social responsibility section. 9. To facilitate the active implementation of the shareholders' actions in the banking industry, the Bank has signed the "Guidelines on the Due Diligence of Institutional Investors" and declared the "Land Bank of Taiwan Due Diligence Governance Guidelines". It is disclosed on the Bank's corporate website and Taiwan Stock Exchange Corporate Governance Center Website on December 3, 2018.	
7. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified.			The Bank is not included in the evaluation.	No deviation was found.

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II. Fulfillment of social responsibilities:

Item	Yes	No	Implementation Status
1. Implementation of corporate governance (1) Does the bank have a corporate social responsibility policy or system in place? Is progress reviewed on a regular basis?		V	The Bank is a government-owned enterprise with the Ministry of Finance the sole shareholder. The Bank has been in compliance with the government policy for various loan projects in the past years and has been promoting the national economy. With the philosophy of giving back to the society, we have been providing care to the community, protecting the environment, and sponsoring the minority groups. Corporate social responsibility policies or systems are not enacted separately.
(2) Does the Bank organize social responsibility training on a regular basis?	V		The Bank is a government-owned bank. We provide training courses such as "Civil Service Codes of Ethical Conduct", "Administrative Impartiality Theory and Practice", "Legal Responsibility for the Bank Employees (including Civil Service Act)" and "Legal Compliance seminars" to promote the civil affairs awareness and the concept of laws.
(3) Does the bank have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the Board of Directors?		V	Given the Bank is a government-owned bank, we do not set up a dedicated or part-time unit for corporate social responsibility. The planning and organizing of charity activities and the regular reporting of corporate social responsibility and related issues are done by the marketing department in the head office.
(4) Does the bank implemented a reasonable remuneration policy that associates employees' performance appraisals with CSR? Is the remuneration system supported by an effective reward/discipline system?	V		The Bank is a 100% government-owned bank. 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: 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. 2. The Bank's "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.
2. Fostering a sustainable environment (1) Is the bank committed to achieve efficient use of resources, and using renewable materials that reduce less impact on the environment?	V		1. Adopt double-sided printing to save paper waste and purchase recycled paper for use. 2. Implement waste reduction, waste sorting and implement recycling. 3. Strengthen green procurement. Procure environmental protection products with energy-saving badge, water and effluent badge and green buildings. 4. In line with the electronic operations of the Ministry of Finance, the fee based invoices with contracted stores are changed to electronic invoices. In response to the government's electronic invoice policy, the Bank's credit card may be used as an electronic invoice carrier.

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Item	Yes	No	Implementation Status
(2) Has the Bank developed an appropriate environmental management system, given its distinctive characteristics?	V		1. Establish a suitable environmental management system based on the Bank's characteristics and specify the management of energy greenhouse gas, resource and waste management, green procurement and environmental education training. 2. Organizing a 4-hour environmental protection film on an annual basis. This is to promote environmental education and training and increase employee' s awareness on environmental and ecology protection. 3. In line with the implementation of the National Environmental Protection Week by the Environmental Protection Agency of the Executive Yuan, the Bank has put in place a public-friendly approach to raise the public awareness on the importance of improving the living environment and fulfillment of the corporate social responsibilities.
(3) Is the Bank aware of how climate affect its business activities? Are there any actions taken to measure and reduce greenhouse gas emission and energy use?	V		1. To comply with the government policy, fulfill the environmental obligation to the Earth, implement energy conservation, carbon and greenhouse gas, reduction water and effluents reduction and waste reduction. Issue an environmental protection management guidelines for the employees to follow. 2. According to the energy conservation plan for institutions and schools, 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. 3. Encourage carpool on the deployment of company car, and the use of public transportation on business trips. 4. In response to the energy conservation and carbon reduction policy, the Bank has set up the objective that the annual utility costs, fuel costs and paper usage is reduced by 1% (no increase) annually.
3. Enforcement of Social Justice (1) Has the Bank developed its policies and procedures in accordance with laws and International Bill of Human Rights?	V		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. 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.
(2) Does the Bank have means through which employees may raise complaints? Are employee complaints being handled properly?	V		The Bank has provided employee complaints channel under corporate Intranet - The Chairman and the General Manager section, and the employees' section - for employee discussion and the labor unions, as well as a section for employee feedback and suggestion.
(3) Does the Bank provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	V		1. To effectively prevent occupational hazards and protect employees' health and safety, following the "Occupational Health and Safety Code of Conduct" in Article 34, the Bank has established the "Occupational Health and Safety Code of Conduct" to ensure that all employees are fully complied to prevent accidents happen. 2. To implement occupational health and safety management, according to Article 12-1 of the Occupational Health and Safety Management Regulations, "Occupational Health and Safety" and "Management Plans" will be established to enhance employees' health and safety awareness. 3. A 3-hour employees' health and safety training every three years to ensure the health and safety of the employees.

Item	Yes	No	Implementation Status
(4) Does the Bank have means to communicate with employees on a regular basis, and inform them of operational changes that may be of significant impact?	V		1. 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. 2. To actively communicate with employees through labor-management meetings to understand their needs and resolve doubts and reach consensus.
(5) Has the Bank implemented an effective career development training program for the employees?	V		In response to the digital finance era, the Bank plans to gradually replace physical counter services with virtual online banking and mobile banking services as the main channel. The physical branch will be transformed into consultation and sales and marketing driven services. There will also be a planned job rotation (transformation) training and the second financial expertise training for the employees. 1. Perform staff function analysis and manpower inventory; plan manpower requirements and establish a talent database based on the manpower gap after the manpower inventory check 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. 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. 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. 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.
(6) Has the Bank implemented consumer protection and grievance policies with regards to its research, development, procurement, production, operating and service activities?	V		1. The Bank's complaint protection for financial consumers comply with Article 8 of the "Land Bank of Taiwan Financial Consumer Protection Act" (contract shall statement important contents and provide data protection), Article 9 (Dispute Resolution), Article 10 (Obligation on Data Protection), Article 11 (Review and Improvement), and with Article 11 of the Land Bank of Taiwan's "Fair Customer Trading Guidelines" (Complaint Protection Guidelines) and Land Bank of Taiwan's "Financial Consumer Dispute Resolution". 2. The Bank has established a hotline and online complaint channel for customer service complaints or financial consumption dispute, examples are the consumer banking department has a 24 hour service hotline, the wealth management department has a dedicate hotline for consultation, the planing department is responsible for customer's complaint and financial consumer complaints. The Secretariat accepts the feedback from "Customer Opinion Box" under the "Opinion Exchange" of the Bank's website (http://www.landbank.com.tw), the "Chairman's Mailbox" and " Customer Complaints" are handled separately. The business units of the Bank can also accept customer complaints and financial consumption disputes during business hours, providing consumers with convenient complaint channels; the Bank has different complaints channel and different procedure on financial consumption disputes.

Item	Yes	No	Implementation Status
(7) Has the Bank complied with relevant regulations and international standards with regards to marketing and labeling of products and services?	V		Comply In accordance with the relevant regulators and laws and regulations, as well as international standards.
(8) Does the Bank evaluate suppliers' environmental and social conducts before commencing business relationships?	V		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.
(9) Is the Bank entitled to terminate supply agreement at any time with a major supplier, if the supplier is found to have violated its corporate social responsibility policies and caused significant impacts against the environment and the society?	V		Same as above
4. Enhanced information disclosure Has the Bank disclosed relevant and reliable CSR information on its website and the Market Observation Post System (MOPS)?	V		The Bank's corporate governance information is disclosed on the Corporate Governance Section of the Bank's corporate website.
5. If the Bank has established its own corporate social responsibility practices according to the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe its current practices and any deviations from the Best Practice Principles: None.			
6. Other important information helpful in understanding corporate social responsibilities: ※ Planning and promotion of charity marketing activities: a. "New Year Dance and Calligraphy" activity was held on February 8, 2018 to promote public welfare and arts and culture. During "New Year Dance and Calligraphy" activity, the Wealth Management Department invited "Keelung Changxing Master Lu Lion Dance Group" and Calligraphy master, Gin, Tung, the public and our customers to join. As part of our obligation on corporate social responsibility, this event passes on the cultural traditions, promotes arts and culture, and elevates our minds. b. The Bank took the lead in the first half of 2018 in providing donation support to the disaster happened in Hualien on February 6, 2018. The earthquake was graded as 7.0 with sever casualties. The Bank made a donation of NT$200,000 to Hualien County Social Rescue Account, which also helped to improve the Bank's corporate image. c. The Bank joined the charity donation the "Big Hearts with Business - Warmth of Winter" event organized by the National Federation of Commerce. The Bank donated a commodity goods such as toilet paper and soap to the Hualien County Elderly and Family Care Association, as part of our corporate social responsibility obligation to the society. d. "Land Bank of Taiwan stands by you" charity activities: The Bank upholds the hearts of caring for farmers and disadvantaged groups with the "Land Bank of Taiwan stands by you" charity activity held to purchase domestic agricultural products, such as the onions, garlic and banana with a total of 36.45 tons of vegetables. The purchase of these agricultural products were donated to the social welfare group or the vulnerable groups through local authorities. In addition, to the "Land Bank of Taiwan stands by you" held by the World's Foundation on May 3, 2018. There were attendance from the senior management and handed the agricultural products and our care to the social welfare groups. e. "Junior Badminton and Tennis Summer Camp" sports charity activities: To promote the national sports activities, encourage teens to join positive sports activities during holidays. The Bank has long promoted the tennis summer camp, and during 2018, additional camps were held outside Taipei, to support government's re-generation program and increase tourism in Hualien, after the earthquake disaster hit. With the camp held on July 2, 2018, additional sports equipment such as sports t-shirt, backpacks, water bottles and etc. were given to affected families and the vulnerable groups and a signed badminton ball from the national player. f. To respond to the 2018 Taiwan Flood Disaster Relief Activities, the Bank has donated NT$500,000 to the disaster relief account for the Ministry of Health and Welfare on September 14, 2018 and raised the corporate image of the Bank. g. Support the "Financial Services Caring Charity Carnival": to promote financial knowledge and charity activities, Taiwan Financial Services Association has held two large charity activities in 2018. The first one collaborated with Keelung City and took place in the Liu-Ho Car Park in Keelung City on May 26, 2018. The second one collaborated Taoyuan City and took place on the Arts and Cultural Square on October 26, 2018. The Bank has been actively involved with stalls on site in the promotion of financial education with interactive games to interact with the public, which demonstrated our passion in finance education and charity. h. The "Warm your Hearths with Winter Meals" charity activities. With the over-production on cabbages led a fall in prices, the government understood the difficulties from the farmer and to supported them, through various promotion. The Bank responded to government policy and supported the farmer by sponsoring the charity event. The procurement was done through the Agriculture and Food Administration of the Executive Yuan. A total of 50 tons worth of vegetables were purchased and was donated to local welfare organizations and charity groups since December 6, 2018 and it also delivered our care to the society. i. Charity Concert combined with Charity Trust Donation Ceremony: In order to raise awareness on the fostering and education needs of the vulnerable groups. The Trust Department organized a charity concert combined with charity trust donation ceremony at Howard Civil Service International House on December 24, 2017 to thank the trustees (donors) and to inspire more kindness from people to participate in the future event. j. Sponsor scholarship: to enhance the Bank's corporate image and return the society and to encourage students to study hard, the scholarship was offered to 19 schools in 2018, with the total of NT$117,000 funding available. k. In response to the 2018 the United Way of Taiwan charity event: the Bank and our employees have been actively participating in the event since 1994. Through voluntary donation to achieve recognition and cohesion from our employees and help the Bank to continue with the event.			

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Item	Yes	No	Implementation Status

I. Community Care Series:

(1) The Tien-Mu Branch provided goods donation to the Catholic Beunen Society of the Hope, and participated in the charity sale activities on January 31, 2018, to demonstrate our care to the community through our actions.

(2) The Sha-Lu Branch convened the customers and neighbors to a blood donation event on December 28, 2018. To support an urgent issue of blood shortage and received recognition from the Taichung Blood Center.

(3) The Yilan Branch actively assisted the customer in organizing a blood donation activity on March 17, 2018. The employee assisted the promotion activities and received positive feedback from the local community.

(4) The employees of the Dong-Gang Branch and the Fang-Liao Branch and Pingtung County Police officers participated in blood donation activities and donated a total of 227 bags, equivalent of 56,750 cc.

(5) The Ming-Chuan Branch and the Chung-Lun Branch participated in the sales charity event organized by the Chung-Yi Society Welfare Foundation on May 5, 2018. The manager took the sales of cake sponsored by the branch customers and donated the entire day income to the charity.

(6) The Taoyuan Branch participated in the “2018 Let Life Shine” charity sales organized by the Spinal Cord Support and Research Center (CSSRC) The center has been a professional institution that provides services to the injured patients It has been a customer of the Bank since 1997, and the Bank has return the society through our action and fulfill our corporate social responsibility obligation.

(7) The Ping-Zhen Branch participated in the charity events organized by the Shan-Shui Charity Education Foundation on July 22, 2018 to set the charity sale and donate the entire proceeds to the foundation and enhance our corporate image in charity involvement.

(8) The Shi-Lin branch and Song-Sung branch participated in the event organized by the Yang Ming Yuan Education Institute in Taipei City on August 4, 2018 through a one day volunteering service. The event was to encourage people with disabilities to participate in the activities and games arranged by the organizer so the children could enjoy and felt the warmth from the society and also reinforce the Bank's corporate image.

(9) The Dong-Mung branch held seminars with local representatives and provide speakers with expertise in life insurance and trusts to share retirement plans, tax-saving, and financial market trend. Chung-Lun branch joined forces with Hua-Shan and Zenan Homeless Social Welfare Foundation, and organized the 28th "No More Hunger in Winter for the homeless, the lone elderly, lone parent". Taipei branch purchased products from the "Children Are Us Bakery" for charity sales, Caotun branch held "Good Books, Good Paints, and Good Calligraphy" charity sales, the Ming-Chuan branch donated goods to Chung-Yi Forster Care and Taipei School for the Hearing Impaired, the It branch donated goods to Yun-Ai Children's Home, Hsin-Chu City and Fung-Ji Nursery in Jian-Shu. Shi-Lin branch participated in the community Mother's Day festival and organized charity sales on May 12, 2018 and gave away free coronations and cups to the public. Ming-Chuan branch donated mattresses, pillows and sanitation cleaning products to the Huan-Shin Nursery. The Xin-Yi branch donated meat and rice to Chung-Yi Nursery on June 15, 2018. The Nei-Hun branch donated zong-zi and fruit to Yung-Ming Care Center. The Taoyuan branch participated in the "2018 Care for the Elderly" and collected service donation to cover the caring for 1000 elderly. The West Taichung branch gave seeds to the community and help beautify the environment. The Xin-Yi branch donated to the Bethany Children's Home. The Gung-Shan branch sponsored the wall painting renovation project in the local community park and invited to participate in the opening of "Community Building, Happy Painting" project. The Nei-Hu branch donated goods to Tong-Yi Long Term Care Center for the Elderly. The West Taichung branch, the Changhua branch, the Bei-Tuan branch, the Wu-Shan branch, the Fu-Xin branch, the Xi-Tuan branch, the Da-Li branch, and the Chung-Chin branch all participated in the "Love Land, Love Elderly" event to celebrate the elderly on October 1, 2018. The Taoyuan branch donated dishes to celebrate new year to Hau-Shan Society Welfare Charity Foundation, Taoyuan station. The Ba-De branch purchased bakery from Guan-Ing Family Bakery and gifted to the customers, to increase the awareness of the bakery. The Chin-Nian branch donated rice, oil, fruit and etc. goods to Chan-De Kitchen on January 30, 2018 and the Chia-Yi branch purchased cabbages from the local farmers and donated to community charity events.

※ The Bank will also grant loans to trust business for the elderly, loans for the labor workers, loans for acceleration program on hazardous building and re-construction and consultation services to the SMEs.

a. To continue to cooperate with the government policy to promote the loans for "LOHAS Elderly Care". The Bank shall use the corporate website and external media to promote the program. As of December 31, 2018, a total of 924 applications received with an accumulated total of NT$4,699 million.

b. Continue to accept “Labor Insurance Insured Personal Loan” for 2019. Following the press release issued on January 3, 2019, reminded those who need funding to utilize the online application portal, to complete the application with convenience either at home or at work (application period, January 4 to January 18, 2019). Through our expertise as a professional bank, the Bank aims to accelerate the approval period, so the applicant could receive the loans before the Chinese New Year holiday.

c. The business unit shall continue to execute the “Trustee Industry Assessment and Incentive Measures for Property Trusts for Elderly Persons and Persons with Physical and Mental Disabilities”. The recognition was issued with an Excellent Banks Award on July 12, 2018 and acknowledge the fulfillment of corporate social responsibility.

d. A total of 8 principals donated NT63,500 million in 2018. The Bank was entrusted to establish the "Social Welfare and Care Trust" and the "Education Scholarship Foundation" with 8 counties and municipals including, Taidong County, Taichung City, Hsinchu City, Chunhua County, Jiayi County, Yunlin County, Hualien County and Pingtong County, with a total of 600 beneficiaries. A charity concert combined with charity trust donation ceremony at Howard Civil Service International House on December 24, 2018.

e. In line with the guidance of the SME policies, work with the SMEs Integrated Assistance Center to arrange the "2018 Care and Service for SMEs and Enhancing Financial Competitiveness Seminar" on March 27, 2018, to encourage SMEs to join the cloud financial health assessment center and to assist SMEs to acquire working capital and improve financial competitiveness.

f. In line with the government's promotion and accelerate the reconstruction policies of old and hazardous building, the Bank launched loans to support the program in 2017, and has processed 11 cases in 2018, with an amount of NT$2,202 million.

※ The Bank shall return the community with various disaster relief loans and acquisition of accessible ATMs, anti-fraud prevention, scholarships, and donations to art exhibitions.

a. The cold current in February 2018 and the extreme circulation in August in the South caused severe damage to the houses, crops and farmed fishing in some areas. The Bank has been involved in the provision of various disaster relief loans and rehabilitation of affected households. In addition to issuing press release to promote the program, all business units were requested to follow the procedures.

b. In response to the government policy, the Bank shall promote the installation of accessible ATMs (includes physical and visual impaired customers). A total of 649 ATMs (17 for visually impaired) have been installed as of December, 2018 in order to provide convenient services to the public.

Item	Yes	No	Implementation Status
c. Actively implement fraud prevention, with 26 frauds successfully prevented by stopping customer transactions in 2018. It is equivalent of NT$424,000 and US$11,550 of potential loss of customers savings. d. The Hsisanchung branch was relocated on November 19, 2018. To return to the society, a special funding was donated as scholarship to the Happy Mount Education Center in New Taipei City. e. Hold regular exhibition at the Taipei Train Station gallery to effectively enhance the Bank's corporate image and increase media exposure.			
7. Describe the criteria undertaken by any institution to certify the Company's CSR report: In December 2017, the Bank issued the first corporate social responsibility report and commissioned SGS Taiwan Ltd to conduct verification on the core of the "Type 1 Moderate Level Assurance" in accordance with the GRI Standards. The 2019 report will continue to be prepared.			

III. Implementation of Ethical Corporate Conduct:

Item	Yes	No	Implementation Status
1. Establishment of integrity policies and solutions			
(1) Has the Bank stated in its Memorandum or external correspondence about the policies and practices it has to maintain business integrity? Are the board of directors and the management committed in fulfilling this commitment?	V		The Bank has enacted the "Guidelines for the Adoption of Codes of Ethical Conduct by the Board Directors and the Management" for the Board of Directors and the management to actively implement ethical management.
(2) Does the Bank have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems?	V		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.
(3) Has the Bank taken steps to prevent occurrences listed in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies" or business conducts that are prone to integrity risks?	V		Same as above
2. integrity actions			
(1) Does the Bank evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V		1. The Bank's financial consumer protection policy clearly states 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.
(2) Does the Bank have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the board of directors on a regular basis?		V	1. The Bank is a government-owned bank that does not have a dedicated (or concurrently) unit to promote ethical corporate management. However, the Ethics Department in the Head Office is responsible for cases when conflicts of interests and the related risks of the ethical acts occur. 2. The Bank's directors (including independent directors) participate in relevant courses such as corporate governance and administration.

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Item	Yes	No	Implementation Status
(3) Does the Bank have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	V		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.
(4) Has the Bank implemented effective accounting and internal control systems for the purpose of maintaining business integrity? Are these systems reviewed by internal or external auditors on a regular basis?	V		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 Financial Supervisory Commission and relevant regulation and implementation methods will then be formulated by each business units. 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. 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. 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. 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. 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. 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. 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" Any violation committed, the offender will be reassigned to a new job position within one month from the date of discovery

Item	Yes	No	Implementation Status
(5) Does the Bank organize internal or external training on a regular basis to maintain business integrity?	V		In 2018, one Internal training course was held with participation of 18 people.
3. 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		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, 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 whistle-blowing reporting channel such as mail box, email and hotline. The internal reported cases is handled by the Compliance Department.
(II) Has the Bank implemented any standard procedures or confidentiality measures for handling reported misconducts?	V		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's "Internal Reporting System Implementation Guidelines" also has a confidentiality provision for the identity and reporting of the whistle-blower.
(III)Has the Bank provided proper whistleblower protection?	V		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 "Internal Reporting System and Implementation Guidelines" 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.
4. 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		The Bank's information related to ethical corporate management is disclosed in the "Corporate Governance Section" on the Bank's corporate websit

Implementing Money Laundering Prevention with Prudence

038 Business Overview

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Business Overview

I. Contents of Business

(I) Overview of Operations

1 Major Businesses

(1) Deposit

Unit: NT$ in thousands; %

Type of Depositor	2018.12.31		2017.12.31		Increased (Decreased)	Increased (Decreased) Percentage (%)
	Amount	Percentage %	Amount	Percentage %		
Time Deposits	1,616,347,467	63.31	1,469,406,850	61.75	146,940,617	10.00
Demand Deposits	788,841,523	30.90	756,611,615	31.80	32,229,908	4.26
Public Treasury Deposits	147,936,891	5.79	153,540,449	6.45	-5,603,558	-3.65
Total	2,553,125,881	100.00	2,379,558,914	100.00	173,566,967	7.29
Percentage of Liabilities and Equity	84.96		82.52			

Note: The amounts of liabilities and equity in 2018 and 2017 are NT$3,005,029,932,000 and NT$ 2,883,589,490,000 respectively.

(2) Loan

Unit: NT$ in thousands; %

Type of Loan	2018.12.31		2017.12.31		Increased (Decreased)	Increased (Decreased) Percentage (%)
	Amount	Percentage %	Amount	Percentage %		
Discount	759,252	0.04	720,656	0.04	38,596	5.36
Short-term loan and overdrafts	206,240,324	10.63	219,234,995	11.78	-12,994,671	-5.93
Medium-term loan	631,211,100	32.53	592,111,118	31.82	39,099,982	6.60
Long term loan	1,102,052,951	56.80	1,048,807,952	56.36	53,244,999	5.08
Total	1,940,263,627	100.00	1,860,874,721	100.00	79,388,906	4.27
Percentage of Total Assets	64.57		64.53			

Note: The amount of total assets in 2018 and 2017 are NT$3,005,029,932,000 and NT$ 2,883,589,490,000 respectively.

(3) Foreign Exchange

Unit: US$ in thousands; %

Type of Foreign Exchange	2018.12.31		2017.12.31		Increased (Decreased) Amount	Increased (Decreased) Percentage (%)
	Amount	Percentage %	Amount	Percentage %		
Export	12,452,195	15.26	10,299,614	12.11	2,152,581	20.90
Import	6,524,381	8.00	6,587,646	7.74	-63,265	-0.96
Remittances	62,600,874	76.74	68,187,103	80.15	-5,586,229	-8.19
Total	81,577,450	100.00	85,074,363	100.00	-3,496,913	-4.11

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(4) Trust Business

(4.1) Trust Business Amount

Unit: NT$ in thousands; %

Types of Trust	Year 2018	Year 2017	Increased (Decreased)	Increased (Decreased) Percentage (%)
Entrusted Investment Securities	58,531,535	58,655,512	-123,977	-0.21
Real Estate Trust Investment	163,352,461	161,154,603	2,197,858	1.36
Securitization Business	57,497,301	63,536,287	-6,038,986	-9.50
General property trust Business	4,594,197	3,994,840	599,357	15.00
Fund custody Business	75,909,387	89,795,670	-13,886,283	-15.46
Subsidiary Business	56,002,407	171,643,151	-115,640,744	-67.37
Total	415,887,288	548,780,063	-132,892,775	-24.22

(4.2) Service Fee Income of Trust Business

Unit: NT$ in thousands; %

Types of Trust	Year 2018		Year 2017		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 (%)	
Accepting Orders to Invest Securities	266,180	6.84	274,802	7.52	-3.14
Real Estate Trust Investment	201,858	5.18	135,951	3.72	48.48
Securitization Business	35,097	0.90	34,223	0.94	2.55
General property trust Business	11,151	0.29	12,257	0.34	-9.02
Fund custody Business	66,358	1.70	76,061	2.08	-12.76
Subsidiary Business	10,638	0.27	9,132	0.25	16.49
Total	591,282	15.18	542,426	14.84	9.01

Note: The total service fee income in the Bank includes securities brokerage and underwriting income, which is NT$3,893,909,000 for the end of year 2018 and NT$ 3,655,820 ,000 for the end of 2017.

(5) Wealth Management Business

(5-1) Service Fee Income of Wealth Management Business

Unit: NT$ in thousands; %

Types	Year 2018		Year 2017		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 (%)	
Income of Accepting Orders to Invest Securities Fee	266,180	6.84	274,801	7.52	-3.14
Income of Bank Insurance Fee (including Mortgage life insurance)	807,674	20.74	757,079	20.71	6.68
Income of Gold Passbook Fee	2,770	0.07	2,274	0.06	21.81
Total	1,076,624	27.65	1,034,154	28.29	4.11

Note: The total service fee income in the Bank includes securities brokerage and underwriting income, which is NT$3,893,909,000 for the end of year 2018 and NT$ 3,655,820 ,000 for the end of 2017.

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(6) Electronic Finance

(6-1) Times of Transaction of Electronic Finance Business

Types	Year 2018 Times of Transfer transaction	Year 2017 Times of Transfer transaction	Increased (Decreased) Times	Increased (Decreased) Percentage %
Internet Banking	5,606,553	5,250,302	356,251	6.79
Mobile Banking	784,369	621,535	162,834	26.20
Continuous Payment Authority	2,106,680	1,802,055	304,625	16.90

(6-2) Service Fee Income of Electronic Finance Business

Unit: NT$ in thousands; %

Types	Year 2018		Year 2017		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	94,327	2.42	90,274	2.47	4.49

Note: The total service fee income in the Bank includes securities brokerage and underwriting income, which is NT$3,893,909,000 for the end of year 2018 and NT$ 3,655,820 ,000 for the end of 2017.

(7) Securities Brokerage Business

(7-1) The Amount of Securities Brokerage Business Operation

Unit: NT$ in thousands; %

Types	Year 2018	Year 2017	Increased (Decreased)	Increased (Decreased) Percentage (%)
Underwriting Amount of Securities	3,783,542	2,942,410	841,132	28.59
Turnover of Securities Brokerage Business	240,238,086	217,359,259	22,878,827	10.53
Average Balance of Securities Trading Margin Purchase and Short Sale	1,209,085	1,127,142	81,943	7.27

(7-2) Service Fee Income of Securities Brokerage Business

Unit: NT$ in thousands; %

Types	Year 2018		Year 2017		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	172,208	4.42	172,005	4.70	0.12

Note: The total service fee income in the Bank includes securities brokerage and underwriting income, which is NT$3,893,909,000 for the end of year 2018 and NT$3,655,820 ,000 for the end of 2017.

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(8) Investment Business

(8.1) Investment in Securities

Unit: NT$ in thousands; %

Types	2018.12.31	2017.12.31	Increased (Decreased)	Increased (Decreased) Percentage (%)
Government Bonds	135,766,917	109,600,731	26,166,186	23.87
Corporate Bonds	8,649,590	8,348,601	300,989	3.61
Stocks (Short-term Investment)	4,766,171	2,003,039	2,763,132	137.95

(8.2) Purchasing and Selling Short-Term Bill

Unit: NT$ in thousands; %

Types	Year 2018	Year 2017	Increased (Decreased)	Increased (Decreased) Percentage (%)
Outright Purchase Notional Amount	334,158,545	309,944,904	24,213,641	7.81
Outright Sale Notional Amount	279,938	182,474	97,464	53.41
Repurchase Notional Amount	3,098,283	3,418,298	-320,015	-9.36

(8.3) Proprietary Trading of Government Bonds

Unit: NT$ in thousands;%

Types	Year 2018	Year 2017	Increased (Decreased)	Increased (Decreased) Percentage (%)
Notional Amount of Outright Purchase and Sale of Government Bonds	14,600,170	12,883,487	1,716,683	13.32
Conditionally Notional Amount of Outright Purchase and Sale of Government Bonds	75,613,557	79,472,710	-3,859,153	-4.86
Balance of Outright Purchase and Sale of Government Bonds	21,355,809	28,639,562	-7,283,753	-25.43

(9) Credit Card

Unit: card, NT$ in thousands ;%

Types		Year 2018	Year 2017	Increased (Decreased)	Increased (Decreased) Percentage (%)
Credit card issuance Business	Circulation Card	308,532	265,693	42,839	16.12
	Approved Card	161,509	140,970	20,539	14.57
	Transaction Amount	10,468,469	10,206,894	261,575	2.56
	Revolving Credit Balance	397,372	354,683	42,689	12.04
Acquiring Business	Physical Stores, Internet Stores and ATM Transaction Amount	23,222,468	20,534,892	2,687,576	13.09

2.Weight of assets in major business activities as percentage of total assets

Unit: NT$ thousands; %

Main Business	Financial Year end 2018		Year Financial Year end 2017	
	Amount	As percentage of 2018 total assets (%)	Amount	As percentage of 2017 total assets (%)
Total Assets	3,005,029,932	100.00	2,883,589,490	100.00
Discounts and Loans, net	1,965,807,233	65.42	1,879,104,149	65.17
Debt instrument investments measured at amortized cost	587,049,258	19.54	0	0.00
Available-for-Sale Financial Assets, net	0	0.00	407,495,721	14.13
Due from the central bank and call loans to banks	225,480,062	7.50	229,181,736	7.95
Total Liabilities	2,847,839,824	94.77	2,738,947,227	94.98
Deposits and Remittances	2,426,584,880	80.75	2,400,023,270	83.23
Financial Bonds Payable	59,592,857	1.98	66,691,640	2.31
Payables	26,429,020	0.88	24,844,608	0.86

Note 1: The amount in 2017 was restated by the CPAs based on the amount approved by the National Audit Office. The numbers in year 2018 were audited and attested by the CPAs.

Note 2: The data in this table is the consolidated number.

3.Weight of revenues in major business activities as percentage of net revenue

Unit: NT$ in thousands; %

Types	Financial Year end 2018		Financial Year end 2017	
	Amount	As percentage of 2018 net revenue (%)	Amount	As percentage of 2017 net revenue (%)
Net Interest revenue	26,622,933	88.63	24,738,995	92.08
Net service fee revenue	2,960,614	9.86	2,831,290	10.54
Financial assets and liabilities net revenue at fair value through profit and loss	321,815	1.07	-237,008	-0.88
Financial assets realized gains at fair value through other comprehensive Income	1,101,250	3.67	0	0.00
Realized gains of available-for-sale financial assets	0	0.00	647,536	2.41
Net profit in property transaction	123,639	0.41	18,748	0.07
Others	-1,091,264	-3.63	-1,133,936	-4.22
Total Net Income	30,038,987	100.00	26,865,625	100.00

Note 1: The amount in 2017 was restated by the CPAs based on the amount approved by the National Audit Office. The numbers in year 2018 were audited and attested by the CPAs.

Note 2: The data in this table is the consolidated number.

(II) Market Analysis

1. 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 151 branches in the domestic market (including sales and marketing department) and 1 offshore banking unit, and there are 7 oversea branches covering Los Angeles, Singapore, Hong Kong, Shanghai, New York, Tianjin and Wuhan. In 2017, the Company is preparing and establishing branches in China, Australia, Malaysia and Philippines to help us moving forward to become an outstanding global financial bank. Currently, we have 2 branches in Xiamen and Brisbane and 2 representative offices in Kuala Lumpur and Manila. In 2018, we will open a representative office in Indonesia.

2. Future market supply, demand and growth

(1) Complying to government policies, loans to SME continued to grow

Following the launch of governments "Five plus two" innovative industries initiative, the Company actively undertakes financing for SMEs to increase the interest rate spread income

(2) Foreign Capital Inflow creates new opportunities for wealth management

With the Common Reporting Standard (CRS) in place, an increase in operating costs in Mainland China and the impact of the US-China Trade War, the trend of foreign capital inflow in domestic market has become clear, which supports the growth of the Wealth Management business. In addition, financial technology business will maintain the growth momentum and further add to the domestic business growth.

(3) Potential growth of urban renewal and green finance market

With the active promotion by the government, the amendments of the regulations provided support and rewards which led to a high growth potential in the urban renewal market. Banks can actively participate in the provision of trust services and financing services, not only to increase the business but also increase the revenue through interest and commission fees. Nowadays, the development of green finance in Taiwan is no longer limited to financing but combined with other dimensions to strengthen the deployment of green finance.

3. Competitive niches

(1) Solid professional foundation

The Bank, established on September 1, 1946, has been in the business for more than 72 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 has the advantage in the development of real estate trust, real estate and financial asset securitization that provide client with a comprehensive real estate financial service mechanism. 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 the leading position in the domestic real estate related financial sector, the Bank utilizes its business expertise for the clients' overseas real estates investment or real estate development plans. In respond to the aging and low fertility society in Taiwan in recent years, we have joint the government's promotion of the urban renewal scheme to accelerate the reconstruction of hazardous and old buildings, the Bank has launched and accelerated the reconstruction loan for the hazardous and old buildings and actively expanded the business of consumer finance, corporate finance, wealth management and trust.

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(3) Launch digital finance transformation

Facing the trend of the FinTech development, we will also actively promote the "Double Digital Payment Ratio in Five Years" plan and the "Building a Digital Financial Environment BANK3.0" project. In addition, we have introduced the mobile payment-related products while launching the digital financial services. For example, in cooperation with the Finance Information Service Company and Taiwan Mobile Payment, the Taiwan Pay "Land Bank Debit Card Cloud Payment" and QR Code payment services was introduced. This is to gain a slice of the massive mobile payment market. Bank transfer, shopping and payment (expense or tax) through mobile apps has provided the consumer with a secure and convenient payment services.

(4) Strengthen overseas business

Grasp international financial business opportunities, construct a global financial service network and improve oversea business performances; Actively participate in the international financial market and expand overseas business operations through a integrated marketing and sales team from the domestic and overseas team.

4. Favorable and unfavorable factors for future developments and solutions

(1) Favorable factors

① To implement the anti-money laundering and counter-terrorist financing, the Company has participated in the APG evaluation. As the FSC will also continue to adopt the anti-money laundering prevention measure, it is expected to improve the risk management of the financial banking industry. The financial market and the business environment of the banking industry will be further stabilized and facilitate international expansion.

② To deepen bilateral ties with the new southbound countries, the government continued to promote new southbound policies. The de-regulation in the domestic market is conducive to the acceleration the Bank's deployment of the new southbound countries.

③ The rapid growth in the mobile payment market has increased public's awareness of FinTech, which helps to enhance the development of the FinTech market and bring new business opportunities and new customers to the banking industry.

④ The Bank has completed a global commerce service network and provide a quality "zero time zone" financial service by established branches in Singapore, Hong Kong, Shanghai, Tianjin and Wuhan in Asia, and branches in Los Angles, New York, as well as Offshore Banking Unit.

(2) Unfavorable factors

① In response to the severe international financial supervision regulations, the Bank highlighted the importance of compliance to local laws and regulations, particularly the anti-money laundering regulations. It is expected that compliance costs would increase gradually in the future.

② The economic slowdown in China has been mainly affected by the US-China Trade War, bankruptcy in P2P and defaulted bonds, which puts further pressure on the economic downturn. The corporate debt default may increase, which could lead to greater risk in the Bank's credit business.

③ The China-US Trade War has had a knock on effect on the economy and the level of impact on profitability vary between industries, which could lead to an increase in the Bank's risk exposure to loans and investment and impact profitability.

④ With the development of FinTech and strengthening the expansion of the overseas markets, the demand for FinTech innovation and devices has gradually increased, which has resulted in a significant increase in the relevant operation costs and expenses. This new business also meant a shortage of human resources on multinational talents in IT and law related fields, which would also bring a notable increase in human resource costs.

⑤ Low interest rate environment in domestic financial market has long been an issue that the net interest margin remains low. With hot money on the rise, competition on pricing might led to negative impact on profitability.

(3) Countermeasures

① The Bank's overseas branches shall comply with the latest anti-money laundering prevention audit control and regulations. Follow the latest amendments, review and monitor procedures and actively working with local regulators and maintaining positive interactions. In addition, through financial regulation training in overseas branches, we would expect a higher compliance level which would support overseas expansion.

② With regard to the credit business in China, The Bank will continue to enhance the evaluation of the credit borrower, control the credit usage of each borrower, increase coverage ratio depending on individual risk profile, and implement the review activities to effectively improve credit management.

③ Continue to adjust asset allocation and manage corporate finance transformation, actively undertake loans from SMEs, foreign currency loans and credit loans to enhance the interest rate differential, promote financial products to increase commission based revenue and collaborate with government in the “Five plus two” innovative industries initiative to diversify our business revenue and asset allocation and increase the overall profitability.

④ Through the improvement of relevant policy and operational business environment supported by Central Bank and FSC, it is expected to drive the growth of FinTech business, such as online banking, mobile payment and third-party payment, as well as the accumulation of financial big data, which can all help the Bank to achieve a positive growth in business and revenue.

Leading the Digital Era through Innovation and Transformation

048 Financial Status and Risk Management

048 Condensed Consolidated Balance Sheets and Income Statements (last 5 years)

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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 - International Financial Reporting Standards

Condensed Consolidated Balance Sheets

Unit: NT$ thousands

Item \ Year	Financial Information for Year 2014–2018 (Note)				
	2018	2017	2016	2015	2014
Cash and Cash Equivalents (due from the Central Bank and Call Loans to banks)	275,144,392	278,474,923	281,978,785	297,349,053	276,816,472
Financial Assets at Fair Value through Profit and Loss	5,253,684	3,243,418	3,473,556	4,689,817	1,551,824
Financial Assets at Fair Value through Other Comprehensive Income	102,542,129	0	0	0	0
Debt Investments measured at Amortized cost	587,049,258	0	0	0	0
Available-for-Sale Financial Assets	0	407,495,721	407,325,442	351,622,173	288,193,371
Securities Purchased under Agreements to Resell and Bond Investment	389,212	8,029,166	3,763,733	0	0
Receivables, net	9,339,670	8,868,031	7,362,799	6,930,795	6,055,423
Current Income Tax Assets	36,962	168,391	173,536	167,370	143,714
Discounts and Loans, net	1,965,807,233	1,879,104,149	1,770,689,449	1,724,903,022	1,868,479,470
Held-to-maturity Financial Assets	0	238,122,980	136,810,089	36,460,359	12,195,507
Investments Accounted for using Equity Method, net	0	0	0	0	24,190
Other Financial Assets, net	28,735	1,633,383	1,646,662	1,657,383	3,680,710
Property and Equipment, net	22,625,687	22,954,513	23,239,864	23,377,397	23,837,637
Investment Property, net	24,229,670	24,110,445	24,102,105	24,195,770	24,262,176
Intangible Assets ,net	858,257	869,156	894,168	660,361	611,567
Deferred Tax Assets, net	2,653,432	2,901,012	3,570,007	3,925,696	3,985,029
Other Assets	9,071,611	7,614,202	8,016,056	7,527,506	5,484,918
Total Assets	3,005,029,932	2,883,589,490	2,673,046,251	2,483,466,702	2,515,322,008
Deposits from the Central Bank and Banks	287,244,785	200,334,268	142,091,394	122,083,387	209,745,830
Due to the Central Bank and Banks	1,939,909	2,040,692	2,359,557	2,516,829	2,529,138
Financial Liabilities at Fair Value through Profit and Loss	9,893,561	3,546,578	8,665,611	9,017,252	222,942
Securities sold under Repurchase Agreements	9,740,281	15,157,816	7,713,092	5,372,087	10,757,747
Account payables	26,429,020	24,844,608	24,459,437	20,644,932	22,680,553
Current Tax Liabilities	379,210	368,616	816,584	923,755	1,106,456
Deposits and Remittances	2,426,584,880	2,400,023,270	2,247,268,415	2,098,660,734	2,050,378,807
Bonds Payable	59,592,857	66,691,640	79,694,341	72,193,289	77,797,199
Other Financial Liabilities	113,986	146,198	175,111	101,981	119,893
Provision	17,852,687	17,651,342	16,937,778	16,611,687	15,361,617
Deferred Tax Liabilities	6,985,635	6,926,029	6,926,134	6,935,227	6,937,342
Other Liabilities	1,083,013	1,216,170	1,211,337	1,262,364	967,125

》 GO CONTENT 《

Item		2018	2017	2016	2015	2014
Year		Financial Information for Year 2014–2018 (Note)				
Total Liabilities	Before distribution	2,847,839,824	2,738,947,227	2,537,469,716	2,356,323,524	2,394,772,387
	After distribution	2,847,839,824	2,738,947,227	2,538,318,791	2,356,323,524	2,398,604,649
Share Capital	Before distribution	62,594,000	62,594,000	62,594,000	58,100,000	50,000,000
	After distribution	62,594,000	62,594,000	62,594,000	58,100,000	50,000,000
Capital Reserve		21,748,869	21,748,869	21,748,869	21,748,869	21,748,869
Retained Earnings	Before distribution	66,316,393	57,431,060	48,761,249	42,294,258	44,715,121
	After distribution	66,316,393	57,431,060	47,912,174	42,294,258	40,882,859
Other Equity		6,530,846	2,868,334	2,472,417	5,000,051	4,085,631
Total Equity	Before distribution	157,190,108	144,642,263	135,576,535	127,143,178	120,549,621
	After distribution	157,190,108	144,642,263	134,727,460	127,143,178	116,717,359

Note: Figures for the period of 2014 have been made by the CPAs based on the audit result of the National Audit Office. These figures are in accordance with the 2014 version of the International Financial Reporting Standards and several accounts after adjustment. Figures for the period of 2015 to 2016 have been made by the CPAs based on the audit result of the National Audit Office. Figures for the period of 2018 have been audited by CPAs

Condensed Consolidated Comprehensive Income Statements

Unit: NT$ thousands

Item	2018	2017	2016	2015	2014
Year	Financial Information for Year 2014–2018 (Note)				
Interest Revenue	48,684,757	43,449,692	41,840,744	43,718,337	43,313,386
Less: Interest Expenses	22,061,824	18,710,697	17,095,902	19,385,011	20,162,020
Net Interest Revenue	26,622,933	24,738,995	24,744,842	24,333,326	23,151,366
Revenue other than Net Interest Revenue	3,416,054	2,126,630	5,978,435	4,640,907	3,859,697
Net Revenue	30,038,987	26,865,625	30,723,277	28,974,233	27,011,063
Bad Debt Expenses and Guarantee Liabilities Provisions	3,173,158	492,992	1,624,497	408,371	191,047
Operating Expenses	14,686,061	14,491,104	16,299,823	16,314,912	15,213,508
Net Income Before Tax from Continuing Operations	12,179,768	11,881,529	12,798,957	12,250,950	11,606,508
Income Tax Expenses	2,483,225	2,247,906	2,382,044	2,268,481	2,144,580
Net Income from Continuing Operations	9,696,543	9,633,623	10,416,913	9,982,469	9,461,928
Net Income from Discontinued Operations	0	0	0	0	0
Net income	9,696,543	9,633,623	10,416,913	9,982,469	9,461,928
Other Comprehensive Income (Loss) (net of tax) for the period	-756,668	281,180	-2,832,631	443,350	866,828
Total Comprehensive Income (Loss)	8,939,875	9,914,803	7,584,282	10,425,819	10,328,756
Net Income Attributable to owners of parent	9,696,543	9,633,623	10,416,913	9,982,469	9,461,928
Net Income Attributable to non-controlling interests	0	0	0	0	0
Total Comprehensive Income Attributable to owner of parent	8,939,875	9,914,803	7,584,282	10,425,819	10,328,756
Total Comprehensive Income Attributable to non-controlling interests	0	0	0	0	0
Earnings per share (NT$)	1.55	1.54	1.66	1.59	1.51

Note 1: Figures for the period of 2014 have been made by the CPAs based on the audit result of the National Audit Office. These figures are in accordance with the 2013 version of the International Financial Reporting Standards and several accounts after adjustment. Figures for the period of 2015 to 2017 have been made by the CPAs based on the audit result of the National Audit Office. Figures for the period of 2018 have been audited by CPAs.

Note 2: The Bank's share capital has increased to NT$62,594 million from October 31, 2016. Earnings per share for the year is adjusted retrospectively.

Standalone Condensed Balance Sheets

Unit: NT$ thousands

Item		Financial Information for Year 2014–2018 (Note) 2018	2017	2016	2015	2014
Cash and cash equivalents (due from the Central Bank and Call Loans to banks)		275,053,802	278,474,520	281,977,889	297,433,843	276,816,472
Financial Assets at Fair Value through Profit and Loss		5,253,684	3,243,418	3,473,556	4,689,817	1,551,824
Financial Assets at Fair Value through Other Comprehensive Income		102,542,129	0	0	0	0
Debt Investments measured at Amortized cost		587,046,111	0	0	0	0
Available-for-Sale Financial Assets		0	407,495,721	407,325,442	351,622,173	288,193,371
Securities Purchased under Agreements to Resell and Bond Investment		389,212	8,029,166	3,763,733	0	0
Receivables, net		9,411,348	8,853,716	7,350,702	6,915,206	6,055,423
Current Income Tax Assets		36,962	168,391	173,536	167,370	143,714
Discounts and Loans, net		1,965,807,233	1,879,104,149	1,770,689,449	1,724,903,022	1,868,479,470
Held-to-maturity Financial Assets		0	238,119,804	136,806,886	36,457,128	12,195,507
Investments Accounted for using Equity Method, net		40,000	40,000	40,000	33,616	24,190
Other Financial Assets, net		28,735	1,633,383	1,646,662	1,657,383	3,680,710
Property and Equipment, net		22,622,065	22,949,749	23,234,378	23,370,911	23,837,637
Investment Property, net		24,229,670	24,110,445	24,102,105	24,195,770	24,262,176
Intangible Assets, net		849,705	859,401	885,590	651,345	611,567
Deferred Tax Assets, net		2,653,432	2,901,012	3,570,007	3,925,696	3,985,029
Other Assets		9,071,471	7,613,976	8,015,876	7,527,271	5,484,918
Total Assets		3,005,035,559	2,883,596,851	2,673,055,811	2,483,550,551	2,515,322,008
Deposits from the Central Bank and Banks		287,244,785	200,334,268	142,091,394	122,083,387	209,745,830
Due to the Central Bank and Banks		1,939,909	2,040,692	2,359,557	2,516,829	2,529,138
Financial Liabilities at Fair Value through Profit and Loss		9,893,561	3,546,578	8,665,611	9,017,252	222,942
Securities sold under Repurchase Agreements		9,740,281	15,157,816	7,713,092	5,372,087	10,757,747
Account payables		26,417,305	24,828,253	24,447,902	20,633,393	22,680,553
Current Tax Liabilities		365,340	363,132	802,245	908,967	1,106,456
Deposits and Remittances		2,426,625,298	2,400,058,485	2,247,308,030	2,098,772,607	2,050,378,807
Bonds Payable		59,592,857	66,691,640	79,694,341	72,193,289	77,797,199
Other Financial Liabilities		113,986	146,198	175,111	101,981	119,893
Provision		17,843,101	17,645,044	16,933,407	16,609,619	15,361,617
Deferred Tax Liabilities		6,985,635	6,926,029	6,926,134	6,935,227	6,937,342
Other Liabilities		1,083,393	1,216,453	1,211,527	1,262,735	967,125
Total Liabilities	Before distribution	2,847,845,451	2,738,954,588	2,537,479,276	2,356,407,373	2,394,772,387
	After distribution	2,847,845,451	2,738,954,588	2,538,328,351	2,356,407,373	2,398,604,649
Share Capital	Before distribution	62,594,000	62,594,000	62,594,000	58,100,000	50,000,000
	After distribution	62,594,000	62,594,000	62,594,000	58,100,000	50,000,000
Capital Reserve		21,748,869	21,748,869	21,748,869	21,748,869	21,748,869
Retained Earnings	Before distribution	66,316,393	57,431,060	48,761,249	42,294,258	44,715,121
	After distribution	66,316,393	57,431,060	47,912,174	42,294,258	40,882,859
Other Equity		6,530,846	2,868,334	2,472,417	5,000,051	4,085,631
Total Equity	Before distribution	157,190,108	144,642,263	135,576,535	127,143,178	120,549,621
	After distribution	157,190,108	144,642,263	134,727,460	127,143,178	116,717,359

Note: Figures for the period from 2014 to 2017 have been made by the CPAs based on the audit result of the National Audit Office. Figures for the period of 2018 have been audited and certified by CPAs.

》 GO CONTENT 《

Standalone Condensed Comprehensive Income Statements

Unit: NT$ thousands

Item \ Year	Financial Information for Year 2014–2018 (Note)				
	2018	2017	2016	2015	2014
Interest Revenue	48,684,017	43,449,443	41,840,690	43,718,288	43,313,386
Less: Interest Expenses	22,061,854	18,710,766	17,096,033	19,385,154	20,162,020
Net Interest Revenue	26,622,163	24,738,677	24,744,657	24,333,134	23,151,366
Revenue other than Net Interest Revenue	3,323,984	2,042,250	5,887,144	4,559,668	3,859,697
Net Revenue	29,946,147	26,780,927	30,631,801	28,892,802	27,011,063
Bad Debt Expenses and Guarantee Liabilities Provisions	3,173,158	492,992	1,624,497	408,371	191,047
Operating Expenses	14,615,896	14,423,934	16,232,321	16,252,657	15,213,508
Net Income Before Tax from Continuing Operations	12,157,093	11,864,001	12,774,983	12,231,774	11,606,508
Income Tax Expenses	2,460,550	2,230,378	2,358,070	2,249,305	2,144,580
Net Income from Continuing Operations	9,696,543	9,633,623	10,416,913	9,982,469	9,461,928
Net Income from Discontinued Operations	0	0	0	0	0
Net income	9,696,543	9,633,623	10,416,913	9,982,469	9,461,928
Other Comprehensive Income (Loss) (net of tax) for the period	-756,668	281,180	-2,832,631	443,350	866,828
Total Comprehensive Income (Loss)	8,939,875	9,914,803	7,584,282	10,425,819	10,328,756
Net Income Attributable to owners of parent	9,696,543	9,633,623	10,416,913	9,982,469	9,461,928
Net Income Attributable to non-controlling Interests	0	0	0	0	0
Comprehensive Income Attributable to owner of parent	8,939,875	9,914,803	7,584,282	10,425,819	10,328,756
Comprehensive Income Attributable to non-controlling Interests	0	0	0	0	0
Earnings per share (NT$)	1.55	1.54	1.66	1.59	1.51

Note 1: Figures for the period from 2014 to 2017 have been made by the CPAs based on the audit result of the National Audit Office. Figures for the period of 2018 have been audited and certified by CPAs.

Note 2: The Bank's share capital has increased to NT$62,594 million from October 31, 2016. Earnings per share for the year is adjusted retrospectively.

》 GO CONTENT 《

II. Financial Analysis for the Last Five Years

Consolidated Financial Analysis — IFRS

Analysis	Year	2014-2018 Financial Analysis (Note)				
		2018	2017	2016	2015	2014
Operation Efficiency	Loans to Deposits Ratio(%)	82.26	79.46	80.08	83.49	92.40
	Non-Performing Loan Ratio (%)	0.19	0.19	0.18	0.19	0.19
	Ratio of Interest Expenses to Annual Average Deposits Balance (%)	0.72	0.67	0.67	0.83	0.85
	Ratio of Interest Earned to Annual Average Loans Balance (%)	2.00	1.89	1.95	2.05	2.02
	Total Asset Turnover Rate (Times)	0.01	0.01	0.01	0.01	0.01
	Average Operating Revenue per Employee (in thousand NTD)	5,277.40	4,712.44	5,359.02	5,025.01	4,672.39
	Average Profit per Employee (in thousand NTD)	1,703.54	1,689.81	1,817.01	1,731.26	1,636.73
Profitability	Return on Tier 1 capital (%)	8.08	8.51	10.27	10.50	11.30
	Return on Assets (%)	0.33	0.35	0.40	0.40	0.38
	Return on Equity (%)	6.43	6.90	7.96	8.19	8.34
	Net Profit Margin (%)	32.28	35.86	33.91	34.45	35.03
	Earnings per Share (NTD)	1.55	1.54	1.66	1.59	1.51
Financial Structure	Debt to Total Assets ratio	94.75	94.96	94.93	94.85	95.33
	Property and Equipment to Equity ratio	14.39	15.87	17.25	18.39	20.42
Growth Rate	Asset Growth Rate	4.21	7.88	7.63	-1.27	3.61
	Profit Growth Rate	2.51	-7.17	4.47	5.55	6.25
Cash Flow	Cash Flow Ratio	-4.15	35.98	-21.63	31.52	15.10
	Cash Flow Adequacy Ratio	872.74	961.13	523.04	1,054.29	494.03
	Cash Flow satisfaction Ratio	3,105.83	-13,459.07	1,368.03	-1,496.62	-2,983.14
Liquidity Reserve ratio (%)		27.45	25.87	24.11	19.11	18.31
Total Credit Extension Balance of the Stakeholder (in thousand NTD)		11,113,600	11,044,216	11,726,940	10,799,874	10,662,338
Total credit extension balance of the stakeholder as a percentage of total credit balance (%)		0.61	0.63	0.72	0.68	0.61
Business Scale	Market Share of Assets	3.84	3.90	3.78	3.67	3.96
	Market Share of Net Worth	2.56	2.37	2.37	2.39	2.39
	Market Share of Deposits	5.83	5.91	5.72	5.53	5.72
	Market Share of Loans	6.85	6.87	6.76	6.79	7.57

Analysis of changes in financial ratios in the 2 most recent years (increase/decrease by more than 20%):

1. The growth rate of asset in 2018 was reduced compared to 2017, which was mainly due to the decrease in the asset growth compared to 2017.
2. The growth rate for 2018 increased from 2017, mainly due to the increase in net profit before tax compared to 2017.
3. The cash flow ratio for 2018 decreased compared to 2017. The main reason is due to the decrease in cash flow from operating activities in 2018; in addition, the cash flow adequacy ratio in 2018 was reduced from 2017, it was due to investment activities was through cash outflow in 2018. Therefore, the cash flow from investing activities was negative in comparison to 2017

》GO CONTENT《

Note 1: Figures for the period from 2014 to 2017 have been made by the CPAs based on the audit result of the National Audit Office. Figures for the period of 2018 have been audited 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) Non-performing loan ratio = Total non-performing loans ／ Total loans

(3) Ratio of interest expenses to annual average deposits = Total interest expenses ／ Annual average deposits

(4) Ratio of interest revenues to annual average loans = Total interest revenues ／ Annual average loans

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

(6) Average operating revenues per employee ＝ Net operating income ／ Number of employees

(7) Average profit per employee = Net income ／ 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) Ratio of real estate and equipment to shareholders' equity – real estate and equipment ／ Net shareholders' 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. Liquid reserve ratio = Current assets required by the Central Bank ／ Various liabilities

requiring liquid reserve

7. Operating scale

(1) Market share of assets = Total assets ／ Total assets of all financial institutions handling deposits and loans

(2) Market share of net worth = Net worth ／ Total net worth of all financial institutions handling deposits and loans

(3) Market share of deposits = Total deposits ／ Total deposits of all financial institutions handling deposits and loans

(4) Market share of loans = Total loans/Total loans of all financial institutions handling deposits and loans

Note 3: Total liabilities are net of reserves for losses on guarantees, losses on security trades, losses on breach of contracts, 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 capital has increased to NT$ 62.594 billion since October 31, 2016 and retroactively adjusted tabulated earnings per share each year.

Standalone Financial Analysis

Analysis		2018	2017	2016	2015	2014
Year		2014-2018 Financial Analysis (Note 1)				
Operation Efficiency	Loans to Deposits Ratio(%)	82.25	79.45	80.08	83.48	92.40
	Non-Performing Loan Ratio (%)	0.19	0.19	0.18	0.19	0.19
	Ratio of Interest Expenses to Annual Average Deposits Balance (%)	0.72	0.67	0.67	0.83	0.85
	Ratio of Interest Earned to Annual Average Loans Balance (%)	2.00	1.89	1.95	2.05	2.02
	Total Asset Turnover Rate (Times)	0.01	0.01	0.01	0.01	0.01
	Average Operating Revenue per Employee (in thousand NTD)	5,289.90	4,722.43	5,371.17	5,033.59	4,692.68
	Average Profit per Employee (in thousand NTD)	1,712.87	1,698.75	1,826.57	1,739.11	1,643.84
Profitability	Return on Tier 1 capital (%)	8.07	8.50	10.25	10.91	11.30
	Return on Assets (%)	0.33	0.35	0.40	0.40	0.38
	Return on Equity (%)	6.43	6.90	7.96	8.19	8.34
	Net Profit Margin (%)	32.38	35.97	34.01	34.55	35.03
	Earnings per Share (NTD)	1.55	1.54	1.66	1.59	1.51
Financial Structure	Debt to Total Assets ratio	94.75	94.96	94.93	94.85	95.33
	Property and Equipment to Equity ratio	14.39	15.87	17.25	18.38	20.42
Growth Rate	Asset Growth Rate	4.21	7.88	7.63	-1.26	3.61
	Profit Growth Rate	2.47	-7.13	4.44	5.39	6.25
Cash Flow	Cash Flow Ratio	-4.24	35.98	-21.71	31.59	15.10
	Cash Flow Adequacy Ratio	871.70	1,037.92	128.25	414.20	216.47
	Cash Flow satisfaction Ratio	3,229.34	-13,498.30	1,374.89	-1,508.16	-2,983.14
Liquidity Reserve ratio (%)		27.45	25.87	24.11	19.11	18.31
Total Credit Extension Balance of the Stakeholder (in thousand NTD)		11,113,600	11,044,216	11,726,940	10,799,874	10,662,338
Total credit extension balance of the stakeholder as a percentage of total credit balance (%)		0.61	0.63	0.72	0.68	0.61
Business Scale	Market Share of Assets	3.84	3.90	3.78	3.67	3.96
	Market Share of Net Worth	2.56	2.37	2.37	2.39	2.39
	Market Share of Deposits	5.83	5.91	5.72	5.53	5.72
	Market Share of Loans	6.85	6.87	6.76	6.79	7.57

Analysis of changes in financial ratios in the 2 most recent years (increase/decrease by more than 20%):
1. The asset growth rate in 2018 is decreased compared to 2017. This is mainly due to the reduce in asset growth in 2017
2. The profit growth rate is increased in 2018 compared to 2017. This is mainly due to the increase in Net profit before Tax.
3. The cash flow ratio for 2018 decreased compared to 2017. The main reason is due to the decrease in cash flow from operating activities in 2018; in addition, the cash flow adequacy ratio in 2018 was reduced from 2017, it was due to investment activities was through cash outflow in 2018. Therefore, the cash flow from investing activities was negative in comparison to 2017

》GO CONTENT《

Note 1: Figures for the period from 2014 to 2017 have been made by the CPAs based on the audit result of the National Audit Office. Figures for the period of 2018 have been audited 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) Non-performing loan ratio = Total non-performing loans ／ Total loans

(3) Ratio of interest expenses to annual average deposits = Total interest expenses ／ Annual average deposits

(4) Ratio of interest revenues to annual average loans = Total interest revenues ／ Annual average loans

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

(6) Average operating revenues per employee ＝ Net operating income ／ Number of employees

(7) Average profit per employee = Net income ／ 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) Ratio of real estate and equipment to shareholders' equity – real estate and equipment ／ Net shareholders' 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. Liquid reserve ratio = Current assets required by the Central Bank ／ Various liabilities

requiring liquid reserve

7. Operating scale

(5) Market share of assets = Total assets ／ Total assets of all financial institutions handling deposits and loans

(6) Market share of net worth = Net worth ／ Total net worth of all financial institutions handling deposits and loans

(7) Market share of deposits = Total deposits ／ Total deposits of all financial institutions handling deposits and loans

(8) Market share of loans = Total loans/Total loans of all financial institutions handling deposits and loans

Note 3: Total liabilities are net of reserves for losses on guarantees, losses on security trades, losses on breach of contracts, 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 capital has increased to NT$ 62.594 billion since October 31, 2016 and retroactively adjusted tabulated earnings per share each year.

Capital adequacy

Unit: NT$ thousands

Analysis			Year (Note 1) 2018	2017	2016	2015	2014
			2014-2018 Capital adequacy ratio (Note 2)				
Capital	Common Equity		139,676,435	131,218,205	121,831,335	113,570,681	104,813,055
	Other total tier I of non-common stocks equity		15,305,736	15,271,997	10,771,997	2,990,121	2,944,555
	Tier II Capital		42,610,688	44,357,029	51,599,859	61,685,666	64,008,483
	Equity Capital		197,592,859	190,847,231	184,203,191	178,246,468	171,766,093
Weighted Risk-Adjusted Assets	Credit Risk	Standard Approach	1,557,243,212	1,455,622,817	1,485,249,221	1,466,575,546	1,466,626,560
		Internal Ratings					
		Asset securitization					
	Operational Risk	Basic Indicator Approach			53,082,779	51,118,577	49,101,454
		Standard Method / Selective Standard Method	51,132,125	50,300,796			
		Advanced Measure Method					
	Market Risks	Standard Model	25,093,998	42,341,623	52,704,583	42,277,653	36,635,433
		Internal Model					
	Total Risk-Weighted		1,633,469,335	1,548,265,236	1,591,036,583	1,559,971,776	1,552,363,447
Capital adequacy ratio			12.10%	12.33%	11.58%	11.43%	11.06%
Tier 1 capital to Risk-Based Assets ratio Ratio			9.49%	9.46%	8.33%	7.47%	6.94%
Ratio of Common Equity to Risk-Based assets			8.55%	8.48%	7.66%	7.28%	6.75%
Leverage ratio			4.99%	4.90%	4.78%	4.45%	—
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 2014 to 2018 have been audited by CPAs.

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

(1) Owner's capital = Common stocks equity + Other total tier I of non-common stocks equity + Tier II capital

(2) Total risk-weighted assets = Credit-risk-weighted assets + Total risk charge (operational risk + market risk) × 12.5

(3) Capital adequacy ratio = Owner's capital / Total risk-weighted assets

(4) Ratio of Tier I capital to risk assets = Tier I capital (common stocks equity+ other total tier I of non-common stocks equity) / Total risk-weighted assets

(5) Ratio of common stocks equity to risk asset = Common stocks equity / Total risk-weighted asset

(6) Leverage Ratio = Net tier I capital /Exposure measurement

Note 3: Public disclosure reguiremeny of leverage ratio began in 2015.

III. Risk Management Issues

(I) Qualitative and quantitative information of various risk

1. Credit risk management system and capital appropriated

Credit Risk Management System
2018

Disclosure information	Description
1.The strategy, target, policy and process for credit risk	I. The target for credit risk management: 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. II. 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. III. Management strategy of the credit risk: (I) 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. (II) 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. IV. 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.
2. The management organization and structure of credit risk.	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: I. First line of defense (Risk generating or bearing unit): All units of the Bank bear the risks arising from their daily operation concerning their functions and business scope. Those who meet the credit risk are the first line of defense and shall be responsible for the credit risk management. Design and perform adequate internal control procedures for the specific risk characters to covers all relevant operational activities. And executive risk management and control over various business risk based on applicable laws and regulations, various provisions of the Bank and multiple tools for credit risk. 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. (I) 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. (II) 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. III. 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.

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Disclosure information	Description
3. The scope and features of the credit risk reporting and measurement system	I. Credit risk reporting: (I) 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. (II) 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. II. Credit risk measurement system: (I) 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. (II) 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.
4. Policies on the credit risk hedge or risk reduction and the strategy and processes for the continuous and effective of monitoring hedge and risk reduction tools.	I. Policy on the credit risk hedge or risk reduction: (I) 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. (II) According to the 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. II. 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.
5.Legal method for capital accrual	Credit Risk Standardized Approach

The Exposure Amount and Capital Accrual after Risk Reduction under Credit Risk Standardized Approach
March 31, 2019 (Note 1)

Unit: TWD in thousands

Type of Risk Exposure	Exposure Amount after Risk Reduction	Capital Accrual(Note 2)
Sovereign country	703,165,906	0
Non-Central Government Public Sector	21,330,702	341,291
Banks (including Multi-lateral Development Banks)	169,480,756	5,150,211
Enterprises (Including securities and insurance companies)	790,086,751	58,313,131
Retail Exposures	352,577,616	24,304,485
Real Estate for Residence	842,015,195	32,596,699
Equity Security Investments	887,481	70,998
Other Assets	79,808,052	4,668,287
Total	2,959,352,459	125,445,102

Note 1: Please fill in the quarterly information of the latest quarter before the publication date of the annual report

Note 2: Capital accrual equal to the "Exposure Amount after Risk Reduction" times the lowest legal "Bank of International Settlement Capital Adequacy."

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2. Risk management system for asset securitization, exposure amount and capital accrua

Risk Management System for Securitization For the Year 2018

Disclosure Information	Description
1. Management strategy and process of asset securitization	I. The management strategy of asset securitization: According to the "Guidelines Governing Investment Beneficiary Certificates and Asset Backed Securities" 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. II. The management process of asset securitization: (I) 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. (II)According to the regulation of the credit-extension authorization limit table for all levels of the Bank's supervisors, when conducting the business of the liquidity financing (founding bank), it shall be processed under the hierarchical responsibility of credit-extension management organization and conduct with general credit-extension reviewed procedure.
2.Management organization and structure of asset securitization	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: I. 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. II. 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. (I) 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. (II) 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. III. 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.
3.The scope and features of asset securitization risk report and measurement system.	I. Risk report of asset securitization: (I) Scope: Regularly state and report the scope of the assessment report of asset securitization that the Bank invested which includes investment category, amount credit rating and evaluation, etc. (II) 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. II. Asset securitization measurement system: (I) Scope: According to the "Guideline Governing Investment in Beneficiary Certificate and Asset Backed Security" of the Bank and relevant regulations, manually and regularly monitor the status of securitization target exposure (such as credit rating, the state of compliance, market transaction information, etc.) and accrued capital accordingly. (II) 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.

Disclosure Information	Description
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.	I. 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. II. 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.
5.Legal method for capital accrual	Asset Securitization Standard Approach

Engage in securitization: None

Securitization exposure and capital accrual: None

Securitization product information: None

3. Operational risk management system and capital accrual

Operational Risk Management System
For the Year 2018

Disclosure Information	Description
1. The management strategy and process of operational risk	I. 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. II. The management process of operational risk: (I) 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. (II) 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.
2.Management organization and structure of operational risk	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: The Bank identifies the operational risk management responsibility for each unit with three lines of defense: I. First line of defense (Risk generating or bearing unit): (I) 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. (II) The first line of defense is responsible and continuously manage the operational risk arising from operating activities which include: 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. 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. 3. Perform the management procedure for operational risk and ensure adequate internal control. 4. When the process and control procedure are not enough, it should provide the improvement solution immediately. (III) 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.

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Disclosure Information	Description
	II. Second line of defense (Risk control and management unit which is the risk management department and the various business supervision unit): (I) 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. (II) 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. (III) 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. III. Third line of defense (Audit Department): (I) 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. (II) 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.
3.The scope and feature of operational risk report and measurement system	I. Operational risk report: (I) Scope: the scope of operational risk monitoring report which should state and report to the management level regularly include: 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. 2. The self-assessment result of the various major business operational risk conducted with the current year. (II) 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. II. Operational risk management system: (I) 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. (II) 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.
4. Policies on the operational risk hedge or risk reduction and the strategy and processes for the continuous and effectiveness of monitoring avoidance and risk reduction tools.	I. Policy on operational risk hedge or risk reduction (I) 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 risk of various business, operating activities. Including risk hedge, risk transfer or offset, risk reduction or control, risk undertaking and other strategy as below: 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. 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. 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. 4. For the loss of low frequency and low in loss amount, the risk is acceptable. (II) 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. (III) 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.

Disclosure Information	Description
	II. The strategy and processes for the continuous and effectiveness of monitoring avoidance and risk reduction tools (I) 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. (II) 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. (III) All insured units shall review the insured business items regularly to ensure the insurance policies are effective.
5.Legal method for capital accrual	Operational Risk Standard Approach

Capital Accrual for Operational Risk
December 31, 2018

Unit: TWD in thousand

Year	Operation Gross Profit	Capital Accrual
Year 2016	29,232,874	
Year 2017	28,604,523	
Year 2018	30,864,216	
Total	88,701,613	4,090,570

4. Market risk management system and capital accrual

Market Risk Management System
For the Year 2018

Disclosure Information	Description
1.The strategy and process for market risk management	I. 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. II. Market risk management process: (I) 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. (II) 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. (III) Market risk measurement: Develop a quantifiable model to measure market risk and integrate with daily risk limitation management. (IV) 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.

Disclosure Information	Description
	(V) 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. (VI) 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.
2. Market risk management organization and structure.	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: I. First line of defense (Operational management): 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. II. Second line of defense (Risk control and management unit which is the risk management department and the various business supervision unit): (I) 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. (II) 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 III. Third line of defense (Audit Department): Audit department is responsible for performing the audit andevaluation 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.
3. The scope and features of market risk report and measurement system	I. Market risk report: (I) 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. (II) 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, β 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. II. Market risk measurement system: (I) 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. (II) 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.

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Disclosure Information	Description
4. Policies on the market risk hedge or risk reduction and the strategy and processes for the continuous and effectiveness of monitoring avoidance and risk reduction tools	I. Policy on market risk hedge or risk reduction: (I) 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. (II) 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. II. 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. Legal method for capital accrual	Market Risk Standard Approach

Capital Accrual for Market Risk
March 31, 2019

Unit: TWD in thousand

Risk	Capital Accrual
Interest rate risk	1,211,958
Equity security risk	307,867
Foreign exchange risk	106,672
Commodity risk	
Options process with the simplified approach	
Total	1,626,497

Audit Committee’ s Review Report

The Company's 2018 business report (January 1 to December 31, 2018), the standalone and consolidated financial statements (including the balance sheet, comprehensive income statement of profit and loss, equity changes and cash flow statements) were audited by the CPA. The above statements and reports have been reviewed in the second session of the 10th Audit Committee's meeting on March 11, 2019, 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 11, 2019

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Land Bank of Taiwan Co., Ltd.("the Bank"), which comprise the consolidated statement of financial position as of December 31, 2018 and 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 and 2017 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" 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 Consolidated 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(c) and Note 12(b), the consolidated financial statements of the Bank are subjected to the amounts approved by the National Audit Office. The Bank's financial statements for 2017 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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(f) 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

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The main activity of Land Bank of Taiwan Co. (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(f) for the related accounting policy in the valuation for fair value of financial assets, and Note 6(aj) for the valuation for fair value of financial assets on accounting assumptions and estimation uncertainty.

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(f) 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:

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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.

Other Matter

Land Bank of Taiwan Co., Ltd. has prepared its parent company only financial statements as of and for the years ended December 31,2018 and 2017, on which we have issued an unmodified opinion with emphasis of matters.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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.

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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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of The Bank audit.

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 consolidated 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 Mei Yuan Chen and Hsiao Pei Ju.

KPMG

Taipei, Taiwan (Republic of China)

March 15, 2019

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial statements of financial position, financial performance and its 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying consolidated 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 auditors' report and consolidated financial statements, the Chinese version shall prevail.

Consolidated Balance Sheets
December 31, 2018 and 2017

	Assets	December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
11000	Total cash and cash equivalents (note 6(a))	$ 49,664,330	2	49,293,187	2
11500	Total due from the central bank and call loans to banks (note 6(b))	225,480,062	8	229,181,736	8
12000	Total financial assets at fair value through profit or loss (notes 6(c) and (ac))	5,253,684	-	3,243,418	-
12100	Total financial assets at fair value through other comprehensive income (note 6(d))	102,542,129	3	-	-
12200	Investment in debt instruments measured at amortized cost (notes 6(j) and 8)	587,049,258	20	-	-
12500	Securities purchased under resell agreements, net (notes 6(e))	389,212	-	8,029,166	-
13000	Receivables, net (notes 6(f) and 7)	9,339,670	-	8,868,031	-
13200	Total current tax assets (notes 6(g), (aj), (ak) and 7)	36,962	-	168,391	-
13500	Discounts and loans, net (notes 6(h), (ag), (ah) and 8)	1,965,807,233	65	1,879,104,149	65
14000	Available for sale financial assets, net (note 6(h), (ag), (ah) and 8)	-	-	407,495,721	14
14500	Held to maturity financial assets, net (notes 6(i), (ag), (ah) and 8)	-	-	238,122,980	9
15500	Other financial assets, net (note 6(k) and (aj))	28,735	-	1,633,383	-
18500	Property and equipment, net (note 6(l))	22,625,687	1	22,954,513	1
18700	Investment property, net (note 6(m))	24,229,670	1	24,110,445	1
19000	Intangible assets, net (note 6(n) and 8)	858,257	-	869,156	-
19300	Total deferred tax assets (note 6(x))	2,653,432	-	2,901,012	-
19500	Other assets, net (note(o) and 8)	9,071,611	-	7,614,202	-
	Total assets	$ 3,005,029,932	100	2,883,589,490	100

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Expressed in Thousands of New Taiwan Dollars

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
Current liabilities:					
21000	Total deposits from the central bank and banks (note 6(p))	$ 287,244,785	10	200,334,268	7
21500	Total due to the central bank and banks	1,939,909	-	2,040,692	-
22000	Total financial liabilities at fair value through profit or loss (notes 6(c) and (ac))	9,893,561	-	3,546,578	-
22500	Total notes and bonds issued under repurchase agreement (note 6(e))	9,740,281	-	15,157,816	1
23000	Total payables (note 6(q))	26,429,020	1	24,844,608	1
23200	Total current tax liabilities	379,210	-	368,616	-
23500	Total deposits and remittances (note 6(r) and 7)	2,426,584,880	81	2,400,023,270	83
24000	Total bank notes payable (notes 6(s) and (aj))	59,592,857	2	66,691,640	2
25500	Total other financial liabilities (note 6(t) and (aj))	113,986	-	146,198	-
25600	Total provisions (note 6(g) and (u))	17,852,687	1	17,651,342	1
29300	Total deferred income tax liabilities (note 6 (x))	6,985,635	-	6,926,029	-
29500	Total other liabilities (note 6 (w))	1,083,013	-	1,216,170	-
Total liabilities		2,847,839,824	95	2,738,947,227	95
Equity attributable to owners of parent: (note 6(w))					
31101	Common stock	62,594,000	2	62,594,000	2
31500	Total capital surplus	21,748,869	1	21,748,869	1
32001	Legal reserve	33,826,600	1	31,236,043	1
32003	Special reserve	26,772,397	1	17,859,908	1
32005	Total unappropriated earnings	5,717,396	-	8,335,109	-
		6,316,393	2	57,431,060	2
32500	Total other equity interest	6,530,846	-	2,868,334	-
	Total equity	157,190,108	5	144,642,263	5
Total liabilities and equity		$ 3,005,029,932	100	2,883,589,490	100

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Consolidated Statements of Comprehensive Income
For the years ended December 31, 2018 and 2017

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

		2018 Amount	2018 %	2017 Amount	2017 %	Change %
	Interest incomes:(note)					
41000	Total interest income	$ 48,684,757	162	43,449,692	163	12
51000	Less:Total interest expenses	22,061,824	73	18,710,697	70	18
	Net income of interest (note 6(aa))	26,622,933	89	24,738,995	93	8
	Net non interest income					
49100	Net service fee (charge) income (losses) (note 6(ab))	2,960,614	10	2,831,290	10	5
49200	Gain (loss) on financial assets or liabilities measured at fair value through profit or loss (notes 6(c) and (ac))	321,815	1	(237,008)	(1)	236
49300	Realized gain (loss) on available for sale financial assets (note 6(ad))	-	-	647,536	2	(100)
49310	Realized gain on financial assets at fair value through other comprehensive income, net(note 6(ae))	1,101,250	3	-	-	-
53601	Losses on disposal of investment in debt instruments measured ai amortized cost(note 6(j))	(3)	-	-	-	-
49600	Foreign exchange gain (loss)	(397,271)	(1)	255,223	1	(256)
49863	Net gain (loss) on disposal of property	123,639	-	18,748	-	559
49899	Other miscellaneous income (loss) (note 6(af))	(693,990)	(2)	(1,389,159)	(5)	50
		30,038,987	100	26,865,625	100	12
58200	Total bad debts expense and guarantee liability provision (note 6 (f))	3,173,158	11	492,992	2	544
58500	Total employee benefits expenses (note 6(ag))	8,712,245	29	8,439,117	31	3
59000	Total depreciation and amortization expense (note 6(ah))	988,379	3	996,070	4	(1)
59500	Total other general and administrative expense (note 6(ai))	4,985,437	17	5,055,917	19	(1)
		14,686,061	49	14,491,104	54	1
	Profit (loss) from continuing operations before tax	12,179,768	40	11,881,529	44	3
61003	Add : Tax income (expense) (note 6(v))	2,483,225	8	2,247,906	8	(10)
	Profit (loss)	9,696,543	32	9,633,623	36	1
65000	**Other comprehensive income:**					
65200	**Components of other comprehensive income that will not be reclassified to profit or loss**					
65201	Gains (losses) on remeasurements of defined benefit plans	(998,706)	(3)	(114,737)	-	(770)
65204	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	945,287	3	-	-	-
65220	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-
		(53,419)	-	(114,737)	-	53
65300	**Other components of other comprehensive income that will not be reclassified to profit or loss**					
65301	Exchange differences on translation	292,921	1	(1,182,010)	(4)	125
65302	Unrealized gains (losses) on valuation of available for sale financial assets	-	-	1,577,927	6	(100)
65309	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	(996,170)	(3)	-	-	-
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	(703,249)	(2)	395,917	2	(278)
65000	**Other comprehensive income**	(756,668)	(2)	281,180	2	(369)
	Total comprehensive income	$ 8,939,875	30	9,914,803	38	(10)
	Basic earnings per share (note 6(x))	$ 1.55		1.54		

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Consolidated Statements of Changes in Equity
For the years ended December 31, 2018 and 2017

Expressed in Thousands of New Taiwan Dollars

	Equity attributable to owners of parent									
			Retained earnings			Total other equity interest				
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available for sale financial assets	Total other equity interest	Total equity
Balance at January 1, 2017	$ 62,594,000	21,748,869	28,380,377	14,064,239	5,467,558	114,710	-	2,357,707	2,472,417	134,727,460
Profit (loss)	-	-	-	-	9,633,623	-	-	-	-	9,633,623
Other comprehensive income	-	-	-	-	(114,737)	(1,182,010)	-	1,577,927	395,917	281,180
Total comprehensive income	-	-	-	-	9,518,886	(1,182,010)	-	1,577,927	395,917	9,914,803
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	2,855,666	-	(2,855,666)	-	-	-	-	-
Special reserve appropriated	-	-	-	3,807,554	(3,807,554)	-	-	-	-	-
Reversal of the disposed land to special reserve	-	-	-	(11,885)	11,885	-	-	-	-	-
Balance at December 31, 2017	62,594,000	21,748,869	31,236,043	17,859,908	8,335,109	(1,067,300)	-	3,935,634	2,868,334	144,642,263
Effects of retrospective application	-	-	-	-	250,142	-	7,293,462	(3,935,634)	3,357,828	3,607,970
Equity at beginning of period after adjustments	62,594,000	21,748,869	31,236,043	17,859,908	8,585,251	(1,067,300)	7,293,462	-	6,226,162	148,250,233
Profit (loss)	-	-	-	-	9,696,543	-	-	-	-	9,696,543
Other comprehensive income	-	-	-	-	(998,706)	292,921	(50,883)	-	242,038	(756,668)
Total comprehensive income	-	-	-	-	8,697,837	292,921	(50,883)	-	242,038	8,939,875
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	2,590,557	-	(2,590,557)	-	-	-	-	-
Special reserve appropriated	-	-	-	8,924,077	(8,924,077)	-	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(62,646)	-	62,646	-	62,646	-
Reversal of the disposed land to special reserve	-	-	-	(11,588)	11,588	-	-	-	-	-
Balance at December 31, 2018	$ 62,594,000	21,748,869	33,826,600	26,772,397	5,717,396	(774,379)	7,305,225	-	6,530,846	157,190,108

Consolidated Statements of Cash Flows
For the years ended December 31, 2018 and 2017

	2018	2017
Cash flows from (used in) operating activities:		
Profit (loss) before tax	$ 12,179,768	11,881,529
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	725,851	724,758
Amortization expense	300,860	271,311
Provision (reversal of provision) for bad debt expense	3,417,935	459,989
Interest expense	22,061,824	18,710,697
Interest income	(48,684,757)	(43,449,692)
Dividend income	(401,249)	(355,209)
Net change in provisions for guarantee liabilities	(297,600)	30,663
Net change in other provisions	54,098	-
Loss (gain) on disposal of investment properties	(123,639)	(18,747)
Total adjustments to reconcile profit (loss)	(22,946,677)	(23,626,230)
Changes in operating assets and liabilities:		
Decrease (increase) in due from the central bank and call loans to banks	(8,187,814)	22,057,629
Decrease (increase) in financial assets at fair value through profit or loss	(990,092)	230,138
Increase in financial assets at fair value through other comprehensive income	(6,299,534)	-
(Increase) in investments in debt instruments measured at amortised cost	(33,794,444)	-
Decrease (increase) in securities purchased under resell agreements	7,639,954	(4,265,433)
Decrease (increase) in receivables	24,337	(775,566)
Increase in discounts and loans	(89,867,301)	(108,079,684)
Decrease in available for sale financial assets	-	1,407,648
Increase in held to maturity financial assets	-	(101,312,890)
Increase in other financial assets	(31,319)	(435,261)
Increase in other assets	(2,007,958)	(21,724)
Total changes in operating assets	(133,514,171)	(191,195,143)
Increase in deposits from the central bank and banks	86,910,517	58,242,874
Increase (decrease) in financial liabilities at fair value through profit or loss	6,346,983	(5,119,033)
Increase (decrease) in notes and bonds issued under repurchase agreement	(5,417,535)	7,444,724
Increase in payable	351,745	49,089
Increase in deposits and remittances	26,561,610	152,754,855
Increase (decrease) in provisions for employee benefits	(564,708)	568,164

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Expressed in Thousands of New Taiwan Dollars

	2018	2017
Increase (decrease) in other liabilities	37,062	(56,816)
Total changes in operating liabilities	114,225,674	213,883,857
Total adjustments	(42,235,174)	(937,516)
Cash inflow (outflow) generated from operations	(30,055,406)	10,944,013
Interest received	48,233,231	42,701,575
Dividends received	401,249	355,209
Interest paid	(20,827,439)	(18,382,828)
Income taxes refund (paid)	(2,034,016)	2,021,838)
Net Cash flows from (used in) operating activities	(4,282,381)	33,596,131
Cash flows from (used in) investing activities:		
Acquisition of property and equipment	(602,418)	(484,102)
Proceeds from disposal of property and equipment	12,551	7,953
Increase in refundable deposits	550,549	423,576
Acquisition of intangible assets	(289,993)	(242,738)
Acquisition of investment properties	(3,864)	(1,106)
Proceeds from disposal of investment properties	195,293	46,800
Net cash flows from (used in) investing activities	(137,882)	(249,617)
Cash flows from (used in) financing activities:		
Increase in due to the central bank and banks	(100,783)	(318,865)
Proceeds from issuing bank notes payable	-	4,501,854
Repayments of bank notes payable	(7,100,500)	(17,500,000)
Increase in guarantee deposits received	(164,258)	61,648
Decrease in other financial liabilities	(32,212)	(28,914)
Net cash flows from (used in) financing activities	(7,397,753)	(13,284,277)
Effect of exchange rate changes on cash and cash equivalents	323,163	(1,512,561)
Net increase (decrease) in cash and cash equivalents	(11,494,853)	18,549,676
Cash and cash equivalents at beginning of period	190,647,637	172,097,961
Cash and cash equivalents at end of period	$ 179,152,784	190,647,637
Composition of cash and cash equivalents:		
Cash and cash equivalents reported in the statement of financial position	$49,664,330	49,293,187
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	129,099,242	133,325,284
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	389,212	8,029,166
Cash and cash equivalents at end of period	$ 179,152,784	190,647,637

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Setting a Good Example of Green Finance Practices

078 Directory of Head Office and Branchs

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Directory of Head Office and Branchs

HEAD OFFICE				
Department of Securities	No.81, Yanping S. Rd., Zhongzheng District, Taipei City 10043, Taiwan (R.O.C.)	TEL:(02)23483962	FAX:(02)23891864	
Department of Trusts	No.53, Huaining St., Zhongzheng District, Taipei City 10046, Taiwan (R.O.C.)	TEL:(02)23483456	FAX:(02)23754092	
Department of International Banking	No.46, Guanqian Rd., Zhongzheng District, Taipei City 10047, Taiwan (R.O.C.)	TEL:(02)23483456	FAX:(02)23317322	SWIFT:LBOTTWTP088
Department of Business	No.46, Guanqian Rd., Zhongzheng District, Taipei City 10047, Taiwan (R.O.C.)	TEL:(02)23483456	FAX:(02)23752716	SWIFT:LBOTTWTP041
DOMESTIC BRANCHES				
Taipei City				
Offshore Banking Branch	6F, No.53, Huaining St., Zhongzheng District, Taipei City 10046, Taiwan (R.O.C.)	TEL:(02)23483456	FAX:(02)23711359	
Taipei Branch	No.72, Bo-ai Rd., Zhongzheng District, Taipei City 10043, Taiwan (R.O.C.)	TEL:(02)23713241	FAX:(02)23752122	SWIFT:LBOTTWTP005
Yuanshan Branch	No.91, Sec. 4, Chengde Rd.,Shilin District, Taipei City 11166, Taiwan (R.O.C.)	TEL:(02)28866379	FAX:(02)28866556	SWIFT:LBOTTWTP155
Dongmen Branch	No.165, Sec.2,Jinshan S.Rd, Da- an District, Taipei City 10644, Taiwan (R.O.C.)	TEL:(02)23911188	FAX:(02)23960209	SWIFT:LBOTTWTP138
Chengtung Branch	No.46-2, Sec. 2, Zhongshan N. Rd., Zhongshan District, Taipei City 10448, Taiwan (R.O.C.)	TEL:(02)25676268	FAX:(02)25217239	SWIFT:LBOTTWTP140
Minquan Branch	No.26, Minquan W. Rd., Zhongshan District, Taipei City 10449, Taiwan (R.O.C.)	TEL:(02)25629801	FAX:(02)25616053	SWIFT:LBOTTWTP006
Changan Branch	No.52, Sec. 2, Chang-an E. Rd., Zhongshan District, Taipei City 10456, Taiwan (R.O.C.)	TEL:(02)25238166	FAX:(02)25434262	SWIFT:LBOTTWTP008
Changchuen Branch	No.156, Changchun Rd., Zhongshan District, Taipei City 10459, Taiwan (R.O.C.)	TEL:(02)25681988	FAX:(02)25683261	SWIFT:LBOTTWTP102
Sungshan Branch	No.1, Sec. 1, Dunhua S. Rd., Songshan District, Taipei City 10557, Taiwan (R.O.C.)	TEL:(02)25774558	FAX:(02)25780590	SWIFT:LBOTTWTP063
Chunglun Branch	No.26, Dongxing Rd., Songshan District, Taipei City 10565, Taiwan (R.O.C.)	TEL:(02)27477070	FAX:(02)27471762	SWIFT:LBOTTWTP106
Fuhsin Branch	No.132, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 10596, Taiwan (R.O.C.)	TEL:(02)27199989	FAX:(02)25451215	SWIFT:LBOTTWTP090
Kuting Branch	No.125, Sec. 3, Roosevelt Rd., Da-an District, Taipei City 10647, Taiwan (R.O.C.)	TEL:(02)23634747	FAX:(02)23632118	SWIFT:LBOTTWTP007
Jenai Branch	No.29, Sec. 3, Ren-ai Rd., Da-an District, Taipei City 10651, Taiwan (R.O.C.)	TEL:(02)27728282	FAX:(02)27110884	SWIFT:LBOTTWTP057
Chunghsiao Branch	No.129, Sec. 1, Fuxing S. Rd., Da-an District, Taipei City 10666, Taiwan (R.O.C.)	TEL:(02)27312393	FAX:(02)27313649	SWIFT:LBOTTWTP058
Dah An Branch	No.37, Sec. 2, Da-an Rd., Da-an District, Taipei City 10667, Taiwan (R.O.C.)	TEL:(02)23256266	FAX:(02)23259819	SWIFT:LBOTTWTP123
Hoping Branch	No.15, Sec. 3, Heping E. Rd., Da-an District, Taipei City 10670, Taiwan (R.O.C.)	TEL:(02)27057505	FAX:(02)27015459	SWIFT:LBOTTWTP045
Tunhua Branch	No.76, Sec. 2, Dunhua S. Rd., Da-an District, Taipei City 10683, Taiwan (R.O.C.)	TEL:(02)27071234	FAX:(02)27066470	SWIFT:LBOTTWTP074
Wanhua Branch	No.205, Sec. 2, Xiyuan Rd., Wanhua District, Taipei City 10864, Taiwan (R.O.C.)	TEL:(02)23322778	FAX:(02)23323391	SWIFT:LBOTTWTP116
Hinyi Branch	No.436, Sec. 1, Keelung Rd., Xinyi District, Taipei City 11051, Taiwan (R.O.C.)	TEL:(02)27585667	FAX:(02)27582282	SWIFT:LBOTTWTP079
Tungtaipei Branch	No.107, Songde Rd., Xinyi District, Taipei City 11075, Taiwan (R.O.C.)	TEL:(02)27272588	FAX:(02)27285721	SWIFT:LBOTTWTP099

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Taipei City				
Sungnan Branch	No.130, Songshan Rd., Xinyi District, Taipei City 11090, Taiwan (R.O.C.)	TEL:(02)27631111	FAX:(02)27669933	SWIFT:LBOTTWTP141
Shihlin Branch	No.689, Sec. 5, Zhongshan N. Rd., Shilin District, Taipei City 11145, Taiwan (R.O.C.)	TEL:(02)28341361	FAX:(02)28313863	SWIFT:LBOTTWTP009
Tienmu Branch	No.122, Sec. 2, Zhongzheng Rd., Shilin District, Taipei City 11148, Taiwan (R.O.C.)	TEL:(02)28767287	FAX:(02)28767257	SWIFT:LBOTTWTP133
DaZhi Branch	No.283, Lequn 2nd Rd., Zhongshan Dist., Taipei City 10462, Taiwan (R.O.C.)	TEL:(02)85025868	FAX:(02)85026786	SWIFT:LBOTTWTP160
Neihu Branch	No.156, Sec. 6, Minquan E. Rd., Neihu District, Taipei City 11490, Taiwan (R.O.C.)	TEL:(02)27963800	FAX:(02)27963961	SWIFT:LBOTTWTP064
Shihu Branch	No.185, Gangqian Rd., Neihu District, Taipei City 11494, Taiwan (R.O.C.)	TEL:(02)26599888	FAX:(02)26593659	SWIFT:LBOTTWTP120
Nankang Branch	No.364 Sec. 1, Nangang Rd., Nangang District, Taipei City 11579, Taiwan (R.O.C.)	TEL:(02)27834161	FAX:(02)27820454	SWIFT:LBOTTWTP004
Wenshan Branch	No.206, Jingxing Rd., Wenshan District, Taipei City 11669, Taiwan (R.O.C.)	TEL:(02)29336222	FAX:(02)29335279	SWIFT:LBOTTWTP093
NanJing Donglu Branch	1F,No.70,Sec.3,NanJing E.Rd.,ZhongShan District, Taipei City10489 Taiwan (R.O.C.)	TEL:(02)25036345	FAX:(02)25035643	SWIFT:LBOTTWTP165
New Taipei City				
Huachiang Branch	No.2, Alley 1, Lane 182, Sec. 2, Wunhua Rd., Banqiao District ,New Taipei City 22044, Taiwan (R.O.C.)	TEL:(02)22518599	FAX:(02)22517665	SWIFT:LBOTTWTP107
Panchiao Branch	No.143, Sec. 1, Wunhua Rd., Banqiao District., New Taipei City 22050, Taiwan (R.O.C.)	TEL:(02)29689111	FAX:(02)29667278	SWIFT:LBOTTWTP050
Tungpanchiao Branch	No.212, Minzu Rd., Banqiao District, New Taipei City 22065, Taiwan (R.O.C.)	TEL:(02)29633939	FAX:(02)29633931	SWIFT:LBOTTWTP095
Kuangfu Branch	No.148, Sec. 2, Sanmin Rd.,Banqiao District, New Taipei City, 22069 Taiwan,R.O.C.	TEL:(02)89522345	FAX:(02)89522395	SWIFT:LBOTTWTP129
Hsichih Branch	No.306-3, Sec. 1, Datong Rd., Xizhi District, New Taipei City 22146, Taiwan (R.O.C.)	TEL:(02)26498577	FAX:(02)26498666	SWIFT:LBOTTWTP115
Xike Branch	No.93, Sec. 1,Xintai 5 th Rd., Xizhi District, New Taipei City 22175, Taiwan (R.O.C.)	TEL:(02)26972858	FAX:(02)26972601	SWIFT:LBOTTWTP148
Hsintien Branch	No.309, Sec. 1, Beixin Rd., Xindian District ,New Taipei City 23147, Taiwan (R.O.C.)	TEL:(02)29151234	FAX:(02)29178333	SWIFT:LBOTTWTP061
Yungho Branch	No.33, Zhulin Rd., Yonghe District ,New Taipei City 23441, Taiwan (R.O.C.)	TEL:(02)89268168	FAX:(02)89268181	SWIFT:LBOTTWTP049
Yuantong Branch	No.192, Liancheng Rd., Zhonghe District ,New Taipei City 23553, Taiwan (R.O.C.)	TEL:(02)22497071	FAX:(02)22497701	SWIFT:LBOTTWTP158
Shuangho Branch	No.120, Sec. 2, Zhongshan Rd., Zhonghe District , NewT aipei City 23555, Taiwan (R.O.C.)	TEL:(02)22425300	FAX:(02)22425495	SWIFT:LBOTTWTP087
Chungho Branch	No.323, Jingping Rd., Zhonghe District ,New Taipei City 23577, Taiwan (R.O.C.)	TEL:(02)29461123	FAX:(02)29440419	SWIFT:LBOTTWTP003
Tucheng Branch	No.127, Sec. 1, Zhongyang Rd., Tucheng District, New Taipei City 23664, Taiwan (R.O.C.)	TEL:(02)22651000	FAX:(02)22667858	SWIFT:LBOTTWTP080
Sanshia Branch	No.83, Minsheng St., Sanxia District, New Taipei City 23741, Taiwan (R.O.C.)	TEL:(02)86711010	FAX:(02)86711033	SWIFT:LBOTTWTP112
Shulin Branch	No.82, Bao-an 2nd St., Shulin District ,New Taipei City 23860, Taiwan (R.O.C.)	TEL:(02)26845116	FAX:(02)26845115	SWIFT:LBOTTWTP098
Beisanchong Branch	No. 99, Sec. 4, Chongyang Rd., Sanchong District ,New Taipei City 24145, Taiwan (R.O.C.)	TEL:(02)89821919	FAX:(02)89819492	SWIFT:LBOTTWTP157
Sanchung Branch	No.1-8, Sec. 2, Chongxin Rd., Sanchong District,New Taipei City 24147, Taiwan (R.O.C.)	TEL:(02)89712222	FAX:(02)29848053	SWIFT:LBOTTWTP010
Hsisanchung Branch	No.88, Sec. 1, Chongyang Rd., Sanchong District, New Taipei City 24161, Taiwan (R.O.C.)	TEL:(02)29846969	FAX:(02)29859842	SWIFT:LBOTTWTP100

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New Taipei City				
Hsinchuang Branch	No.221, Siyuan Rd., Xinzhuang District , NewTaipei City 24250, Taiwan (R.O.C.)	TEL:(02)29973321	FAX:(02)29973320	SWIFT:LBOTTWTP086
Nanhsinchuang Branch	No.288-23, Xinshu. Rd., Xinzhuang District, New Taipei City 24262, Taiwan (R.O.C.)	TEL:(02)22066080	FAX:(02)22066372	SWIFT:LBOTTWTP111
Taishan Branch	No.168, Sec. 3, Mingzhi Rd., Taishan District, New Taipei 24354, Taiwan (R.O.C.)	TEL:(02)29018899	FAX:(02)29014174	SWIFT:LBOTTWTP134
Luchou Branch	No.100, Zhongshan 1st Rd., Luzhou District, New Taipei City 24748, Taiwan (R.O.C.)	TEL:(02)22859100	FAX:(02)22858983	SWIFT:LBOTTWTP076
Tanshui Branch	No.42, Sec. 1, Zhongshan N. Rd., Danshui District, New Taipei City 25157, Taiwan (R.O.C.)	TEL:(02)26219691	FAX:(02)26219695	SWIFT:LBOTTWTP081
Baozhong Branch	No.94-3, Baozhong Rd., Xindian District ,New Taipei City 23144, Taiwan (R.O.C.)	TEL:(02)29111898	FAX:(02)29111737	SWIFT:LBOTTWTP163
Keelung City				
Keelung Branch	No.18, Yi 1st Rd., Zhongzheng District, Keelung City 20241, Taiwan (R.O.C.)	TEL:(02)24210200	FAX:(02)24224407	SWIFT:LBOTTWTP002
Chengping Branch	No.652, Zhongzheng Rd., Zhongzheng District, Keelung City 20248, Taiwan (R.O.C.)	TEL:(02)24621111	FAX:(02)24627214	SWIFT:LBOTTWTP073
Taoyuan County				
Chungli Branch	No.190, Zhongshan Rd., Zhongli District, Taoyuan City 32041, Taiwan (R.O.C.)	TEL:(03)4253140	FAX:(03)4253674	SWIFT:LBOTTWTP014
Peichungli Branch	No.400, Huanbei Rd., Zhongli District, Taoyuan City 32070, Taiwan (R.O.C.)	TEL:(03)4250011	FAX:(03)4223230	SWIFT:LBOTTWTP124
Neili Branch	No.33, Huanzhong E. Rd., Zhongli District, Taoyuan City 32071, Taiwan (R.O.C.)	TEL:(03)4612666	FAX:(03)4613868	SWIFT:LBOTTWTP145
Pingchen Branch	No.5, Shanding Sec.,Zhongfeng Rd., Pingzhen District, Taoyuan City 32463, Taiwan (R.O.C.)	TEL:(03)4699111	FAX:(03)4699119	SWIFT:LBOTTWTP091
Shihmen Branch	No.49, Beilong Rd., Longtan District, Taoyuan City 32552, Taiwan (R.O.C.)	TEL:(03)4792101	FAX:(03)4708934	SWIFT:LBOTTWTP015
Yangmei Branch	No.116, Daping St., Yangmei District, Taoyuan City 32643, Taiwan (R.O.C.)	TEL:(03)4881215	FAX:(03)4881217	SWIFT:LBOTTWTP137
Taoyuan Branch	No.75, Zhongzheng Rd., Taoyuan District, Taoyuan City 33041, Taiwan (R.O.C.)	TEL:(03)3379911	FAX:(03)3379976	SWIFT:LBOTTWTP013
Peitaoyuan Branch	No.1071, Zhongzheng Rd., Taoyuan District, Taoyuan City 33045, Taiwan (R.O.C.)	TEL:(03)3566199	FAX:(03)3565406	SWIFT:LBOTTWTP131
Nantaoyuan Branch	No.835, Zhongshan Rd., Taoyuan District, Taoyuan City 33059, Taiwan (R.O.C.)	TEL:(03)3786969	FAX:(03)3786984	SWIFT:LBOTTWTP114
Linkou Branch	No.109, Wunhua 2nd Rd., Guishan District, Taoyuan City 33377, Taiwan (R.O.C.)	TEL:(03)3182128	FAX:(03)3183719	SWIFT:LBOTTWTP143
Bade Branch	No.702, Sec. 1, Jieshou Rd., Bade District, Taoyuan City 33450, Taiwan (R.O.C.)	TEL:(03)3667966	FAX:(03)3669900	SWIFT:LBOTTWTP121
Dayuan Branch	No. 55, Zhongzheng E. Rd., Dayuan District, Taoyuan City 33756, Taiwan (R.O.C.)	TEL:(03)3850805	FAX:(03)3856625	SWIFT:LBOTTWTP136
Nanknag Branch	No.16, Luoyang St., Luzhu District, Taoyuan City 33845, Taiwan (R.O.C.)	TEL:(03)3526556	FAX:(03)3527099	SWIFT:LBOTTWTP096
Hsinchu City				
Hsinchu Branch	No.1, Zhongyang Rd., Hsinchu City 30041, Taiwan (R.O.C.)	TEL:(03)5213211	FAX:(03)5233693	SWIFT:LBOTTWTP016
Tunghsinchu Branch	No.22, Beida Rd., Hsinchu City 30044, Taiwan (R.O.C.)	TEL:(03)5353998	FAX:(03)5353923	SWIFT:LBOTTWTP103
Hsinchu County				
Chupei Branch	No.130, Xianzheng 9th Rd., Zhubei City, Hsinchu County 30251, Taiwan (R.O.C.)	TEL:(03)5532231	FAX:(03)5532308	SWIFT:LBOTTWTP108
Hukou Branch	No.102, Sec. 1, Zhongzheng Rd., Hukou Township, Hsinchu County 30342, Taiwan (R.O.C.)	TEL:(03)5996111	FAX:(03)5901987	SWIFT:LBOTTWTP052

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Hsinchu County				
Hsingong Branch	No.76, Zhonghua Rd., Hukou Township, Hsinchu County 30353, Taiwan (R.O.C.)	TEL:(03)5981969	FAX:(03)5985373	SWIFT:LBOTTWTP118
ITRI Branch	No.195, Sec. 4, Zhongxing Rd., Zhudong Township, Hsinchu County 31040, Taiwan (R.O.C.)	TEL:(03)5910188	FAX:(03)5910199	SWIFT:LBOTTWTP156
Chutung Branch	No.10, Donglin Rd., Zhudong Township, Hsinchu County 31047, Taiwan (R.O.C.)	TEL:(03)5961171	FAX:(03)5961175	SWIFT:LBOTTWTP017
Miaoli County				
Chunan Branch	No.62, Zhongzheng Rd., Zhunan Township, Miaoli County 35047, Taiwan (R.O.C.)	TEL:(037)551022	FAX:(037)551090	SWIFT:LBOTTWTP146
Toufen Branch	No.932, Zhonghua Rd., Toufen Township, Miaoli County 35159, Taiwan (R.O.C.)	TEL:(037)667185	FAX:(037)667188	SWIFT:LBOTTWTP021
Tunghsiao Branch	No.85, Zhongzheng Rd., Tongxiao Township, Miaoli County 35741, Taiwan (R.O.C.)	TEL:(037)756010	FAX:(037)756014	SWIFT:LBOTTWTP084
Miaoli Branch	No.402, Zhongzheng Rd., Miaoli City, Miaoli County 36043, Taiwan (R.O.C.)	TEL:(037)320531	FAX:(037)329215	SWIFT:LBOTTWTP020
Taichung City				
Taichung Branch	No.1, Sec. 2, Ziyou Rd., Central District, Taichung City 40045, Taiwan (R.O.C.)	TEL:(04)22235021	FAX:(04)22204961	SWIFT:LBOTTWTP024
Nantaichung Branch	No.81, Guoguang Rd., South District, Taichung City 40254, Taiwan (R.O.C.)	TEL:(04)22240323	FAX:(04)22201390	SWIFT:LBOTTWTP101
Hsitaichung Branch	No.2-4, Wuquan Rd., West District, Taichung City 40355, Taiwan (R.O.C.)	TEL:(04)22289151	FAX:(04)22276621	SWIFT:LBOTTWTP055
Peitaichung Branch	No.79, Sec.1,Zhongping Rd., Beitun District, Taichung City 40458, Taiwan (R.O.C.)	TEL:(04)22016902	FAX:(04)22014766	SWIFT:LBOTTWTP077
Beituen Branch	No.232, Sec. 4, Wenxin Rd., North District, Taichung City 40462, Taiwan (R.O.C.)	TEL:(04)22915678	FAX:(04)22913636	SWIFT:LBOTTWTP122
Chungkang Branch	No.598, Sec.2, Wenxin Rd., Xitun District, Taichung City 40758, Taiwan (R.O.C.)	TEL:(04)23288800	FAX:(04)23287958	SWIFT:LBOTTWTP094
Situn Branch	No.542, Sec. 3, Taiwan Blvd. Xitun District, Taichung City 40757, Taiwan (R.O.C.)	TEL:(04)27087759	FAX:(04)27086359	SWIFT:LBOTTWTP144
Nantun Branch	No.65, Wenxin S. Rd., Nantun District, Taichung City 40854, Taiwan (R.O.C.)	TEL:(04)24723568	FAX:(04)24727911	SWIFT:LBOTTWTP161
Taiping Branch	No.131, Sec. 3, Zhongshan Rd., Taiping District, Taichung City 41169, Taiwan (R.O.C.)	TEL:(04)22780788	FAX:(04)22783488	SWIFT:LBOTTWTP072
Dali Branch	No.405, Sec. 2, Guoguang Rd., Dali District, Taichung City 41266, Taiwan (R.O.C.)	TEL:(04)24061679	FAX:(04)24061579	SWIFT:LBOTTWTP150
Wujih Branch	No.535,Sec.1,Zhongshan Rd., Wuri District, Taichung City 41443, Taiwan (R.O.C.)	TEL:(04)23360311	FAX:(04)23360321	SWIFT:LBOTTWTP119
Fengyuan Branch	No.508, Zhongshan Rd., Fengyuan District, Taichung City 42044, Taiwan (R.O.C.)	TEL:(04)25242191	FAX:(04)25283716	SWIFT:LBOTTWTP022
Jhongke Branch	2F.-1, No.6, Zhongke Rd., Daya District,Taichung City 42881, Taiwan (R.O.C.)	TEL:(04)25658228	FAX:(04)25658255	SWIFT:LBOTTWTP135
Shalu Branch	No.407, Zhongshan Rd., Shalu District,Taichung City 43350, Taiwan (R.O.C.)	TEL:(04)26651717	FAX:(04)26651256	SWIFT:LBOTTWTP113
Tachia Branch	No.40, Zhenzheng Rd., Dajia District, Taichung City 43746, Taiwan (R.O.C.)	TEL:(04)26877181	FAX:(04)26860142	SWIFT:LBOTTWTP023
Zhongcing Branch	No.358 Sec.2, Jhongcing Rd.,Beitun District,Taichung City 40676, Taiwan (R.O.C.)	TEL:(04)22956677	FAX:(04)22956776	SWIFT:LBOTTWTP164
Nantou County				
Nantou Branch	No.202, Zhongshan St., Nantou City, Nantou County 54057, Taiwan (R.O.C.)	TEL:(049)2222143	FAX:(049)2221833	SWIFT:LBOTTWTP025
Tsaotun Branch	No.601-7, Zhongzheng Rd., Caotun Township, Nantou County 54241, Taiwan (R.O.C.)	TEL:(049)2330573	FAX:(049)2353647	SWIFT:LBOTTWTP082

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Changhua County				
Changhua Branch	No.98, Guangfu Rd., Changhua City, Changhua County 50045, Taiwan (R.O.C.)	TEL:(04)7230777	FAX:(04)7242934	SWIFT:LBOTTWTP047
Fuhsing Branch	No.399, Sec. 7, Zhanglu Rd., Fuxing Township, Changhua County 50661, Taiwan (R.O.C.)	TEL:(04)7785566	FAX:(04)7789933	SWIFT:LBOTTWTP142
Yuanlin Branch	No.100, Sec. 2, Zhongshan Rd., Yuanlin City, Changhua County 51052 Taiwan (R.O.C.)	TEL:(04)8323171	FAX:(04)8330634	SWIFT:LBOTTWTP026
Yunlin County				
Huwei Branch	No.490, Sec. 1, Linsen Rd., Huwei Township, Yunlin County 63243, Taiwan (R.O.C.)	TEL:(05)6327373	FAX:(05)6320297	SWIFT:LBOTTWTP056
Touliu Branch	No.72,Zhongshan Rd., Douliu City, Yunlin County 64051, Taiwan (R.O.C.)	TEL:(05)5323901	FAX:(05)5334295	SWIFT:LBOTTWTP027
Peikang Branch	No.90, Minzhu Rd., Beigang Township, Yunlin County 65142, Taiwan (R.O.C.)	TEL:(05)7836111	FAX:(05)7835525	SWIFT:LBOTTWTP028
Chiayi City				
Chiayi Branch	No.309, Zhongshan Rd., Chiayi City 60041, Taiwan (R.O.C.)	TEL:(05)2241150	FAX:(05)2250426	SWIFT:LBOTTWTP029
Chiasing Branch	No.28, Ziyou Rd., Chiayi City 60093, Taiwan (R.O.C.)	TEL:(05)2810866	FAX:(05)2810882	SWIFT:LBOTTWTP110
Chiayi County				
Minhsiung Branch	No.126, Sec. 3, Jianguo Rd., Minxiong Township, Chiayi County 62157, Taiwan (R.O.C.)	TEL:(05)2200180	FAX:(05)2214643	SWIFT:LBOTTWTP066
Tainan City				
Tainan Branch	No.28, Zhongzheng Rd., West District, Tainan City 70048, Taiwan (R.O.C.)	TEL:(06)2265211	FAX:(06)2240057	SWIFT:LBOTTWTP032
Tungtainan Branch	No.261, Sec. 3, Dongmen Rd., East District, Tainan City 70172, Taiwan (R.O.C.)	TEL:(06)2906183	FAX:(06)2906946	SWIFT:LBOTTWTP083
Peitainan Branch	No.128-7, Gongyuan Rd., North District, Tainan City 70448, Taiwan (R.O.C.)	TEL:(06)2210071	FAX:(06)2256036	SWIFT:LBOTTWTP062
Anping Branch	No.23, Sec. 2, Zhonghua W. Rd., Anping District, Tainan City 70844, Taiwan (R.O.C.)	TEL:(06)2933555	FAX:(06)2933666	SWIFT:LBOTTWTP109
Annan Branch	No.47, Sec. 3, Haidian Rd., Annan District, Tainan City 70966, Taiwan (R.O.C.)	TEL:(06)2568669	FAX:(06)2569778	SWIFT:LBOTTWTP147
Yungkang Branch	No.20, Zhongshan S. Rd., Yongkang District, Tainan City, 71075, Taiwan (R.O.C.)	TEL:(06)2321171	FAX:(06)2324144	SWIFT:LBOTTWTP031
Dawan Branch	No.1062, Sec. 2, Yongda Rd., Yongkang District,Tainan City,71080, Taiwan (R.O.C.)	TEL: (06)2071200	FAX: (06)2071250	SWIFT:LBOTTWTP151
Hsuehchia Branch	No.303, Zhongzheng Rd., Xuejia District, Tainan City 72641, Taiwan (R.O.C.)	TEL:(06)7832166	FAX:(06)7836743	SWIFT:LBOTTWTP085
Hsinying Branch	No.79, Zhongshan Rd., Xinying District,Tainan City, 73045, Taiwan (R.O.C.)	TEL:(06)6322441	FAX:(06)6357300	SWIFT:LBOTTWTP030
Paiho Branch	No.395, Sanmin Rd., Baihe District, Tainan City 73242, Taiwan (R.O.C.)	TEL:(06)6855301	FAX:(06)6852545	SWIFT:LBOTTWTP089
Hsinshih Branch	No.10, Fusing Rd., Xinshi District,Tainan City 74444, Taiwan (R.O.C.)	TEL:(06)5997373	FAX:(06)5990799	SWIFT:LBOTTWTP104
Kaohsiung City				
Chungcheng Branch	No.158, Zhongzheng 3rd Rd., Xinxing District, Kaohsiung City 80052, Taiwan (R.O.C.)	TEL:(07)2352156	FAX:(07)2352140	SWIFT:LBOTTWTP059
Hsinhsing Branch	No.480, Qixian 1st Rd., Xinxing District, Kaohsiung City 80053, Taiwan (R.O.C.)	TEL:(07)2355111	FAX:(07)2355118	SWIFT:LBOTTWTP054
Chungshan Branch	No.87, Wufu 3rd Rd., Qianjin District, Kaohsiung City 80148, Taiwan (R.O.C.)	TEL:(07)2519406	FAX:(07)2518154	SWIFT:LBOTTWTP048
Lingya Branch	No.18, Zhongxiao 2nd Rd., Lingya District, Kaohsiung City 80241, Taiwan (R.O.C.)	TEL:(07)3328477	FAX:(07)3356471	SWIFT:LBOTTWTP078

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Kaohsiung City				
Kaohsiung Branch	No.131, Dayong Rd., Yancheng District, Kaohsiung City 80343, Taiwan (R.O.C.)	TEL:(07)5515231	FAX:(07)5510428	SWIFT:LBOTTWTP033
Chiencheng Branch	No.241, Yixin 1st Rd., Qianzhen District, Kaohsiung City 80606, Taiwan (R.O.C.)	TEL:(07)3329755	FAX:(07)3313296	SWIFT:LBOTTWTP069
Poai Branch	No.300, Bo-ai 1st Rd., Sanmin District, Kaohsiung City 80757, Taiwan (R.O.C.)	TEL:(07)3150301	FAX:(07)3226961	SWIFT:LBOTTWTP105
Chienkuo Branch	No.458, Jianguo 1st Rd., Sanmin District, Kaohsiung City 80760, Taiwan (R.O.C.)	TEL:(07)2250011	FAX:(07)2250077	SWIFT:LBOTTWTP097
Shanming Branch	No.657, Jiangong Rd., Sanmin District, Kaohsiung City 80778, Taiwan (R.O.C.)	TEL:(07)3861301	FAX:(07)3891941	SWIFT:LBOTTWTP065
Shiaokang Branch	No.336, Hongping Rd., Xiaogang District, Kaohsiung City 81268, Taiwan (R.O.C.)	TEL:(07)8065606	FAX:(07)8018837	SWIFT:LBOTTWTP117
Zuoying Branch	No.1237, Huaxia Rd., Zuoying District, Kaohsiung City 81361, Taiwan (R.O.C.)	TEL:(07)3436168	FAX:(07)3433321	SWIFT:LBOTTWTP130
Renwu Branch	No.85 Renyong Rd., Renwu Dist., Kaohsiung City 81458, Taiwan (R.O.C.)	TEL:(07)732-2678	FAX:(07)7327978	SWIFT:LBOTTWTP166
Tashe Branch	No.369, Zhongshan Rd., Dashe District, Kaohsiung City 81547, Taiwan (R.O.C.)	TEL:(07)3520779	FAX:(07)3529804	SWIFT:LBOTTWTP067
Kangshan Branch	No.285, Gangshan Rd., Gangshan District, Kaohsiung City 82041, Taiwan (R.O.C.)	TEL:(07)6216102	FAX:(07)6213119	SWIFT:LBOTTWTP034
Luzhu Branch	No.18, Guochang Rd., Luzhu District, Kaohsiung City 82150, Taiwan (R.O.C.)	TEL:(07)6972131	FAX:(07)6973834	SWIFT:LBOTTWTP070
Cingnian Branch	No.281, Sec. 2, Qingnian Rd., Fengshan District, Kaohsiung City 83048, Taiwan (R.O.C.)	TEL:(07)7808700	FAX:(07)7805166	SWIFT:LBOTTWTP038
Fengshan Branch	No.15, Caogong Rd., Fengshan District,Kaohsiung City 83064, Taiwan (R.O.C.)	TEL:(07)7460121	FAX:(07)7436569	SWIFT:LBOTTWTP051
Wuchia Branch	No.256, Wujia 2nd Rd., Fengshan District, Kaohsiung City,83083, Taiwan (R.O.C.)	TEL:(07)7715176	FAX:(07)7715170	SWIFT:LBOTTWTP071
Dafa Branch	No.272, Fonglin 4th Rd., Daliao District, Kaohsiung City 83150, Taiwan (R.O.C.)	TEL: (07)7869169	FAX: (07)7869189	SWIFT:LBOTTWTP153
Nanzi Branch	No.318,Lanchang Rd., Nanzi District, Kaohsiung City 81168, Taiwan (R.O.C.)	TEL:(07)3621199	FAX:(07)3621099	SWIFT:LBOTTWTP149
Meinung Branch	No.65, Sec. 1, Zhongshan Rd., Meinong District, Kaohsiung City 84348, Taiwan (R.O.C.)	TEL:(07)6813211	FAX:(07)6813111	SWIFT:LBOTTWTP035
Pingtung County				
Pingtung Branch	No.78, Fongjia Rd., Pingtung City, Pingtung County 90075, Taiwan (R.O.C.)	TEL:(08)7325131	FAX:(08)7322236	SWIFT:LBOTTWTP036
Kaoshu Branch	No.99, Nanxing Rd., Gaoshu Township, Pingtung County 90641, Taiwan (R.O.C.)	TEL:(08)7963399	FAX:(08)7966333	SWIFT:LBOTTWTP125
Chaochou Branch	No.12, Xinsheng Rd., Chaozhou Township, Pingtung County 92046, Taiwan (R.O.C.)	TEL:(08)7884111	FAX:(08)7881972	SWIFT:LBOTTWTP046
Donggang Branch	No.27, Sec. 2, Guangfu Rd., Donggang Township, Pingtung County 92847, Taiwan (R.O.C.)	TEL:(08)8332255	FAX:(08)8325399	SWIFT:LBOTTWTP132
Fangliao Branch	No.111, Longshan Rd., Fangliao Township, Pingtung County 94049, Taiwan (R.O.C.)	TEL:(08)8781533	FAX:(08)8786282	SWIFT:LBOTTWTP126
Yilan County				
Ilan Branch	No.31,Sec.2, Zhongshan Rd., Yilan City, Yilan County 26046, Taiwan (R.O.C.)	TEL:(03)9361101	FAX:(03)9323692	SWIFT:LBOTTWTP011
Lotung Branch	No.158, Gongzheng Rd., Luodong Township, Yilan County 26550, Taiwan (R.O.C.)	TEL:(03)9571111	FAX:(03)9571117	SWIFT:LBOTTWTP012
Suao Branch	No.17, Taiping Rd., Su' ao Township, Yilan County 27048, Taiwan (R.O.C.)	TEL:(03)9961100	FAX:(03)9965334	SWIFT:LBOTTWTP053

Hualien County				
Hualien Branch	No.356, Zhongshan Rd., Hualien City, Hualien County 97050, Taiwan (R.O.C.)	TEL:(03)8312601	FAX:(03)8320482	SWIFT:LBOTTWTP018
Yuli Branch	No.51, Sec.2, Zhongshan Rd., Yuli Township, Hualien County 98142, Taiwan (R.O.C.)	TEL:(03)8886181	FAX:(03)8882320	SWIFT:LBOTTWTP019
Taitung County				
Taitung Branch	No.357, Sec. 1, Zhonghua Rd., Taitung City, Taitung County 95046, Taiwan (R.O.C.)	TEL:(089)310111	FAX:(089)310100	SWIFT:LBOTTWTP037
Penghu County				
Penghu Branch	No.20, Sanmin Rd., Magong City, Penghu County 88050, Taiwan (R.O.C.)	TEL:(06)9262141	FAX:(06)9278371	SWIFT:LBOTTWTP040
Kinmen County				
Kinmen Branch	No.34, Minsheng Rd., Jincheng Township, Kinmen County 89345, Taiwan (R.O.C.)	TEL:(082)327300	FAX:(082)327305	SWIFT:LBOTTWTP039
Kincheng Branch	No.6, Minsheng Rd., Jincheng Township, Kinmen County 89345, Taiwan (R.O.C.)	TEL:(082)311981	FAX:(082)311986	SWIFT:LBOTTWTP128
OVERSEAS BRANCH				
Los Angeles Branch	Suite 1900,811Wilshire Boulevard Los Angeles, California 90017 U.S.A.	TEL:(1)-213-532-3789	FAX:(1)-213-532-3766	SWIFT:LBOTUS66
Hong Kong Branch	Unit 3101-6 & 12,Tower 1, The Gateway, 25 Canton Road, Tsimshatsui, Kowloon., H.K.	TEL:(852)2581-0788	FAX:(852)2581-0777	SWIFT:LBOTHKHH
Singapore Branch	80,Raffles Place, #34-01 UOB Plaza 1, Singapore	TEL:(65)6349-4555	FAX:(65)6349-4545	SWIFT:LBOTSGSG
Shanghai Branch	Unit1703-04, 17F,Aurora Plaza,99 Fu Cheng Road, Pudong Shanghai, China 200120	TEL:(86)-21-5037-2495	FAX:(86)-21-5037-2497	SWIFT:LBOTCNSH
New York Branch	100Wall Street,14F.NewYork, .New York10005 U.S.A	TEL:(1)-917-542-0222	FAX: (1)-917-542-0288	SWIFT:LBOTUS33
TianJin Branch	Room 3701-3702,Xin Silver Building ,No.28,Zeng Jin Dao,Hexi District ,TianJin,China.300201	TEL：(86)22-2837-1115	FAX：(86)22-2837-1113	SWIFT:LBOTCNBT
Wuhan Branch	Unit 01-03,41F,Wuhan Wanda Center,No.96 Linjiang Avenue,Jiyuqiao,Wuchang District, Wuhan.. ,China 430062	TEL：(86)27-5960-6939	FAX：(86)27-5960-6936	SWIFT:LBOTCNBW

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(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(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, 2017 there were 150 domestic branches, an offshore banking branch and 7 overseas branches.

Land Bank Insurance Brokers Co., Ltd., (the "Subsidiary") is a wholly-owned company of the Bank. The Subsidiary was incorporated in June 30, 2013 according to The Company Law and Regulations Governing the Supervision of Insurance Agents, Brokers and Adjusters. The Subsidiary has started operating since October 31, 2013. The main businesses of the Subsidiary are the personal and property insurance broker business.

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

These consolidated financial statements were authorized for issuance by the Banks' board of directors on March 15, 2019.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018. In addition, based on the announcement issued by the FSC on December 12, 2017, The Bank can, and therefore, elected to early adopt the amendments to IFRS 9 "Prepayment features with negative compensation": The differences between the current version and the previous version are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Bank believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Bank adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Bank's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Bank adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Bank classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(f).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note X.

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Comparative periods have been restated only for retrospective application of the cost of hedging approach for forward points. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  – The determination of the business model within which a financial asset is held.

  – The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  – The designation of certain investments in equity instruments not held for trading as at FVOCI.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Bank assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Bank's financial assets as of January 1, 2018.

	IAS 39		IFRS 9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial assets				
Due form the central bank and call loans to banks	Amortized cost(loans and receivables)	229,181,736	Amortized cost	229,181,321
Fair value through profit or loss	Fair value through profit or loss	3,243,418	Fair value through profit or loss	3,199,077
		-	FVOCI	44,341
Accounts receivables, net	Amortized cost(loans and receivables)	8,868,031	Amortized cost(loans and receivables)	8,909,856
Loans and receivables	Amortized cost(loans and receivables)	1,879,104,149	Amortized cost(loans and receivables)	1,879,315,998
Available-for-sale financial assets, net	Available-for-sale	407,495,721	Fair value through profit or loss	1,064,515
		-	FVOCI	70,717,282
		-	Amortized cost	335,676,814
Held-to maturity financial assets, net	Amortized cost	238,122,980	Fair value through profit or loss	6,416,580
		-	Amortized cost	232,304,759
Other financial assets, net	Amortized cost	1,579,731	Fair value through profit or loss	4,349,328
Provisions				
Guarantee liability provision	Financial guarantee contracts	759,566	Financial guarantee contracts	759,566
Loan commitment provision	Loan commitment	-	Amortized cost	12,310

Note1: The due form the central bank and call loans to banks was categorized at amortized coat under IAS 39. The Bank assesses that these securities are held within a business model whose objective is achieved by collecting the contractual cash flows, and therefore classifies these assets as financial assets at amortized cost under IFRS 9. An allowance for impairment of $415 thousand was recognized in opening retained earnings upon transition to IFRS 9 on January 1, 2018.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note2: Under IAS 39, Accounts receivables and loans were designated as at amortized cost. The Bank assesses that these financial assets are held within a business model whose objective is achieved by collecting the contractual cash flows, and therefore classifies these assets as financial assets at amortized cost under IFRS 9. A decrease of allowance for impairment of $41,825 thousand and $211,849 thousand, respectively, were recognized in opening retained earnings upon transition to IFRS 9 on January 1, 2018.

Note3: The Bank's investments categorized as available-for-sale under IAS 39 are held to provide interest income; however, they may be sold to meet liquidity requirements arising in the normal course of business. The Bank considers that these investments may be sold to meet liquidity requirements arising in the normal course of business. These assets have therefore been classified as financial assets at fair value through profit or loss under IFRS 9. Adjustments of increasing in opening retained earnings by $18,279 thousand and decreasing in other equity by $18,279 thousand were recognized on transition to IFRS 9 on January 1, 2018.

Note4: Under IAS 39, the investments categorized as available-for-sale were different upon the Bank's intention to sell in the short term or to hold for the long term. Therefore, the Bank classified the investments as financial assets at FVOCI under IFRS 9, and recognized an allowance of impairment of $4,047 thousand, decreasing the opening retained earnings on transition to IFRS 9 on January 1, 2018.

Note5: Under IAS 39, the investments were designated as available-for-sale. The Bank assesses that these financial assets are held within a business model whose objective is achieved by collecting the contractual cash flows, and therefore classifies these assets as financial assets at amortized cost under IFRS 9. An allowance for impairment of $8,154 thousand has been recognized, increasing the other equity and decreasing the opening retained earnings both by $11,266 thousand upon transition to IFRS 9 on January 1, 2018.

Note6: The Bank's investments categorized as held-to-maturity under IAS 39 are held to collect contractual cash flows; however, they may be sold to meet liquidity requirements arising in the normal course of business. Since the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, the investments have been classified as financial assets at FVOCI under IFRS 9. The other equity has been increased by $605,648 thousand on transition to IFRS 9 on January 1, 2018.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note7: The Bank's investments categorized as held-to-maturity under IAS 39 are held to collect contractual cash flows, and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Therefore, the investments have been classified as financial assets at amortized cost under IFRS 9. An allowance for impairment of $7,289 thousand has been recognized, decreasing the opening retained earnings upon transition to IFRS 9 on January 1, 2018.

Note8: Under IAS 39, the investments were classified as other financial assets at amortized cost. The Bank intends to sell in the short term or to hold for the long term, and therefore classifies the investments as at FVOCI. The Bank has reversed the allowance for impairment carried from previous year, and increased the opening retained earnings and other equity by $10,404 thousand and $2,759,193 thousand, respectively, upon transition to IFRS 9 on January 1, 2018.

Note9: The provisions were recognized under IAS 39 previously. The Bank have recognized the provision under IFRS 9, increasing the allowance for impairment by $12,310 thousand and decreasing the opening retaining earnings.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on January 1, 2018:

	December 31, 2017 IAS 39 Carrying amount	Reclassifications	Remeasurements	January 1, 2018 IFRS 9 Carrying amount	January 1, 2018 Retained earnings	January 1, 2018 Other equity	Note
Fair value through profit or loss							
Beginning balance of FVTPL (IAS 39)	$ 3,243,418	-	-		-	-	
Additions							
From available for sale	-	1,064,515	-		18,279	(18,279)	
Subtotal	3,243,418	1,064,515	-	4,307,933	18,279	(18,279)	
Fair value through other comprehensive income							
Additions - debt instruments:							
From FVTPL	-	70,717,282	(4,047)		(4,047)	-	
From available for sale	-	5,810,932	605,648		-	605,648	
From amortized cost	-	1,579,731	2,769,597		10,404	2,759,193	
Subtotal	-	78,107,945	3,371,198	81,479,143	6,357	3,364,841	
Amortized cost							
Additions:							
From available for sale	-	335,673,702	3,112		(8,154)	11,266	
From FVTPL (IAS 39)-required reclassification	-	232,312,048	(7,289)		(7,289)	-	
Subtotal	-	567,985,750	(4,177)	567,981,573	(15,443)	11,266	
Total	$ 3,243,418	647,158,210	3,367,021	653,768,649	9,193	3,357,828	

(Continued)

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

The following table reconciles the allowance for impairment of financial assets under the incurred loss model of IAS 39 to the allowance for impairment under expected credit loss model of IFRS 9 upon transition to IFRS 9 on January 1, 2018.

	IAS 39 Impairment allowance and the amount under IAS 37	Reclassifications	Remeasurements	IFRS 9 Impairment allowance
Loans and receivables (IAS 39) / Amortised cost (IFRS 9)				
Due form the central bank and call loans to banks	$ 4,749	-	415	5,164
Accounts receivables and other financial assets	569,831	-	(41,825)	528,006
Discounts and loans	27,846,235	-	(211,849)	27,634,386
	28,420,815	-	(253,259)	28,167,556
Avaliable-for-sale (IAS 39) / FVOCI (IFRS 9)				
Avaliable for sale	-	-	4,047	4,047
Avaliable-for-sale (IAS 39) / Amortized cost(IFRS 9)				
Avaliable for sale	-	-	8,154	8,154
Held to maturity (IAS 39) / Amortized cost(IFRS 9)				
Held to maturity	-	-	7,289	7,289
Loan commitments				
Loan commitments	-	-	12,310	12,310
	-	-	31,800	31,800
Total	$ 28,420,815	-	(221,459)	28,199,356

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Except for the following items, the Bank believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16"Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Bank can choose to apply either of the following:

—IFRS 16 definition of a lease to all its contracts; or

— a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Bank plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Bank can apply the standard using either of the following:

—retrospective approach; or

—modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Bank plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Bank is assessing the potential impact of using these practical expedients. The Bank chooses to elect the following practical expedients:

— apply a single discount rate to a portfolio of leases with similar characteristics.

— adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.

— apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.

— exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.

— use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Bank will have to recognize the new assets and liabilities for the operating leases of its offices, warehouses, and factory facilities. The Bank estimated that the right-of-use assets and the lease liabilities to increase by $1,191,043 thousand and $1,185,744 thousand respectively.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

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

As of the date, the following IFRSs have been issued by the IASB, but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Bank assessed that the above IFRSs may not be relevant to The Bank.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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(4) Summary of significant accounting policies:

(a) Statement of compliance

These consolidated 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 consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Bank and its subsidiary. The financial statement of the subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(ii) List of subsidiaries in the consolidated financial statements

			Shareholding		
Name of investor	**Name of subsidiary**	**Name of activity**	**December 31, 2018**	**December 31, 2017**	**Description**
Land Bank of Taiwan	Land Bank Insurance Brokers	Life and property insurance broker	100 %	100 %	Since 2015, the Subsidiaries' financial statement started to include in the consolidated financial statements

(c) Basis of preparation

(i) Basis of measurement

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

1) Financial instruments measured at fair value through profit or loss are measured at fair value (Derivative financial instruments included);

2) Available-for-sale financial assets are measured at fair value (Applicable until January 1, 2018); financial assets at fair value through other comprehensive income (Applicable from January 1, 2018)

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.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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 Banks' financial statements are presented in New Taiwan Dollar, which is the Banks' functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(iii) General accounting affairs

The Banks are 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 Banks 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.

(d) 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.

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

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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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.

(e) 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.

(f) Financial Instruments

Financial assets and financial liabilities are initially recognized when the Banks become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially recognized when the Company 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 (policy applicable from January 1, 2018)

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

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

1) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable, which is presented as accounts receivable. On initial recognition, the Group 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.

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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.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments 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 of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.
Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex dividend date.

3) Financial assets measured at amortized cost

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

a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

b) 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.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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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 Banks are 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 carting amount of financial assets on the balance sheet.

(ii) Financial assets

1) Financial assets (policy applicable before January 1, 2018)

The Banks classify financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, loans and receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting.

a) Financial assets measured at fair value through profit or loss

Financial asset is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. The Banks designate financial assets, other than ones classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

i) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

ii) Performance of the financial asset is evaluated on a fair value basis;

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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iii) A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss.

The Banks could reclassify financial assets which were originally classified as financial assets measured at fair value through profit or loss (excluding derivatives and those assets originally classified as financial assets designated to be measured at fair value). If it would have met the definition of loans and receivables and the Banks have the intention and ability to hold the financial asset for the foreseeable future or until maturity. The Banks shall reclassify the financial asset, and the fair value of the financial asset on the date of the reclassification becomes its new cost or amortized cost. Any gain or loss already recognized in profit or loss shall not be reversed.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured and have insignificant influence, are measured at amortized cost, and are included in financial assets measured at cost.

The Banks could reclassify financial assets which were originally classified as available-for-sale financial assets. If it would have met the definition of loans and receivables and the Banks have the intention and the ability to hold the financial asset for the foreseeable future or until maturity. The Banks shall reclassify the financial assets and the fair value of the financial asset when the date of the reclassification becomes its new cost or amortized cost.

Dividend income is recognized in profit or loss on the date that the Banks' right to receive payment is established.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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c) Held-to-maturity financial assets

The Banks have the positive intent and ability to hold debt securities to maturity, such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

If a change in intention or ability has caused the investments to be inappropriate in classifying as held-to-maturity financial assets, such investments should be reclassified to available-for-sale financial assets and should be measured at fair value on the date of reclassification. The difference between the fair value and carrying amount is recognized in equity. When the financial asset is derecognized, the cumulative gain or loss is recognized in profit or loss of that period.

d) Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, loans and other financial instruments. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method.

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 Banks are 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.

The transfer of delinquent receivables from loans are recorded as discount and loans while the transfer of other delinquent receivable from other assets, such as guarantees, acceptances, accounts receivables factoring without recourse and credit card charge are recorded as other financial assets.

e) Debt investments without active market

Debt investments without active market are investments with fixed or determinable payments that are not quoted in an active market. To recognize as debt investments without active market, the following conditions should be met:

i) It is not classified as assets measured at fair value through profit or loss.

ii) It is not designated as available-for-sale.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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iii) The majority of the investments held by the holders are irrecoverable as a result of factors other than credit defaults.

If there is an objective evidence that an impairment loss on held-to-maturity investments carried at amortized cost exists, the amount of the loss shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed through profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the amortized costs prior to the recognition of impairment loss.

f) 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.

2) Impairment of financial assets

A financial asset is impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

An objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Banks on terms that the Banks would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

The Banks first assesses whether any objective evidence of impairment exists for loans that are individually significant. It then assesses individually and collectively for loans that are not individually significant. If no objective evidence of impairment exists in an individual financial asset, regardless of whether the financial assets are significant, it shall be included in a portfolio of financial assets with similar credit risk characteristics and collectively assess for impairment. Financial assets that are individually assessed for impairment or continued to recognize impairment loss are not required to adopt the former impairment assessment as impairment is or continued to be recognized. If there is an objective evidence of impairment loss, it should be recognized as impairment loss. An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of financial assets is reduced through provision for bad debt account and the impairment loss is recorded as bad debt expense and provisions for guarantee liabilities or asset impairment loss. On

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deciding the impairment loss, the estimated future cash flows includes the recoverable amount on collaterals. If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through adjustment in the provisions for bad debt account to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment was recognized at the reversal date. The reversed amount is recognized as profit or loss for that period.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. If, in a subsequent period, any impairment loss, including parts attributable to changes in exchange rates, are reclassified from equity to profit or loss prior to asset derecognition. Impairment losses on an available-for-sale equity security that are initially recognized in profit or loss are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed with the amount of the reversal recognized in profit or loss.

(iii) Financial liabilities

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

1) Financial liabilities at fair value through profit or loss

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

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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 payble 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.

(iv) Derecognition of financial assets and liabilities

1) Derecognition of financial assets

The Banks derecognize financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Banks transfer substantially all the risks and rewards of ownership of the financial assets. When the Bank pledged bonds as collateral for repurchase agreement, such financial assets are not derecognized as the majority of ownership risks and rewards are remained within the Banks.

2) Derecognition of financial liabilities

The Banks derecognize a financial liability when its contractual obligation has been discharged or cancelled, or expires. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(v) Offsetting of financial assets and liabilities

The Banks present financial assets and liabilities on a net basis when the Banks have the legally enforceable right to offset and intend to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(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.

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(ii) Reclassification to investment property

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

(iii) Subsequent cost

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

(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 Banks 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 25years

(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

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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.

(i) Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(ii) Lessee

A lease is classified as operating lease if it retains substantially all the risks and rewards of ownership.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(j) Intangible Assets

The Banks' 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.

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(k) Impairment of non-financial assets

The Banks 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 Banks 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.

(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 Banks classify 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 Banks adopt the assessment of IAS 39, 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 Banks have 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 Banks consider 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

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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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 Banks should first consider the materiality of this effect. If it is insignificant, the Banks should use the original amount of loans and receivables for measurement.

(p) Employee benefit

(i) Short term employee benefit

When an employee has rendered service to an entity during an accounting period, the Banks 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 Banks' 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 Banks' 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 andlosses; b) return on plan assets, excluding amounts included in net interest on the netdefined 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.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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(iii) Defined contribution benefit

In accordance with the labor pension systems, the Banks have 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 Banks provide 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 Banks shall calculates 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 Banks shall calculate the excess interest using actuarial method by adopting the IAS 19. However the actuarial assumptions shall follow the government's related regulations.

(v) Civil servant and teacher insurance excess annuity benefit plans

According to the "Civil Servant and Teacher Insurance Act" (the CSTI Act) that took effect on May 29, 2015 and Tui-Yi-Zi No. 10440257582 issued on Oct 14, 2016, by the Ministry of Finance, the Company's employees who are not qualified for preferential interest deposits are entitled to receive annuity when retiring or getting laid off if they meet the requirements prescribed in Article 16 and 18 of the CSTI Act. The sum of the monthly payments from this annuity and the total amount of the defined benefit plan shall not exceed 80% of twice the amount of the employee's salary at the time of retirement. Moreover, if the payment rate of the annuity is lower than the basic rate of annuity, the annuity will be calculated using the latter rate. However, if the payment rate is higher than the upper limit, the annuity is calculated based on 1.3%.

The Company is responsible for the portion of the annuity payments that exceeds 0.75% and the calculation is reviewed by the insurance carrier on a monthly basis in accordance with the CSTI Act.

(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.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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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 Banks review 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 Banks disclose the Banks' basic earnings per share attributable to ordinary equity holders of the Banks. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Banks 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.

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.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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(a) Impairment loss on loans (policy applicable from January 1,2018)

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) Impairment loss on loans (policy applicable before January 1,2018)

The Bank and its subsidiary review loan portfolios to assess impairment periodically. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers (e.g. payment delinquency or default), or economic conditions that correlate with defaults on assets. The management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly in order to decrease the difference between estimated loss and actual loss.

(c) 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 contractualparties), the managements shall estimate its correlations and its fluctuations.

(ii) Expected credit loss of financial instruments (policy applicable from January 1, 2018)

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.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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(iii) Impairment (policy applicable before January 1, 2018)

The management has to make judgment when assessing whether there is a sign of impairment. An evidence that financial assets are impaired includes the credit ratings, decline of market price, continuity, payment situation, and whether the debtor has significant financial difficulty, etc.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 11,529,700	11,190,035
Checks for clearing	13,587,845	13,982,493
Due from banks	24,546,785	24,120,659
	$ 49,664,330	49,293,187

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

	December 31, 2018	December 31, 2017
Cash and cash equivalents in the statement of financial position	$ 49,664,330	49,293,187
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	129,099,242	133,325,284
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	389,212	8,029,166
Total	$ 179,152,784	190,647,637

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

	December 31, 2018	December 31, 2017
Reserves for deposits - a/c B	$ 60,409,475	59,861,201
Reserves for deposits - a/c A	60,660,052	52,090,360
Deposits in the Central Bank	36,000,000	36,000,000
Call loans to banks	(293)	-
Deposits in the authorities in the oversea	1,829,586	1,414,835
Call loans to banks	66,609,604	79,820,089
Less: Allowance for doubtful accounts (note 6(f))	(28,362)	(4,749)
Net	$ 225,480,062	229,181,736

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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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, 2018 and 2017, the due from the Central Bank and call loans to banks were not pledged as collateral for business reserves and guarantees to other parties. Please see note 8.

(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, 2018	December 31, 2017
Financial assets designated as at fair value through through profit or loss:		
Corporate bonds	$ 605,123	903,575
Financial institution bond	1,067,362	1,298,806
Subtotal	1,672,485	2,202,381
Mandatorily measured at fair value through profit or loss:		
Commercial papers	975,758	
Acceptence Bill	20,344	
Corporate bonds	839,525	
Stocks	1,158,054	
Futrue margin	166	
Beneficiary certificates	34,237	
Options	107	
Forward exchange contracts	4,590	
Interest rate swap contracts	19,258	
Asset swap	180,336	
Foreign-currency swap contracts	348,824	
Subtotal	3,581,199	
Avaliable-for-slae financial assets:		
Commercial papers		532,563
Acceptence Bill		49,915
Corporate bonds		126,974
Stocks		3,592
Futrue margin		166
Options		714
Government bonds		73,557
Negotiable certificates of deposit		66,988
Forward exchange contracts		13,214
Foreign-currency swap contracts		120,313
Interest rate swap contracts		9,936
Asset swap		43,105
Subtotal		1,041,037
Total	$ 5,253,684	3,243,418

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

	December 31, 2018	December 31, 2017
Designated as fianacial liabilities at FVTPL:		
Financial bonds	$ 9,626,516	3,319,072
Avaliable-for-sale financial liabilities:		
Forward exchange contracts	9,746	20,788
Foreign-currency swap contracts	122,421	193,422
Interest rate swap contracts	9,677	5,182
Assets swap	125,188	7,493
Options	13	621
Subtotal	267,045	227,506
Total	$ 9,893,561	3,546,578

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

	December 31, 2018	December 31, 2017
Forward exchange contracts	$ 3,342,488	3,455,485
Foreign-currency swap contracts	40,073,790	28,283,164
Interest rate swap contracts	1,683,680	1,892,030
Options	10,296,225	3,561,600
Asset swap	61,470	59,360

(iv) The net gains on financial assets held for trading for the years ended December 31, 2018 and 2017 were $831,020 thousand dollars and $94,417 thousand dollars, respectively. The net losses on financial liabilities held for trading for the years ended December 31, 2018 and 2017 were losses of $509,205 thousand dollars and $331,425 thousand dollars, respectively.

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

	December 31, 2018
Debt instruments at FVOCI:	
Domestic bonds	$ 35,287,242
Corporate bonds	4,181,736
Financial bonds	47,057,610
Negotiable certificates of deposit	2,478,248
Subtotal	89,004,836

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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Equity instruments at FVOCI:	
Listed common shares- domestic company	8,535,893
Unlisted common shares- domestic company	5,001,400
Subtotal	13,537,293
Total	$ 102,542,129

(i) The loss allowance of financial assets at FVOCI for the year ended December 31,2018 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)

(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 yaer ended December 31, 2018, the dividend income from the equity investment at FVOCI was $511,069 thousand.

For the year ended December 31, 2018, the loss arising from disposal of equity investment at FVOCI was $62,646 thousand. The Bank has transfered the disposal loss from other equity to retain earnings.

(iii) For the investment profit or loss and change in equtiy, please refer to note 6 (y) and (ae).

(iv) As of December 31, 2018, the financial assets at FVOCI was pledged to other parties as collateral for business reserves and guarantees for $1,874,148 thousand. 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 2018 and 2017. Securities sold under repurchase agreements, and their buyback amounts using determined price were as follows:

	December 31, 2018			
Items	**Bond Book Value**	**Repurchase agreement**	**Repurchase Price**	**Repurchase Date**
Resell agreement:				
Commercial papers	$ 390,000	389,212	389,300	Resell gradually before January 17, 2019
Repurchase agreement:				
Commercial papers	$ 9,151,200	9,740,281	9,753,328	Repurchase gradually before June 27, 2019

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Items	December 31, 2017 Bond Book Value	Repurchase agreement	Repurchase Price	Repurchase Date
Repurchase agreement:				
	$ 8,040,000	8,029,166	8,031,971	Repurchase gradually before February 12, 2017
Repurchase agreement:				
Government bonds	$ 13,968,300	15,157,816	15,174,237	Repurchase gradually before July 2, 2018

(f) Receivables, net

	December 31, 2018	December 31, 2017
Accounts receivable	$ 1,637,496	1,547,496
Client's Position - Debit	618,007	938,725
Earned income receivable	14,585	10,207
Interest receivable	5,194,467	4,742,941
Receivables from acceptence bills	1,665,302	1,296,457
Other receivables	275,824	417,559
Total	9,405,681	8,953,385
Less: Allowance for doubtful accounts (note 6(f))	(66,011)	(85,354)
Net	$ 9,339,670	8,868,031

(g) Discounts and loans, net

	December 31, 2018	December 31, 2017
Import and export bills negotiated	$ 452,170	250,412
Account receivables financing	31,900	56,000
Margins loans receivables	1,111,478	1,221,533
Accounts receivable secured financing	-	-
Discounted bills	571,104	619,304
Overdrafts	1,223,250	1,345,775
Secured overdrafts	1,669,907	1,604,066
Short-term loans	149,326,762	168,485,834
Short-term secured loans	35,706,331	33,402,749
Medium-term loans	246,915,129	235,611,866
Medium-term secured loans	427,407,408	381,196,940
Long-term loans	26,384,218	24,148,020
Long-term secured loans	1,102,170,396	1,056,101,870
Overdue loans	3,036,718	2,902,728
Total	1,996,006,771	1,906,947,097
Less: Allowance for doubtful accounts	(30,206,215)	(27,846,235)
Less: Adjustment for discounts and premiums	6,677	3,287
Net	$ 1,965,807,233	1,879,104,149

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(i) As of December 31, 2018 and 2017, the balances of loans for which accrual of interest revenues was discontinued were $3,043,696 thousand, and $3,348,823 thousand, respectively. The unrecognized interest revenues on these loans were $60,874 thousand and $63,293 thousand for the years ended December 31, 2018 and 2017, respectively.

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

	For the years ended December 31	
	2018	**2017**
Beginning balance	$ 27,846,235	28,864,151
Effects of changes in exchange rates and others	(211,849)	-
Effects of changes in exchange rates and others	27,634,386	28,864,151
Effects of changes in exchange rates and others	3,345,378	(211,855)
Effects of changes in exchange rates and others	(1,827,099)	(1,522,258)
Effects of changes in exchange rates and others	1,022,863	839,357
Effects of changes in exchange rates and others	30,687	(123,160)
Ending balance	$ 30,206,215	27,846,235
Receivables (including other financial assets):		
Beginning balance	$ 569,831	109,028
Effects of retrospective application	(41,825)	-
Beginning balance after adjustment	528,006	109,028
Provision (reversal of provision) for possible losses and doubtful accounts	52,308	675,242
Write off	(487,108)	(233,843)
Recoveries	41,275	21,491
Effects of changes in exchange rates and others	(642)	(2,087)
Ending balance	$ 133,839	569,831
Call loans to banks:		
Beginning balance	$ 4,749	8,842
Effects of retrospective application	415	-
Beginning balance	5,164	8,842
Provision (reversal of provision) for possible losses and doubtful accounts	23,192	(3,398)
Effects of changes in exchange rates and others	299	(695)
Ending balance	$ 28,655	4,749

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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(iii) Allowance for doubtful accounts in related accounts are as follows:

	December 31, 2018	December 31, 2017
Receivables	$ 66,011	85,354
Discounts and loans	30,206,215	27,846,235
Other financial assets	67,828	484,477
Call loans to banks	28,655	4,749
Total	$ 30,368,709	28,420,815

(iv) The summary of the provision for loan losses and credit related losses in comprehensive income statement for the years ended December 31, 2018 and 2017 were as follows:

	For the years ended December 31	
	2018	2017
Provision for losses on discounts and loans	$ 3,421,000	459,989
Provision (reversal of provision) for losses on guarantees	(298,125)	33,003
	39,984	-
	13,364	-
	(122)	-
	(2,943)	-
Total	$ 3,173,158	492,992

(v) The analysis of impairment for financial assets is disclosed in note 6(ak) (iii) (8).

(h) Available-for-sale financial assets, net

	December 31, 2017
Stocks	$ 6,776,385
Beneficiary certificates	10,177
Commercial papers	9,353,040
Negotiable certificates of time deposits	305,934,469
Government bonds	43,167,269
Corporate bonds	4,206,349
Financial institution bonds	38,048,032
Total	$ 407,495,721

As of December 31, 2018, the available-for-sale financial assets were pledged to other parties as collateral for business reserves and guarantees for $26,073,706 thousand. Please refer to note 8.

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(i) Held-to-maturity financial assets, net

	December 31, 2017
Government bonds	$ 98,411,278
Corporate bonds	6,050,000
Negotiable certificates of deposits	131,670,000
Treasury bill	1,991,702
	$ 238,122,980

As of December 31, 2018 and 2017, the Held-to-maturity financial assets were pledged to other parties as collateral of business reserves and guarantees for $3,175 thousand and $3,203 thousand, respectively. Please refer to note (8).

(j) Debt investment at amortized cost

	December 31, 2018
Government bonds	$ 128,639,485
Corporate bonds	10,105,010
Financial bonds	7,560,782
Commercial papers	3,248,273
Domestice negotiable certificates of deposit	437,505,000
	587,058,550
Less:Loss allowance	(9,292)
	$ 587,049,258

(i) For the year ended December 31, 2018, the disposal loss from disposing debt investment at amortized cost was $3 thousand.

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

(iii) As of December 31, 2018, the debt investment at amortized cost was pledged to other parties as collateral for business reserves and guarantees for $23,355,725 thousand. Please refer to note (8).

(k) Other financial assets, net

	December 31, 2018	December 31, 2017
Financial assets carried at cost	$ -	1,590,135
Less: accumulated impairment - financial assets carried at cost	-	(10,404)
Overdue loans and others	96,563	538,129
Less: allowance for bad debt - Overdue loans and others (note 6(g))	(67,828)	(484,477)
Total	$ 28,735	1,633,383

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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The financial assets carried at cost are stocks not listed on the Exchange and OTC in Taiwan and other chattels held by the Banks. As there is no quoted price in an active market and the fair value cannot be reliably measured, the financial assets are carried at cost.

(l) Property and Equipment, net

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

Asset	December 31, 2018 Cost	Accumulated depreciation	Accumulated impairment	Net
Land	$ 14,516,060	-	(1,026)	14,515,034
Land improvements	11,847	(11,847)	-	-
Buildings	11,990,881	(5,855,557)	-	6,135,324
Machinery and computer equipment	2,409,184	(1,380,514)	-	1,028,670
Transportation equipment	450,162	(377,791)	-	72,371
Miscellaneous equipment	848,727	(664,834)	-	183,893
Leasehold improvements	181,179	(117,980)	-	63,199
Construction in progress	122,614	-	-	122,614
Machinery on order	504,582	-	-	504,582
Total	$ 31,035,236	(8,408,523)	(1,026)	22,625,687

Asset	December 31, 2017 Cost	Accumulated depreciation	Accumulated impairment	Net
Land	$ 14,690,310	-	(2,632)	14,687,678
Land improvements	11,847	(11,847)	-	-
Buildings	12,107,203	(5,716,660)	-	6,390,543
Machinery and computer equipment	2,409,614	(1,488,419)	-	921,195
Transportation equipment	461,663	(381,679)	-	79,984
Miscellaneous equipment	891,797	(690,935)	-	200,862
Leasehold improvements	232,119	(157,047)	-	75,072
Construction in progress	112,040	-	-	112,040
Machinery on order	487,139	-	-	487,139
Total	$ 31,403,732	(8,446,587)	(2,632)	22,954,513

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

		Land	Buildings	Others	Total
Cost:					
Balance at January 1, 2018	$	14,690,310	12,107,203	4,606,219	31,403,732
Additions		-	-	602,418	602,418
Write-offs		-	-	(607,319)	(607,319)
Reclassification		(174,250)	(116,322)	(74,270)	(364,842)
Effect of change in exchange rates		-	-	1,247	1,247
Balance at December 31, 2018	$	14,516,060	11,990,881	4,528,295	31,035,236
Balance at January 1, 2017	$	14,781,532	12,047,261	4,855,690	31,684,483
Additions		-	2,023	482,079	484,102
Disposals		(40)	-	-	(40)
Write-offs		-	(7,060)	(668,883)	(675,943)
Reclassification		(91,182)	64,979	(57,761)	(83,964)
Effect of change in exchange rates		-	-	(4,906)	(4,906)
Balance at December 31, 2017	$	14,690,310	12,107,203	4,606,219	31,403,732
Depreciation and Amortization:					
Balance at January 1, 2018	$	2,632	5,716,660	2,729,927	8,449,219
Depreciation		-	270,823	416,696	687,519
Disposals		-	-	(594,767)	(594,767)
Reclassification		(1,606)	(131,926)	-	(133,532)
Effect of change in exchange rates		-	-	1,110	1,110
Balance at December 31, 2018	$	1,026	5,855,557	2,552,966	8,409,549
Balance at January 1, 2017	$	2,632	5,459,660	2,982,327	8,444,619
Depreciation		-	271,428	415,319	686,747
Disposals		-	(4,177)	(664,269)	(668,446)
Reclassification		-	(10,251)	-	(10,251)
Effect of change in exchange rates		-	-	(3,450)	(3,450)
Balance at December 31, 2017	$	2,632	5,716,660	2,729,927	8,449,219
Carrying amounts:					
December 31, 2018	$	14,515,034	6,135,324	1,975,329	22,625,687
December 31, 2017	$	14,687,678	6,390,543	1,876,292	22,954,513

(iii) No property and equipment was pledged at December 31, 2018 and 2017.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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(m) Investment Property, net

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

	December 31, 2018			
Assets	Cost	Accumulated Depreciation	Accumulated impairment	Carrying amounts
Land	$ 23,118,057	-	(101,543)	23,016,514
Buildings	1,888,745	(675,589)	-	1,213,156
Total	$ 25,006,802	(675,589)	(101,543)	24,229,670

	December 31, 2017			
Assets	Cost	Accumulated Depreciation	Accumulated impairment	Carrying amounts
Land	$ 23,007,031	-	(99,937)	22,907,094
Buildings	1,720,885	(517,534)	-	1,203,351
Total	$ 24,727,916	(517,534)	(99,937)	24,110,445

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

	Land	Buildings	Total
Cost:			
Balance at January 1, 2018	$ 23,007,031	1,720,885	24,727,916
Additions	-	3,864	3,864
Sales	(57,306)	(20,514)	(77,820)
Reclassification	168,332	184,510	352,842
Balance at December 31, 2018	$ 23,118,057	1,888,745	25,006,802
Balance at January 1, 2017	$ 22,940,901	1,736,773	24,677,674
Additions	-	1,106	1,106
Sales	(25,052)	(3,848)	(28,900)
Reclassification	91,182	(7,218)	83,964
Disposals	-	(5,928)	(5,928)
Balance at December 31, 2017	$ 23,007,031	1,720,885	24,727,916
Depreciation and Amortization:			
Balance at January 1, 2018	$ 99,937	517,534	617,471
Depreciation	-	38,332	38,332
Sales	-	(6,166)	(6,166)
Reclassification	1,606	125,889	127,495
Balance at December 31, 2018	$ 101,543	675,589	777,132
Balance at January 1, 2017	$ 99,937	475,632	575,569
Depreciation	-	38,011	38,011
Sale	-	(1,820)	(1,820)
Reclassification	-	10,251	10,251
Disposals	-	(4,540)	(4,540)
Balance at December 31, 2017	$ 99,937	517,534	617,471
Carrying amounts:			
December 31, 2018	$ 23,016,514	1,213,156	24,229,670
December 31, 2017	$ 22,907,094	1,203,351	24,110,445

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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(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, 2018 and 2017, the fair values of investment properties are $43,895,512 thousand and $46,278,618 thousand, respectively.

(iv) The rental revenues of investment property for the years ended 2018 and 2017 were $290,747 thousand and $302,746 thousand, respectively.

(v) No investment property was pledged at December 31, 2018 and 2017.

(n) Intangibles assets, net

	December 31, 2018			
Assets	Cost	Accumulated Amortization	Accumulated Impairment loss	Carrying amounts
Computer Software	$ 2,343,356	(1,485,099)	-	858,257

	December 31, 2017			
Assets	Cost	Accumulated Amortization	Accumulated Impairment loss	Carrying amounts
Computer Software	$ 2,053,139	(1,183,983)	-	869,156

The changes in intangible assets were as follows:

	Computer Software
Costs:	
Balance at January 1, 2018	$ 2,053,139
Additions	289,993
Effect of change in exchange rates	224
Balance at December 31, 2018	$ 2,343,356
Balance at January 1, 2017	$ 1,807,535
Additions	246,398
Effect of change in exchange rates	(794)
Balance at December 31, 2017	$ 2,053,139
Accumulated Amortization:	
Balance at January 1, 2018	$ 1,183,983
Amortization	300,860
Effect of change in exchange rates	256
Balance at December 31, 2018	$ 1,485,099
Balance at January 1, 2017	$ 913,367
Amortization	271,311
Effect of change in exchange rates	(695)
Balance at December 31, 2017	$ 1,183,983
Carrying amounts:	
December 31, 2018	$ 858,257
December 31, 2017	$ 869,156

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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(o) Other assets, net

		December 31, 2018	December 31, 2017
Prepayment	$	7,050,659	5,033,871
Guarantee deposits paid		1,941,444	2,491,993
Operating guarantee deposits, net		28,982	29,504
Temporary payments and suspense accounts		50,482	58,809
Other		44	25
Total	$	9,071,611	7,614,202

For other assets pledged in reserves of business as of December 31, 2018 and 2017, please see note 8.

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

		December 31, 2018	December 31, 2017
Due to the Central Bank	$	507,921	670,413
Due to other banks		11,602,382	7,034,295
Due to Taiwan Post Co., Ltd.		191,544,455	117,965,151
Overdrafts from banks		2,566,718	270,918
Call loans from banks		81,023,309	74,393,491
Total	$	287,244,785	200,334,268

(q) Payable

		December 31, 2018	December 31, 2017
Accounts payable	$	77,923	100,073
Brokering transactions credit balance		646,768	926,034
Accrued expenses		2,720,279	2,195,240
Accrued interest		4,749,631	3,516,963
Acceptances		1,796,480	1,576,338
Collection received on behalf of customers		826,288	966,707
Deposits received from securities borrowers		71,009	80,587
Guaranteed price deposits received from securities borrowers		77,559	88,092
Checks for clearing		13,808,469	14,082,192
Payable of compensation to land prices		78,814	75,743
Payable of short-term compensated absences		399,769	420,055
Other payables		1,176,031	816,584
Total	$	26,429,020	24,844,608

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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(r) Deposits and remittances

	December 31, 2018	December 31, 2017
Check deposits	$ 41,869,790	24,120,676
Government deposits	160,333,429	152,052,791
Demand deposits	328,627,860	320,653,923
Time deposits	845,833,219	901,800,651
Savings deposits	1,049,910,902	1,001,382,088
Remittances under custody	351	433
Remittances outstanding	9,329	12,708
Total	$ 2,426,584,880	2,400,023,270

(s) Financial debentures

	December 31, 2018	December 31, 2017
Subordinated financial debentures	$ 59,600,000	66,700,000
Less: unamortized issuance costs	(7,143)	(8,360)
Total	$ 59,592,857	66,691,640

(i) According to the approval letter Jin-Guan-Yin-Guo-Zi No. 09900405930 published by Banking Bureau, Financial Supervisory Commission in 2010, the Bank can issue a seven-year annual-interest-payment, and a principle-payment-at-maturity financial debentures several times with a maximum amount of $38,000,000 thousand. The Bank issued various seven-year subordinated financial debentures totaling $7,100,000 thousand during the year 2011. The interest rate is based on the fixed rate of 1.64%. The subordinated financial debentures are repayable at the maturity in October 2018.

(ii) According to the approval letter Jin-Guan-Yin-Guo-Zi No. 10000402490 published by Banking Bureau, Financial Supervisory Commission in 2011, the Bank can issue a seven-year annual-interest-payment, and a principle-payment-at-maturity subordinated financial debentures several times with a maximum amount of $31,000,000 thousand. The Bank issued various seven-year subordinated financial debentures totaling $8,000,000 thousand, $2,100,000 thousand, $2,900,000 thousand and $2,100,000 thousand on December 2011, April 2012, June 2012 and October 2012, respectively. The interest rate is based on the fixed rate from 1.43% to 1.60%. The subordinated financial debentures are repayable at the maturity in December 2018 and April to October 2019, respectively.

(iii) 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 financial debentures several times with a maximum amount of $38,000,000 thousand. The Bank issued seven-year and ten-year subordinated financial debentures totaling $2,700,000 thousand and $10,300,000 thousand during the year 2012, respectively. The interest rate is based on the fixed rate of 1.43% and 1.55%. The subordinated financial debentures are repayable at the maturity in December 2019 and December 2022, respectively.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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(iv) 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 financial debentures several times with a maximum amount of $38,000,000 thousand. The Bank issued seven-year subordinated financial debentures totaling $3,000,000 thousand in December 2013. The interest rate is based on the fixed rate of 1.72%. The subordinated financial debentures are repayable at the maturity in December 2020.

(v) 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 financial debentures several times with a maximum amount of $38,000,000 thousand. The Bank issued ten-year subordinated financial 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 financial debentures totaling $7,500,000 thousand in December 2014. The interest rate is based on the fixed rate of 3.5%.The subordinated financial debentures are repayable at the maturity on December 2024. The Bank issued ten-year subordinated financial debentures totaling $4,000,000 thousand in December 2014.

(vi) 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 financial debentures several times with a maximum amount of USD500,000 thousand. The Bank issued thirty-year unsecured senior financial debentures totaling USD110,000 thousand on April 10, 2015. The Banks engaged in interest swap contracts in order to hedge their interest risk. The Banks 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).

(vii) 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 financial debentures several times with a maximum amount of $35,000,000 thousand. The Bank issued ten-year subordinated financial 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.

(viii) 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 financial debentures several times with a maximum amount of $40,000,000 thousand. The Bank issued the subordinated financial 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%.

(t) Other financial liabilities

	December 31, 2018	December 31, 2017
Cumulative earnings on appropriated loan fund	$ 113,986	146,198

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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(u) Provision

	December 31, 2018	December 31, 2017
Employee benefit (note 6(v))	$ 17,324,313	16,891,775
Reserve for guarantee liabilities	461,966	759,567
Reserve for loan commitment	25,851	-
Other reserve-receivables from credit loan	40,557	-
Total	$ 17,852,687	17,651,342

(v) Employee benefit

The Bank adopt pension costs actuarial decided on December 31, 2015 and 2016 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 Banks set 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 set aside a fixed amount to the Bureau of the Labor Insurance without the payment of additional legal or constructive obligations.

The Banks' pension expenses under defined contribution pension plan were as $1,923 thousand and $2,497 thousand for the years ended 2018 and 2017, respectively. Payment was made to the Bureau of the Labor Insurance.

(ii) Provision for employee benefit:

The Banks' employee benefits were as follows:

	December 31, 2018	December 31, 2017
Defined benefit plans	$ 12,366,365	11,168,361
Employee benefit savings account	4,942,363	5,707,045
Three important festivals bonus	12,863	14,783
—Exceeding Annuity	2,722	1,586
Total	$ 17,324,313	16,891,775

1) Defined benefit plans

The Banks set 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 Banks will contribute 4%~8.50% 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 Banks will contribute 8% of the monthly salaries to its employees' pension accounts.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES

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

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

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

a) Composition of plan assets

	December 31, 2018	December 31, 2017
Total present value of obligations	$ 13,133,341	12,130,084
Fair value of plan assets	(766,976)	(961,723)
Recognized liabilities for defined benefit obligations	$ 12,366,365	11,168,361

i) Composition of plan assets

As of December 31, 2017, the Banks' Employee Retirement Fund Management Committee was $395,651 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.

The Bank's Bank of Taiwan labor pension reserve account balance amounted to $371,325 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.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The movements in the present value of the defined benefit obligations for the years ended 2018 and 2017 were as follows:

		2018	2017
Defined benefit obligations on January 1	$	12,130,084	12,057,830
Current service costs and interests		709,167	705,697
Remeasurement of net defined benefit liabilities			
—Movements in financial assumption		80,783	306
—Experience adjustment		924,620	96,472
Benefits paid by the plan		(711,313)	(730,221)
Defined benefit obligations on December 31	$	**13,133,341**	**12,130,084**

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 2018 and 2017 were as follows:

		2018	2017
Fair value of plan assets on January 1	$	961,723	1,218,778
Interest revenue		13,431	18,323
Remeasurement of net defined benefit liabilities (assets)			
— Expected returns on plan assets(exclude current interest)		6,046	(6,869)
Contributions made		479,151	445,815
Benefits paid by the plan		(693,375)	(714,324)
Fair value of plan assets on December 31	$	766,976	961,723

iv) Expense recognized in profit or loss

Expense recognized in profit or loss for the years ended 2018 and 2017 were as follows:

		2018	2017
Current service costs and interest cost	$	695,736	687,374

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

	2018	2017
Accumulated balance at January 1	$ 767,356	663,709
Recognition	999,357	103,647
Accumulated balance at December 31	$ 1,766,713	767,356

vi) Actuarial assumptions

	2018.12.31	2017.12.31
Discount rate	1.500 %	1.625 %
Expected return on plan assets	1.500 %	1.625 %
Future salary increases	2.000 %	2.000 %

The expected allocation payment made by the Banks to the defined benefit plans for the one year period after the reporting date was $488,751 thousand.

The weighted average duration of the defined benefit plan is 5.5 to 22.70 years.

vii) Sensitivity analysis

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

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

	Impact of defined benefit obligations	
	Add1.00%	Less1.00%
December 31, 2018		
Discount rate	$ (1,809,514)	2,034,853
December 31, 2017		
Discount rate	(1,634,069)	1,842,071

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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The above sensitivity analysis is based on the static risk structure of discount rate. The calculation methodology of sensitivity analysis is the same as the net defined benefit obligations of the balance sheet. The method and the assumption of the current sensitivity analysis is the same as the previous period.

b) Employee benefit savings account

The present value of defined benefit obligations and the fair value adjustments of the employee benefit savings account plan assets for the Banks 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 2018 and 2017 were as follows:

		2018	2017
Defined benefit obligations on January 1	$	5,707,045	5,364,011
Current service cost and interest cost		1,687,292	1,609,605
Remeasurement of net defined benefit liabilities			
—Experience adjustment		(70,535)	8,727
Previous service cost		(1,120,610)	-
Benefits paid by the plan		(1,260,829)	(1,275,298)
Defined benefit obligations on December 31	$	4,942,363	5,707,045

ii) Expense recognized in profit or loss

Expense recognized in profit or loss for the years ended 2018 and 2017 were as follows:

		2018	2017
Current service cost and interest cost	$	1,687,292	1,609,605

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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iii) Actuarial assumptions

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

	2018.12.31	2017.12.31
Discount rate	4.00 %	4.00 %
Expected rate of return on funds deposited	1.500 %	1.625 %
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 10 to 12.60 years.

iv) Sensitivity analysis

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

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

	Impact of defined benefit obligations	
	Add 1.00%	Less1.00%
December 31, 2018		
Discount rate	$ (327,335)	372,386
December 31, 2017		
Discount rate	(366,456)	418,422

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

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 2018 and 2017 were as follows:

	2018	2017
Defined benefit obligations on January 1	$ 14,783	5,107
Current service costs and interests	237	80
Remeasurment of net defined benefit liabilities		
—Experience adjustment	(868)	11,047
Benefits paid by the plan	(1,289)	(1,451)
Defined benefit obligations on December 31	$ 12,863	14,783

ii) Expense recognized in profit or loss

Expense recognized in profit or loss for the years ended 2018 and 2017 were as follows:

	2018	2017
Current service costs and interests costs	$ 237	80

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

	2018	2017
Accumulated balance at January 1	$ 32,910	21,863
Recognition	(868)	11,047
Accumulated balance at December 31	$ 32,042	32,910

iv) Actuarial assumptions

	2018.12.31	2017.12.31
Discount rate	1.500 %	1.625 %

v) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Company 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.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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		Impact of defined benefit obligations	
		Add1.00%	Less1.00%
December 31, 2018			
Discount rate	$	(793)	911
December 31, 2017			
Discount rate		(897)	1,030

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.

d) Civil servant and teacher insurance excess annuity benefit plans

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

		December 31, 2018	December 31, 2017
The present value of defined benefit	$	2,722	1,586
Fair value of plan assets		-	-
Defined benefit obligations on December 31	$	2,722	1,586

According to the "Civil Servant and Teacher Insurance Act" (the CSTI Act) that took effect on May 29, 2015 and Tui-Yi-Zi No. 10440257582 issued by the Ministry of Finance, the Company' s employees who are not qualified for preferential interest deposits are entitled to receive annuity when retiring or getting laid off if they meet the requirements prescribed in Article 16 and 18 of the CSTI Act. The sum of the monthly payments from this annuity and the total amount of the defined benefit plan shall not exceed 80% of twice the amount of the employee' s salary at the time of retirement. Moreover, if the payment rate of the annuity is lower than the basic rate of annuity, the annuity will be calculated using the latter rate. However, if the payment rate is higher than the upper limit, the annuity is calculated based on 1.3%.

The Company is responsible for the portion of the annuity payments that exceeds 0.75% and the calculation is reviewed by the insurance carrier on a monthly basis in accordance with the CSTI Act.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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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 2017 was as follows:

		2018	2017
Defined benefit obligations on January 1	$	1,586	704
Current service cost and interest cost		919	839
Remeasurement of net defined benefit liabilities			
—Movements in financial assumption		138	43
—Movements in experiential adjustment		79	-
Defined benefit obligations on December 31	$	2,722	1,586

ii) Expense recognized in profit or loss

Expense recognized in profit or loss for the years ended 2017 was as follows:

		2018	2017
Current service cost and interest cost	$	919	839

iii) Remeasurement of the net defined benefit liabilities- recognized in other comprehensive income

The remeasurement of net defined benefit liabilities recognized as other comprehensive income are as follows:

		2018	2017
Accumulated balance at January 1		43	-
Recognition		217	43
Accumulated balance at December 31	$	260	43

iv) Actuarial assumptions

The main actuarial assumptions in the financial repirting ending date were as follows:

	2018.12.31	2017.12.31
Discount rate	1.45 %	1.70 %
Future salary increases	2.00 %	2.00 %

The weighted average duration of the defined benefit plan is 22.7 years.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(w) Other Liabilities

	December 31, 2018	December 31, 2017
Revenue received in advance	$ 424,510	386,428
Guarantee deposits	610,316	774,575
Temporary receivers	22,473	20,994
Deferred revenue	25,641	34,054
Others	73	119
Total	$ 1,083,013	1,216,170

(x) Income Tax Expenses

(i) On February 7, 2018, the office of the President, R.O.C. announced amendments to the Income Tax Act, increasing the corporate income tax rate from present 17% to 20% from taxable year 2018 onwards. The taxable income is contributed by domestic and foreign incomes. Since foreign income has been taxed by the local government, the Bank can apply for a foreign tax credit in light of the law. The amount of the foreign tax credit cannot exceed the tax increments that generated after including the foreign source income to calculate the income tax using the domestic income tax rate.

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

	2018	2017
Current income tax expense		
current period	$ 1,749,975	1,236,702
Overseas branches' income tax expense	426,065	342,313
Deferred income tax expense		
Recognition and reversal of temporary differences	324,178	611,826
Overseas branches' income tax expense	(16,993)	57,065
Income tax expense	$ 2,483,225	2,247,906

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

	2018	2017
Net income before income tax	$ 12,179,768	11,881,529
Income tax expense before income tax at statutory rate 17%	$ 2,435,954	2,019,859
Overseas branches' income tax expense	409,072	399,378
Tax-exempt gains and other	(361,801)	(171,331)
Income tax expense	$ 2,483,225	2,247,906

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Deferred income tax assets and liabilities

1) Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2016 and 2015 were as follows:

a) Deferred Tax Assets:

	Defined benefit plans	Allowance for bad debts	Others	Total
Balance at January 1, 2018	$ 2,021,315	688,688	191,009	2,901,012
Recognized in profit or loss	253,837	(513,615)	12,198	(247,580)
December 31, 2018	$ 2,275,152	175,073	203,207	2,653,432
Balance at January 1, 2017	$ 2,023,971	1,314,601	231,435	3,570,007
Recognized in profit or loss	(2,656)	(625,913)	(40,426)	(668,995)
December 31, 2017	$ 2,021,315	688,688	191,009	2,901,012

b) Deferred Tax Liabilities:

	Reserve for land value increment tax	Fair value gain (loss)	Total
Balance at January 1, 2018	$ 6,926,029	-	6,926,029
Recognized in profit or loss	-	59,606	59,606
December 31, 2018	$ 6,926,029	59,606	6,985,635
Balance at January 1, 2017	$ 6,926,134	-	6,926,134
Recognized in profit or loss	(105)	-	(105)
December 31, 2017	$ 6,926,029	-	6,926,029

2) Unrecognized deferred income tax assets

As of December 31, 2018 and 2017 the Unrecognized deferred income tax assets were $2,404,177 thousand and $1,567,353 thousand, respectively.

(iv) The income tax returns for the year 2016 have been assessed by the Tax Authorities.

(y) Stockholders' Equity

(i) Capital stock

On December 31, 2018 and 2017, authorized and outstanding capital were both $62,594,000 thousand.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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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 amended in January 2012, 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 Lank Bank of Taiwan Co., Ltd. at that day.

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 amendment of the ROC Bank Act as of January 2012, the Bank may, in pursuant to a resolution by a shareholders' meeting, capitalize the amount of its reserve that exceeds 25% of the share capital by issuing new shares or by distributing a cash dividend when it incurs no loss. In addition, under the ROC Banks Act, the Bank shall retain 30% of its after-tax earnings as the legal reserve before distributing them. Before the amount of legal reserves reaches the amount of the total capital, the maximum amount of distributing earnings in cash shall not exceed 15% of the total capital. Also, according to the amendment of the ROC Banking Act article 50 item 2, the legal reserve after distribution has to exceed 75% of total capital in order to meet with the criterion of a bank in a sound financial condition. This restriction is not applied if the amount of legal reserves equals the amount of the total capital, or if the Bank is in a sound financial condition and when it complies the ROC Bank Act.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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2) Special reserve

a) The special reserves are summarized as follows:

		December 31, 2018	December 31, 2017
Provision for the purpose of strengthening the self-owned capital	$	19,695,718	10,771,641
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		(84,573)	(72,985)
	$	26,772,397	17,859,908

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 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.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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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, 2018 and 2017, 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 $11,588 thousand and $11,885 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.

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 $18,293,382 thousand, including undistributed surplus of $8,335,109 thousand as of December 31, 2017, plus retrospective application of new standard adjustments of $250,142 thousand, adjustment due to first adoption of international financial reporting standards of $11,588 thousand, and net income after tax $9,696,543 thousand of 2018. The Bank distributed as follows: Filled the retained surplus loss of $1,061,352 thousand (determined loss of the welfare plan $998,706 thousand and the loss of equity instruments measured at fair value through other comprehensive gains and losses of $62,646 thousand), recognized the provision of statutory surplus reserve of $2,590,557 thousand, the special surplus reserve of $8,924,077 thousand, and left an undistributed surplus of $5,717,396 thousand as of December 31, 2018.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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, 2018	$ (1,067,300)		3,935,634	2,868,334
Effects of retrospective application	-	7,293,462	(3,935,634)	3,357,828
Exchange differences on translation of foreign financial statements	292,921	-	-	292,921
Unrealized gains or losses on financial assets at FVOCI	-	(50,883)	-	(50,883)
Disposal of equity instrument at FVOCI	-	62,646	-	62,646
Balance as of December 31, 2018	$ (774,379)	7,305,225	-	6,530,846
Balance as of January 1, 2017	$ 114,710		2,357,707	2,472,417
Available-for-sale financial assets-adjustment to fair value	-	-	2,225,463	2,225,463
Reclassification of saled available-for-sale financial assets' accumulated adjustment	-	-	(647,536)	(647,536)
Exchange differences on translation of foreign financial statements	(1,182,010)	-	-	(1,182,010)
Balance as of December 31, 2017	$ (1,067,300)	-	3,935,634	2,868,334

(z) Earnings per share

Basic earnings per share (New Taiwan dollars):

	For the years ended December 31	
	2018	2017
Net income	$ 9,696,543	9,633,623
Weighted-average number of shares outstanding (thousand shares)	6,259,400	6,259,400
Basic earnings per share (New Taiwan dollars)	$ 1.55	1.54

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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(aa) Net interest

	For the years ended December 31	
	2018	2017
Interest revenue:		
Discounts and loans	$ 38,781,785	35,260,205
Due from the banks and call loans to banks	3,313,162	3,000,844
Bonds and notes	6,099,175	4,453,317
Others	490,635	735,326
Subtotal	48,684,757	43,449,692
Interest expenses:		
Deposits	(18,483,398)	(15,865,311)
Due to the Central Bank and call loans from banks	(2,195,407)	(1,208,422)
Bonds and notes	(1,353,439)	(1,551,005)
Others	(29,580)	(85,959)
Subtotal	(22,061,824)	(18,710,697)
Total	$ 26,622,933	24,738,995

(ab) Service fees income, net

	For the years ended December 31	
	2018	2017
Service fees income:		
Agency of housing loans	$ 156,462	186,546
Agency of insurance	889,407	888,219
Guarantee	250,487	211,676
Syndicated Loans	607,492	532,490
Trust	520,604	462,521
Credit card	553,604	509,671
Others	871,272	873,388
Subtotal	3,849,328	3,664,511
Service fees:		
Credit card	(556,566)	(520,734)
Interbank	(136,114)	(130,059)
Foreign exchange	(58,283)	(51,024)
Trust	(29,947)	(37,392)
Others	(107,804)	(94,012)
Subtotal	(888,714)	(833,221)
Total	$ 2,960,614	2,831,290

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ac) Gains (losses) on financial assets and liabilities at fair value through profit or loss

	For the years ended December 31	
	2018	2017
Realized gains (losses) on financial assets and liabilities at fair value through profit or loss:		
Government bonds	$ (1,616)	(1,231)
Corporate bonds	9,211	31,254
Listed companies' stocks	39,940	43,406
Forward exchange contracts	28,700	(85,301)
Foreign-currency swap contracts	366,777	53,136
Interest rate swap contracts	(2,010)	790
Asset swap	(114,930)	6,948
Options	890	3,059
Others	-	(12,527)
Subtotal	326,962	39,534
Revaluation gains (losses) on financial assets and liabilities at fair value through profit or loss:		
Government bonds	243	352
Corporate bonds	(13,808)	14,007
Government bonds	(56,897)	3,862
Stocks	2,417	(33,362)
Foreign-currency swap contracts	299,786	(138,070)
Forward exchange contracts	-	71,606
Foreign-currency swap contracts	24,704	23,361
Cross-currency swap	(44,394)	(30,610)
Interest rate / assets swap	(3,653)	12,794
Unsubordinated financial bonds	208,398	(76,060)
Interest revenue on financial assets at fair value through profit or loss	61,330	49,915
Dividend income from financial assets at FVTPL	45,985	69
Interest expense on financial assets at fair value through profit or loss	(320,860)	(250,466)
Total	$ 321,815	(237,008)

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ad) Realized gains (losses) on the sale of available-for-sale financial assets

	For the years ended December 31
	2017
Dividend income	$ 189,167
Gains on disposal of available-for-sale financial assets	
Bonds	351,272
Stocks	466,902
Others	19,852
Subtotal	1,027,193
Losses on disposal of available-for-sale financial assets	
Bonds	(3,308)
Stocks	(372,644)
	(3,695)
Others	(10)
Subtotal	(379,657)
Total	$ 647,536

(ae) Realized gains (losses) on financial assets at FVOCI

	For the years ended December 31
	2018
Dividend income	$ 511,069
Gains on disposal of financial assets at FVOCI:	
Bonds	588,976
Others	1,455
Subtotal	1,101,500
Losses on disposal of financial assets at FVOCI:	
Bonds	(245)
Others	(5)
Subtotal	(250)
Total	$ 1,101,250

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(af) Other noninterest gains, net

	For the years ended December 31	
	2018	2017
Gains on financial assets carried at cost	$ -	165,973
Brokerage	116,195	117,722
Lease (note 6(k))	159,498	377,296
Agency	(4,365)	(3,895)
Interest Employee benefit savings account	(1,910,497)	(1,912,783)
Depreciation of investment property	(38,332)	-
Others	983,511	(133,472)
Total	$ (693,990)	(1,389,159)

(ag) Employee benefits expenses

	For the years ended December 31	
	2018	2017
Salaries	$ 7,554,531	7,301,427
Labor and health insurance	342,302	339,986
Pension	699,991	692,802
Director's remuneration	2,933	3,008
Others	112,488	101,894
Total	$ 8,712,245	8,439,117

(ah) Depreciation and amortization expenses

	For the years ended December 31	
	2018	2017
Depreciation- Property and Equipment	$ 687,519	686,747
Depreciation- Investment property	-	38,011
Amortization	300,860	271,312
Total	$ 988,379	996,070

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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(ai) Other general and administrative expenses

	For the years ended December 31	
	2018	**2017**
Taxes	$ 2,314,090	2,448,737
Rental	666,300	649,603
Insurance	445,671	435,351
Marketing	234,184	224,310
Others	1,325,192	1,297,916
Total	$ 4,985,437	5,055,917

(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, 2018 and 2017 are as follows:

	December 31, 2018		December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:	2,660,681,039	2,664,321,764	2,529,599,651	2,531,980,629
Derivative financial assets at FVTPL, net	553,281	553,281	187,448	187,448
Non-derivative financial assets at FVTPL, net	4,700,403	4,700,403	3,055,970	3,055,970
Financial assets at FVOCI	102,542,129	102,542,129	-	-
Financial assets at amortized cost	587,049,258	590,689,983	-	-
Loans and receivables	1,965,807,233	1,965,807,233	1,879,104,149	1,879,104,149
Avaliable-for-sale financial assets	-	-	407,495,721	407,495,721
Held-to-maturity financial assets	-	-	238,122,980	240,503,958
Other financial assets	28,735	28,735	1,633,383	1,633,383
Financial Liabilities:	69,600,404	69,600,404	70,384,416	70,384,416
Derivative financial liabilities at FVTPL	267,045	267,045	227,506	227,506
Non-derivative financial liabilities at FVTPL, net	9,626,516	9,626,516	3,319,072	3,319,072
Financial debentures	59,592,857	59,592,857	66,691,640	66,691,640
Other financial liabilities	113,986	113,986	146,198	146,198

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) The methodologies and assumptions used by the Banks 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) Financial 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:

	December 31, 2018			
Financial instruments measured at fair value	**Total**	**Level 1 (Note 1)**	**Level 2 (Note 2)**	**Level 3 (Note 3)**
Non-derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss:				
Stocks	$ 1,158,054	1,158,054	-	-
Bonds	2,512,010	-	2,512,010	-
Others	1,030,339	34,237	996,102	-
Subtotal	4,700,403	1,192,291	3,508,112	-

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Financial instruments measured at fair value		December 31, 2018 Total	Level 1 (Note 1)	Level 2 (Note 2)	Level 3 (Note 3)
Financial asstes at fair value through other comprehensive income:					
Stocks	$	13,537,293	8,535,893	-	5,001,400
Bonds		86,526,588	-	86,526,588	-
Others		2,478,248	-	2,478,248	-
Subtotal		102,542,129	8,535,893	89,004,836	5,001,400
Liabilities:					
Designation as at fair value through profit or loss		9,626,516	-	9,626,516	-
Derivative financial instruments					
Assets:					
Financial assets at fair value through profit or loss		553,281	-	553,281	-
Liabilities:					
Financial liabilities at fair value through profit or loss		267,045	-	267,045	-

Financial instruments measured at fair value		December 31, 2017 Total	Level 1 (Note 1)	Level 2 (Note 2)	Level 3 (Note 3)
Non-derivative financial instruments					
Assets:					
Financial assets at fair value through profit or loss:					
Held-for-trading financial assets					
Stocks	$	3,592	3,592	-	-
Bonds		200,531	-	200,531	-
Others		649,466	-	649,466	-
Designation as at fair value through profit or loss		2,202,381	-	2,202,381	-
Subtotal		3,055,970	3,592	3,052,378	-
Available-for-sale financial assets:					
Stocks		6,776,385	6,776,385	-	-
Bonds		85,421,650	-	85,421,650	-
Others		315,297,686	10,177	315,287,509	-
Subtotal		407,495,721	6,786,562	400,709,159	-

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Financial instruments measured at fair value	December 31, 2017 Total	Level 1 (Note 1)	Level 2 (Note 2)	Level 3 (Note 3)
Liabilities:				
Designation as at fair value through profit or loss	$ 3,319,072	-	3,319,072	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	187,448	-	187,448	-
Liabilities:				
Financial liabilities at fair value through profit or loss	227,506	-	227,506	-

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.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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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 2018 and 2017, 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 $326,943 thousand and $75,802 thousand, respectively are recognized as profit or loss for that period.

(v) As of December 31, 2018 and 2017, there was no transfer of financial instruments between Level 1 and Level 2. As of December 31, 2018 and 2017, 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
December 31, 2017	$ -
Effects on retrospective application	4,349,328
January 1, 2018	4,349,328
Total profit or loss	
Recognized as other comprehensive income	772,431
Purchase	29,641
Capital reduction	(150,000)
December 31, 2018	$ 5,001,400

For the years ended December 31, 2018, 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:

	2018	2017
Total gains and losses recognized		
In other comprehensive income, and presented in unrealized gains and losses from financial assets at FVOCI	$ 772,431	-

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

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at FVOCI—equity instrument without an active market	Comparable listed company approach	· Lack of marketability discount (8.98%~35.05% as of 2018.12.31)	· The estimated fair value would decreased if the lack of market liquidity discount was higher;
	Discount cash flow approach	· Discount rate (7.25% as of 2018.12.31) · Sustainable growth rate (0%~1.07% as of 2018.12.31)	· 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 (24.66% as of 2018.12.31)	· 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:

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	Input	Variation	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2018						
Financial assets at FVOCI	Non-public transaction equity discount	2.5%	-	-	-	143,813
	Discount rate	1%	-	-	-	25,704
	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 use unobservative 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 Banks have 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 Banks 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.

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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 banks, 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 Banks 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 Banks 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.

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b) Debt investments and financial derivatives instruments

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

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

3) Risk measurement - loans and receivables

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

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.

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

i) Loans, accounts receivables and receivables for securities margin financing: interest receivable plus outstanding principal.

ii) Other receivables, contractual assets and lease receivable: carrying amount.

iii) Credit card: current balance plus undisbursed amount.

iv) Commitment and financial guarantee : Multiplying the credit limit by the credit risk conversion factor based on the Regulations Governing the Capital Adequacy and Capital Category of Bank.

d) Forward-looking factors adjustment

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

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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If there are multiple qualified external credit rating agencies and the rating is inconsistent, it will be determined according to the lower rating. If the issuer is a local government, it is determined by the subordinate level of rating applied by the central government of the country.

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

a) Stage 1 (credit risk does not increase significantly or the credit risk is low) means:

   i) there is no change of credit rating; or

   ii) the credit rating has been lowered by 2 (inclusive), but it is not C/D/D/twD/D(twn); or

   iii) the credit rating has been lowered by 3 or above，but it is still Baa2/BBB/BB/twA/A+ (twn) and above.

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.

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f) Probability of default: the likelihood of a default. The breach of contract defined by the purpose of the act to determine the risk of default is consistent with the definition of the use of financial assets for internal credit risk management purposes.

g) Loss given default: the extent of the loss caused by default.

h) Original Effective Interest Rate: The interest rate of the financial asset or financial liability book value is exactly the same as the expected future duration of the financial asset or the appropriate shorter period, after the future payment or cash collection of the contract is discounted.

i) Credit loss: the difference between the cash flow receivable from the contract and the cash flow expected to be received (i.e. all short cash receipts), discounted at the original effective interest rate.

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 collaterized as one asset portfolio, collateral of other businesses, excluding the credit business are set based on the characteristics of financial instruments.

b) Credit risk limits and concentration of risk control

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

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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6) The Bank's maximum exposures at credit risk of financial assets (irrevocable exposure without considering loss allowance, collaterals, and other credit-enhencing instruments):

The Bank's maximum exposures at credit risk of financial assets as of December 31, 2018 were as follow:

	December 31, 2018					
	12-month ECL	Life time ECL —unimpaired	Life time ECL —impaired	Credit loss from initial purchase —impaired	Loss allowance	Total
On-balance sheet items						
Loans and receivables	$ 1,961,300,205	24,301,383	10,405,183	-	(30,206,215)	1,965,800,556
Debt invetments as FVOCI	89,004,836	-	-	-	(3,036)	89,001,800
Debt invetments at amortized cost	587,058,550	-	-	-	(9,292)	587,049,258
Accounts receivables and other financial assets	8,938,692	42,078	521,474	-	(133,839)	9,368,405
Total	$ 2,646,302,283	24,343,461	10,926,657	-	(30,352,382)	2,651,220,019
Off-balance sheet items						
Receivables from guarantees and commercial letter of credits	$ 55,282,731	16,039	197,678	-	(502,523)	54,993,925
Loan commitments	4,731,450	302,562	5,036	-	(25,851)	5,013,197
Total	$ 60,014,181	318,601	202,714	-	(528,374)	60,007,122

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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, 2018:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially impaired financial assets)	Life tine 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
Beginning balance	$ 18,395,401	2,177,889	-	7,061,096	-	27,634,386		27,634,386
Changes from financial instruments recignized at the beginning of period:								
–transfer to life time ECL	(42,523)	209,846	-	(22,346)	-	144,977		144,977
–transfer to impaired financial assets	(12,141)	(22,698)	-	814,213	-	779,374		779,374
–transfer to 12-month ECL	7,199	(22,813)	-	(80,550)	-	(96,164)		(96,164)
–derecognization	(3,159,458)	(521,464)	-	(2,640,823)	-	(6,321,745)		(6,321,745)
Initial or purchased financial assets	5,702,381	364,753	-	2,539,621	-	8,606,755		8,606,755
Write off	-	-	-	(1,827,099)	-	(1,827,099)		(1,827,099)
Recoveries	-	-	-	1,022,863	-	1,022,863		1,022,863
Effects of changes in exchange rates and others	46,269	(263,177)	-	479,776	-	262,868		262,868
Ending balance	$ 20,937,128	1,922,336	-	7,346,751	-	30,206,215	-	30,206,215

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ii) The following table reconciles the beginning carrying amount of loans and receivables to the amount as of December 31,2018:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initially impaired financial assets)	Total
Beginning balance	$ 1,872,041,880	25,147,818	-	9,757,399	-	1,906,947,097
Individual financial asset transfers to life time ECL	(2,086,475)	1,988,045	-	(48,016)	-	(146,446)
Individual financial asset transfers to credit-impaired financial assets	(1,120,909)	(343,842)	-	1,380,733	-	(84,018)
Individual financial asset transferred from credit-impaired financial asset	634,463	(614,180)	-	(176,505)	-	(156,222)
Derecognization	(473,205,303)	(7,992,191)	-	(3,687,593)	-	(484,885,087)
Initial or purchased loans and receivables	640,488,822	6,215,662	-	3,609,052	-	650,313,536
Write off	-	-	-	(2,288,579)	-	(2,288,579)
Others	(75,452,273)	(99,928)	-	1,858,691	-	(73,693,510)
Ending balance	$ 1,961,300,205	24,301,384	-	10,405,182	-	1,996,006,771

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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, 2018 :

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initially credit-impaired financial assets)	Impa.irment 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
Beginning balance	$ 4,042	-	-	-	-	4,042		4,042
Changes from financial instruments recignized at the beginning of period:								
—derecognization	(655)	-	-	-	-	(655)		(655)
Initial or purchased financial assets	1,178	-	-	-	-	1,178		1,178
Effects of changes in exchange rates and others	(1,529)	-	-	-	-	(1,529)		(1,529)
Ending balance	$ 3,036	-	-	-	-	3,036	-	3,036

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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 31,2018:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initially credit-impaired financial assets)	Total
Beginning balance	$ 86,220,570	-	-	-	-	86,220,570
Derecognization	(18,018,132)	-	-	-	-	(18,018,132)
Initial or purchased financial assets	21,678,990	-	-	-	-	21,678,990
Others	(876,592)	-	-	-	-	(876,592)
Ending balance	$ 89,004,836	-	-	-	-	89,004,836

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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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, 2018 :

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy 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
Beginning balance	$ 11,294	-	-	-	-	11,294		11,294
Changes from financial instruments recignized at the beginning of period:								
—derecognization	(10,305)	-	-	-	-	(10,305)		(10,305)
Initial or purchased financial assets	13,806	-	-	-	-	13,806		13,806
Effects of changes in exchange rates and others	(5,503)	-	-	-	-	(5,503)		(5,503)
Ending balance	$ 9,292	-	-	-	-	9,292	-	9,292

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ii) The following table reconciles the beginning carrying amount of debt investment at amortized cost to the amount as of December 31,2018:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy credit-impaired financial assets)	Total
Beginning balance	$ 551,602,736	-	-	-	-	551,602,736
Derecognizattion	(3,436,321,979)	-	-	-	-	(3,436,321,979)
Initial or purchased financial assets	3,505,682,518	-	-	-	-	3,505,682,518
Others	(33,904,725)	-	-	-	-	(33,904,725)
Ending balance	$ 587,058,550	-	-	-	-	587,058,550

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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 guarantees and commercial letter of credits to the amount as of December 31,2018:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy 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
Beginning balance	$ 68,522	2,146	-	76,300	-	146,968	612,598	759,566
Changes from financial instruments recignized at the beginning of period:								
—transfer to credit-impaired financial asets	(104)	-	-	4,144	-	4,040		4,040
—derecognization	(42,618)	(2,146)	-	(18,082)	-	(62,846)		(62,846)
Initial or purchased financial assets	83,039	1,159	-	24,389	-	108,587		108,587
Difference with the impairment under Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	-	-	-	-	-	-	(265,550)	(265,550)
Effects of changes in exchange rates and others	(6,782)	-	-	(34,492)	-	(41,274)		(41,274)
Ending balance	$ 102,057	1,159	-	52,259	-	155,475	347,048	502,523

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ii) The following table reconciles the beginning carrying amount of receivables from guarantees and commercial letter of credits to the amount as of December 31,2018:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy credit-impaired financial assets)	Total
Beginning balance	$ 53,052,780	33,562	-	274,154	-	53,360,496
Derecognization	(31,103,620)	(33,801)	-	(42,114)	-	(31,179,535)
Initial or purchased financial assets	45,224,306	16,078	-	71,239	-	45,311,623
Others	(11,890,735)	200	-	(105,601)	-	(11,996,136)
Ending balance	$ 55,282,731	16,039	-	197,678	-	55,496,448

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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e) Reconciliation of loan commitment provision (with revocable loan commitments excluded)

i) The following table reconciles the beginning carrying amount of provisions for loan comminents to the amount as of December 31,2018:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy 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
Beginning balance	$ 11,579	11	-	720	-	12,310		12,310
Changes from financial instruments recignized at the beginning of period:								
—transfer to credit-impaired financial asets	(526)	-	-	209	-	(317)		(317)
—derecognization	(2,298)	-	-	-	-	(2,298)		(2,298)
Initial or purchased financial assets	15,523	552	-	-	-	16,075		16,075
Effects of changes in exchange rates and others	(1,281)	2,081	-	(719)	-	81		81
Ending balance	$ 22,997	2,644	-	210	-	25,851	-	25,851

(Continued)

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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ii) The following table reconciles the beginning carrying amount of loan commitments to the amount as of December 31,2018:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy credit-impaired financial assets)	Total
Beginning balance	$ 56,318,315	21,811	-	157	-	56,340,283
Individual financial assets transfer to credit-impaired financial asets	(9,152)	-	-	4,949	-	(4,203)
Derecognization	(51,949,864)	-	-	-	-	(51,949,864)
Initial or purchased financial assets	313,750	3,858	-	-	-	317,608
Others	58,401	276,893	-	(70)	-	335,224
Ending balance	$ 4,731,450	302,562	-	5,036	-	5,039,048

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated 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 31,2018:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy 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
Beginning balance	$ 15,007	21,158	-	491,841	-	528,006		528,006
Changes from financial instruments recignized at the beginning of period:								
—transfer to life time ECL	(45)	4,284	-	(7)	-	4,232		4,232
—transfer to credit-impaired financial assets	-	-	-	787	-	787		787
—transfer to 12-month ECL	38	(3,864)	-	(1,468)	-	(5,294)		(5,294)
—derecognization	(13,704)	(15,272)	-	(407,437)	-	(436,413)		(436,413)
Initial or purchased financial assets	10,937	796	-	12,082	-	23,815		23,815
Difference with the impairment under Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	-	-	-	-	-	-	4,083	4,083
Write off	-	-	-	(487,108)	-	(487,108)		(487,108)
Recoveries	-	-	-	41,275	-	41,275		41,275
Effects of changes in exchange rates and others	9,840	(1,046)	-	451,662	-	460,456		460,456
Ending balance	$ 22,073	6,056	-	101,627	-	129,756	4,083	133,839

(Continued)

LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

i) The following table reconciles the beginning carrying amount of accounts receivables (other financial assets included) to the amount as of December 31,2018:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy credit-impaired financial assets)	Total
Beginning balance	$ 11,153,658	76,031	-	313,291	-	11,542,980
Individual financial assets transfer to life time ECL	(11,737)	15,795	-	(6)	-	4,052
Individual financial assets transfer to credit-impaired financial asets	(75)	(11,222)	-	1,140	-	(10,157)
Individual financial assets transfered from credit-impaired financial asets	7,135	(11,288)	-	56	-	(4,097)
Derecogniztion	(12,859,279)	(20,347)	-	(510,184)	-	(13,389,810)
Initial or purchased financial assets	1,918,397	2,446	-	13,882	-	1,934,725
Write off	-	-	-	(30,511)	-	(30,511)
Others	8,988,857	(24,346)	-	490,551	-	9,455,062
Ending balance	$ 9,196,956	27,069	-	278,219	-	9,502,244

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated 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, 2018	December 31, 2017
Irrevocable loan commitments	$ 5,039,048	55,867,381
Credit card commitments	27,109,525	24,348,928
Unused commercial letters of credit	8,949,547	12,010,929
Cash card commitments	80,777	94,649
Guarantees	46,546,901	41,349,567

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 banks, 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, 2018		December 31, 2017	
	Amount	%	Amount	%
Private enterprises	$ 676,326,373	33.94	593,679,581	31.18
Government owned enterprises	48,540,718	2.44	71,339,044	3.75
Government owned enterprises	22,402,095	1.12	44,429,781	2.33
Non-profit organizations	549,248	0.03	373,676	0.02
Individual	1,126,522,535	56.54	1,076,372,372	56.54
Others	118,176,914	5.93	117,599,503	6.18
Total	$ 1,992,517,883	100.00	1,903,793,957	100.00

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(in thousands of New Taiwan dollars)

	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Domestic	$ 1,836,855,814	92.19	1,754,723,750	92.17
Foreign	155,662,069	7.81	149,070,207	7.83
Total	$ 1,992,517,883	100.00	1,903,793,957	100.00

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

(in thousands of New Taiwan dollars)

	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Non-collateral	$ 343,490,814	17.21	355,989,434	18.67
Collateral				
Financial collateral	8,721,010	0.44	9,342,886	0.49
Receivables	729,806	0.04	837,471	0.04
Property	1,495,098,256	74.90	1,385,368,163	72.65
Guarantee	31,913,791	1.60	32,337,946	1.70
Other	116,053,094	5.81	123,071,197	6.45
	$ 1,996,006,771	100.00	1,906,947,097	100.00

10) The analysis of financial assets credit quality and impairment of overdue credit

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to banks, financial asset at fair value through profit or loss, reverse repo on notes and bonds investment, refundable deposits, operation guarantee deposits and clearing and settlement are regarded as very low credit risk owing to the good credit rating of counterparties.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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Apart from the abovementioned, the analysis of remaining financial assets quality is as follows:

a) Discount, loans and receivables

(in thousands of New Taiwan dollars)

December 31, 2017	Neither overdue nor impaired amount(A)	Overdue but not impaired amount(B)	Impaired amount(C)	Total (A)+(B)+(C)	Loss Recognized (D) With objective evidence of impairment	Loss Recognized (D) Without objective evidence of impairment	Net amount (A)+(B)+(C)-(D)
Receivables							
—Credit card business	1,388,832	-	60,170	1,449,002	45,374	3,004	1,400,624
—Other	5,330,768	-	498,862	5,829,630	35,728	1,248	5,792,654
Discount and loans	1,859,123,053	22,486,213	25,337,831	1,906,947,097	7,080,151	20,766,084	1,879,100,862
Total	1,865,842,653	22,486,213	25,896,863	1,914,225,729	7,161,253	20,770,336	1,886,294,140

b) Discount and loans that were neither overdue nor impaired are listed as below by business:

(in thousands of New Taiwan dollars)

Business	December 31, 2017
Consumer banking	
—Mortgage loans	$ 807,493,714
—Consumer loan—unsecured	32,854,200
—other	100,491,214
Corporate banking	
—secured	576,074,808
—unsecured	342,209,117
—other	-
Total	$ 1,859,123,053

c) Credit analysis on securities investment

(in thousands of New Taiwan dollars)

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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December 31, 2017	Neither overdue nor impaired amount (A)	Overdue but not impaired amount (B)	Impaired amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)	Net amount (A)+(B)+(C)-(D)
Available-for-sale financial assets	407,495,721			407,495,721		407,495,721
—Investment in Bonds	85,421,650	-	-	85,421,650	-	85,421,650
—Investment in Stocks	6,776,385	-	-	6,776,385	-	6,776,385
—Other	315,297,686	-	-	315,297,686	-	315,297,686
Held-to-maturity financial assets	238,122,980			238,122,980		238,122,980
—Investment in Bonds	104,461,278	-	-	104,461,278	-	104,461,278
—Other	133,661,702	-	-	133,661,702	-	133,661,702
Other financial assets						
—Investment in Stocks	1,570,850	-	19,285	1,590,135	10,404	1,579,731

11) Aging analysis of financial assets overdue but not yet impaired

Delays in processing payments by borrowers and other administrative reasons could result in financial assets overdue but not yet impaired. According to the Bank's assessment of impairment in loans and receivables, financial assets overdue within 90 days are not considered as impairment, unless other evidence supported.

(in thousands of New Taiwan dollars)

	December 31, 2017		
	Overdue for less than 1 month	Overdue for 1~3 months	Total
Discount and loans			
Consumer banking			
—Mortgage loans	10,624,875	-	10,624,875
—Consumer loans	432,290	-	432,290
—Other	1,322,248	-	1,322,248
Corporate banking			
—secured	6,340,384	-	6,340,384
—unsecured	3,766,416	-	3,766,416
Total	22,486,213	-	22,486,213

(Continued)

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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12) Analysis of impairment for financial assets

Analysis of impairment for discounts, loans and receivables and accumulated impairment are as follows:

(in thousands of New Taiwan dollars)

Items		Discounts and loans December 31, 2017
With objective evidence of impairment	Individual assessment	17,643,575
	Collective assessment	7,694,256
Without objective evidence of impairment	Collective assessment	1,881,609,266
Total		1,906,947,097

Items		Allowance for possible losses December 31, 2017
With objective evidence of impairment	Individual assessment	2,206,829
	Collective assessment	4,873,322
Without objective evidence of impairment	Collective assessment	20,766,084
Total		27,846,235

Items		Receivables December 31, 2017
With objective evidence of impairment	Individual assessment	492,657
	Collective assessment	66,375
Without objective evidence of impairment	Collective assessment	6,719,600
Total		7,278,632

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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Items		Allowance for possible losses December 31, 2017
With objective evidence of impairment	Individual assessment	35,649
	Collective assessment	45,453
Without objective evidence of impairment	Collective assessment	4,252
Total		85,354

Note: Receivable price of securities purchased for customers, and tax refundable and interest receivable from financial instruments that were excluded from IAS 39 as of December 31, 2018 and 2017 were $1,674,753 thousand and $0 thousand, respectively.

13) 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, 2018				
Items			Non-performing Loans (Note 1)	Loans	Ratio of Non-performing Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate Banking	Secured		1,401,617	608,799,197	0.23 %	11,205,800	799.49 %
	Unsecured		90,783	388,570,338	0.02 %	781,582	860.93 %
Consumer Banking	Mortgage loans (Note 4)		1,693,799	854,150,226	0.20 %	13,460,241	795.03 %
	Cash card		386	20,243	1.91 %	5,049	1,308.03 %
	Small-scale credit loans (Note 5)		9,980	1,668,139	0.60 %	80,939	811.01 %
	Other (Note 6)	Secured	549,642	106,970,202	0.51 %	4,353,405	792.04 %
		Unsecured	37,579	35,828,426	0.10 %	313,200	833.44 %
Total loans			3,783,786	1,996,006,771	0.19 %	30,206,216	798.31 %
			Non-performing Receivables	Receivables	Ratio of Non-performing Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards			3,637	1,399,034	0.26 %	44,434	1,221.72 %
Factored accounts receivable without recourse (Note 7)			-	-	-	-	-

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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Period			December 31, 2017				
Items			Non-performing Loans (Note 1)	Loans	Ratio of Non-performing Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate Banking	Secured		1,196,916	549,130,644	0.22 %	9,427,346	787.64 %
	Unsecured		154,634	398,466,800	0.04 %	1,309,386	846.76 %
Consumer Banking	Mortgage loans (Note 4)		1,565,246	821,957,049	0.19 %	12,241,917	782.11 %
	Cash card		722	27,598	2.62 %	8,438	1,168.54 %
	Small-scale credit loans (Note 5)		10,394	1,496,749	0.69 %	83,205	800.55 %
	Other (Note 6)	Secured	566,651	103,941,139	0.55 %	4,419,584	779.95 %
		Unsecured	43,172	31,927,118	0.14 %	356,359	825.45 %
Total loans			3,537,735	1,906,947,097	0.19 %	27,846,235	787.12 %
			Non-performing Receivables	Receivables	Ratio of Non-performing Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards			4,240	1,240,078	0.34 %	51,032	1,203.58 %
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, 2018		December 31, 2017	
	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)	14,072	3,886	15,653	4,570
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	3,341	25,310	3,796	25,354
Total	17,413	29,196	19,449	29,924

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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, 2018			
Rank	Business Banks' Standard Industrial Classification and Symbol	Total Amount of Credit Endorsement or Other Transactions	Percentage of the Bank's Equity (%)
1	A Bank- Rail Transportation Industry	33,253,176	21.15
2	B Bank- Air Transportation Industry	19,284,826	12.27
3	C Bank- Ocean Transportation Industry	13,297,075	8.46
4	D Bank- Petroleum and Coal products Manufacturing Industry	10,348,954	6.58
5	E Bank- Rolling and Extruding of Iron and Steel Industry	10,331,219	6.57
6	F Bank- Textile Products Manufacturing Industry	9,709,823	6.18
7	G Bank- Smelting and Refining of Iron and Steel Industry	9,607,753	6.11
8	H Bank- LCD and Components Manufacturing Industry	8,763,113	5.57
9	I Bank- Other Retail Sale of General Merchandise Industry	8,728,761	5.55
10	J Bank- Manufacture of Integrated Circuits	8,512,714	5.42

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December 31, 2017			
Rank	Business Banks' Standard Industrial Classification and Symbol	Total Amount of Credit Endorsement or Other Transactions	Percentage of the Bank's Equity (%)
1	A Bank- Rail Transportation Industry	34,457,176	23.82
2	C Bank- Petroleum and Coal products Manufacturing Industry	13,965,537	9.65
3	F Bank- Air Transportation Industry	10,241,430	7.08
4	O Bank- Ocean Transportation Industry	10,209,553	7.06
5	G Bank- Smelting and Refining of Iron and Steel Industry	9,900,205	6.84
6	I Bank- Textile Products Manufacturing Industry	9,652,831	6.67
7	K Bank- Rolling and Extruding of Iron and Steel Industry	8,060,490	5.57
8	H Bank-LCD and Components Manufacturing Industry	7,687,055	5.31
9	M Bank- LCD and Components Manufacturing Industry	5,336,259	3.69
10	N Bank- Other Retail Sale of General Merchandise Industry	5,312,720	3.67

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 Bank enterprise, the Bank would express the amount of credit by aggregating the total credit of this Bank enterprise, indicated with the symbol of the enterprise and industrial classification. The Bank would further identify the industry in which the Bank 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: Bank enterprise refers to a Bank 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."

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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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.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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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, 2018	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	96,444,555	125,089,223	62,143,946	3,567,061	-	287,244,785
Funds borrowed from the Central Bank and other banks	1,839,314	-	-	100,595	-	1,939,909
Non-derivative financial liability at fair value through profit or loss	-	-	-	-	9,626,516	9,626,516
Securities sold under repurchase agreements	1,319,082	5,876,139	2,545,060	-	-	9,740,281
Payables	3,073,713	2,089,207	2,385,453	6,483,326	12,397,321	26,429,020
Deposits and remittances	527,307,544	559,644,612	592,192,994	673,403,100	74,036,630	2,426,584,880
Financial debentures	8,000,000	-	4,999,950	4,799,923	41,792,984	59,592,857
Other financial liabilities	4,151	257	6,829	11,820	90,929	113,986
Total	637,988,359	692,699,438	664,274,232	688,365,825	137,944,380	2,821,272,234

December 31, 2017	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	75,461,596	77,902,774	38,504,203	8,465,695	-	200,334,268
Funds borrowed from the Central Bank and other banks	1,911,184	-	-	129,508	-	2,040,692
Non-derivative financial liability at fair value through profit or loss	-	-	-	-	3,319,072	3,319,072
Securities sold under repurchase agreements	8,382,834	3,266,508	1,108,062	2,400,412	-	15,157,816
Payables	2,591,275	1,663,512	2,282,456	5,738,364	12,569,001	24,844,608
Deposits and remittances	580,865,689	582,257,073	509,317,712	675,604,020	51,978,776	2,400,023,270
Financial debentures	-	-	-	15,099,869	51,591,771	66,691,640
Other financial liabilities	5,090	213	7,724	15,672	117,499	146,198
Total	669,217,668	665,090,080	551,220,157	707,453,540	119,576,119	2,712,557,564

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated 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:

i) Foreign exchange derivatives: foreign exchange options, non-deliverable forwards;

ii) 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, 2018	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	31,150	39,189	-	140,638	16,321	227,298
Total	31,150	39,189	-	140,638	16,321	227,298

December 31, 2017	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Derivative financial liabilities at FVTPL						
—Foreign exchange derivatives	-	-	7,492	-	-	7,492
—Interest rate derivatives	-	-	-	-	5,182	5,182
Total	-	-	7,492	-	5,182	12,674

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.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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The table below shows the gross settlement derivative instruments based on the remaining time between the reporting date and the contractual period.

The valuation of the maturity date of the contracts is essential for presenting the financial instruments on the balance sheet. The amount disclosed in the balance sheet is prepared based on the contractual cash flows, whereby parts of the disclosed mount 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, 2018	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Derivative financial liabilities at FVTPL						
—Cash outflow	-	-	-	-	-	-
—Cash inflow	-	-	-	-	-	-
Net cash flow	-	-	-	-	-	-

December 31, 2017	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Derivative financial liabilities at FVTPL						
—Cash inflow	-	203,175	-	-	-	203,175
Net cash flow	-	203,175	-	-	-	203,175

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, 2018	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Undrawn loan commitments	772,197	-	146,418	379,471	3,235,771	4,533,857
Undrawn letters of credit	1,633,020	4,778,973	850,457	1,273,260	413,837	8,949,547
Guarantees	6,757,006	3,102,882	3,033,705	5,470,581	28,182,727	46,546,901
Total	9,162,223	7,881,855	4,030,580	7,123,312	31,832,335	60,030,305

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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December 31, 2017	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Undrawn loan commitments	52,178,038	18,845	267,820	20,878	3,381,800	55,867,381
Undrawn letters of credit	1,300,979	5,930,038	1,257,383	2,326,820	1,195,709	12,010,929
Guarantees	3,730,477	2,856,772	2,699,994	5,772,104	26,290,220	41,349,567
Total	57,209,494	8,805,655	4,225,197	8,119,802	30,867,729	109,227,877

6) The maturity analysis of lease agreement

The lease contracts of the Bank are operating lease and financial lease. Operating lease commitment is the future minimum rental payment under irrevocable operating lease condition.

The maturity analysis of lease agreement is as follows:

(in thousands of New Taiwan dollars)

December 31, 2018	Less than 1 year	1~5 years	Over 5 years	Total
Lease agreement				
Operating lease payment(lessee)	377,606	813,397	2,310	1,193,313
Operating lease income (lessor)	365,403	817,520	-	1,182,923
Total	743,009	1,630,917	2,310	2,376,236

December 31, 2017	Less than 1 year	1~5 years	Over 5 years	Total
Lease agreement				
Operating lease payment(lessee)	335,817	656,072	10,053	1,001,942
Operating lease income (lessor)	350,370	719,968	-	1,070,338
Total	686,187	1,376,040	10,053	2,072,280

7) 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, 2018	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	251,235,111	227,317,887	160,868,097	139,646,075	243,922,171	1,648,013,387	2,671,002,728
Main capital outflow on maturity	155,919,915	193,050,300	499,413,319	554,403,741	774,072,532	1,019,057,416	3,195,917,223
Gap	95,315,196	34,267,587	(338,545,222)	(414,757,666)	(530,150,361)	628,955,971	(524,914,495)

December 31, 2017	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	277,647,072	207,793,320	157,981,786	146,661,624	255,268,945	1,511,558,181	2,556,910,928
Main capital outflow on maturity	164,465,295	247,168,551	486,852,550	458,843,853	775,719,591	1,044,054,147	3,177,103,987
Gap	113,181,777	(39,375,231)	(328,870,764)	(312,182,229)	(520,450,646)	467,504,034	(620,193,059)

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

b) Maturity analysis of assets and liabilities in US Dollars

(in thousands of New Taiwan dollars)

December 31, 2018	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Main capital inflow on maturity	4,737,651	1,709,851	558,666	317,410	4,963,914	12,287,492
Main capital outflow on maturity	4,592,007	4,094,742	2,218,947	885,124	1,298,157	13,088,977
Gap	145,644	(2,384,891)	(1,660,281)	(567,714)	3,665,757	(801,485)

December 31, 2017	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Main capital inflow on maturity	3,827,530	2,165,155	757,084	772,260	4,378,516	11,900,545
Main capital outflow on maturity	3,382,660	4,789,046	2,231,709	986,772	1,244,227	12,634,414
Gap	444,870	(2,623,891)	(1,474,625)	(214,512)	3,134,289	(733,869)

(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.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Procedure of market risk management

a) Identification and Measurement

i) Identification: Personnel of treasury departments and risk management should fully understand all market risk factors of financial instruments held by the Bank. Personnel of risk management should identify all risk factors that may cause market risk and ensure the accuracy and appropriateness of the valuation methods on financial instruments.

ii) Measurement: Development of quantifiable models measured the market risk and is combined with daily management of risk limits. The valuation of financial instruments is assessed based on market valuation methods, model assessment, external sources and external or independent stock price verification.

b) Monitor and Report

i) Monitor: Treasury department will monitor the instant and entire transactions based on the limits of each department to ensure all transactions are conducted within the scope of authorization and limits. The Bank has to ensure that the contents, including transaction modes, purposes, processes, parts and movements in profit or loss of all financial instruments are in compliance with regulations and are traded with the scope of authorization and limits. The risk management department monitors and analyzes the information produced from risk measurement models on a daily basis. If any significant risk exposure that affect the financial, business status or law compliant was found, it should be reported to general managers and BOD immediately.

ii) Report: The risk management department reports the Bank's market risk management reports to the risk management committee on a regular basis, including the market risk exposure of the Bank, conditions of risk exposure, profit or loss status, the use of limits and the conformity with the regulations on market risk management. In addition, in compliance with principles of public disclosures, information of market risk management should be disclosed regularly based on the regulations of the authorities.

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.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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a) Strategy

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

b) Policies and procedures

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

c) Valuation policy

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

d) Measurement method

The Bank adopts the β 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.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

ii) Measurement: The Banks adopt 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 Banks 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 Banks' 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.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

7) Exchange rate risk management

a) Definition of exchange rate risk

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

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

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

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

8) Management of equity security price risk

a) Definition of equity security price risk

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

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

d) Measurement method

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

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

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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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 Banking 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.

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, 2018 and 2017 will decrease by $690 thousand and $12,318 thousand, respectively, while the other comprehensive statement of income will decrease by $1,871,454 thousand and $3,731,236 thousand, respectively. If the yield curve of security market decreases by 100bps, the profit or loss as of December 31, 2018 and 2017 will increase by $452 thousand and $13,182 thousand, respectively, while other comprehensive income or loss will increase $2,077,119 thousand and $4,210,105 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, 2018 and 2017 will decrease by $2,245 thousand and $2,439 thousand, respectively; if EUR against TWD depreciates by 3%, the profit or loss as of December 31, 2018 and 2017 will decrease by $6,257 thousand and increase by $1,060 thousand; if JPY against TWD depreciates by 5%, the profit or loss as of December 31, 2018 and 2017 will decrease by $189 thousand and $245 thousand, respectively; if CNY against TWD depreciates by 5%, the profit or loss as of December 31, 2018 and 2017 will decrease by $1,154 thousand and $1,440 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, 2018 and 2017 will decrease by $186,120 thousand and $19,585 thousand, respectively, while items other comprehensive income or loss will decrease by $461,229 thousand, and $301,530 thousand, respectively, and vice versa.

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iv) Summary of sensitivity analysis is as follows:

(in thousands of New Taiwan dollars)

December 31, 2018			
Main Risk	Sensitivity to change	Amount	
		Equity	Equity
Currency Risk	USD/TWD increase 3%	-	2,245
	EUR/TWD increase 3%	-	6,257
	JPY/TWD increase 5%	-	(189)
	CNY/TWD increase 5%	-	(1,154)
Currency Risk	USD/TWD decrease 3%	-	(2,245)
	EUR/TWD decrease 3%	-	(6,257)
	JPY/TWD decrease 5%	-	189
	CNY/TWD decrease 5%	-	1,154
Interest Risk	Yield curve increase 100BPS	(1,871,454)	(690)
Interest Risk	Yield curve decrease 100BPS	2,077,119	452
Equity securities price risk	rice of equity securities increase 15%	461,229	186,120
Equity securities price risk	Price of equity securities decrease 15%	(461,229)	(186,120)

December 31, 2017			
Main Risk	Sensitivity to change	Amount	
		Equity	Equity
Currency Risk	USD/TWD increase 3%	-	2,439
	EUR/TWD increase 3%	-	1,060
	JPY/TWD increase 5%	-	245
	CNY/TWD increase 5%	-	1,440
Currency Risk	USD/TWD decrease 3%	-	(2,439)
	EUR/TWD decrease 3%	-	(1,060)
	JPY/TWD decrease 5%	-	(245)
	CNY/TWD decrease 5%	-	(1,440)
Interest Risk	Yield curve increase 100BPS	(3,731,236)	(12,318)
Interest Risk	Yield curve decrease 100BPS	4,210,105	13,182
Equity securities price risk	rice of equity securities increase 15%	301,530	19,585
Equity securities price risk	Price of equity securities decrease 15%	(301,530)	(19,585)

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated 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, 2018	(USD)	(JPY)	(EUR)	(AUD)	(CNY)	Other	Total
Foreign currency financial assets							
Cash and cash equivalents	13,133,759	227,183	237,635	162,679	13,509,934	443,528	27,714,718
Due from the Central Bank and call loans to banks	105,937,607	-	299,030	194,895	33,499,015	3,232,981	143,163,528
Financial assets at fair value through profit or loss	40,346,699	-	-	13,863,504	1,698,220	722,534	56,630,957
Loans and discounts	169,267,337	2,113,058	961,945	1,013,184	20,469,314	4,334,555	198,159,393
Receivables	41,708,000	1,463,877	2,850,168	1,558,079	2,931,012	1,092,254	51,603,390
Held-to-maturity financial assets	8,829,588	-	-	1,061,095	1,832,290	2,749,724	14,472,697
Other assets	67,063	3,816	863	-	12,126	70,931	154,799
Total assets	379,290,053	3,807,934	4,349,641	17,853,436	73,951,911	12,646,507	491,899,482
Foreign currency financial liabilities							
Due to the Central Bank and call loans to banks	123,590,923	82,285	304,590	799,070	34,302,501	3,524,073	162,603,442
Deposits and remittances	199,081,566	2,826,257	2,384,641	5,071,304	29,398,899	5,029,730	243,792,397
Financial liabilities at fair value through profit or loss	32,265	-	-	-	-	16,496	48,761
Payables	22,720,893	434,544	334,385	11,845,322	1,065,624	3,378,483	39,779,251
Other liabilities-Refundable deposits	13,990,288	51,969	237,792	29,452	3,102,747	17,327	17,429,575
Total liabilities	359,415,935	3,395,055	3,261,408	17,745,148	67,869,771	11,966,109	463,653,426

Note: As of December 31, 2018 the exchange rates of different currencies against the TWD are as follows: USD/TWD:30.735; JPY /TWD: 0.277; EUR /TWD: 35.18; AUD /TWD: 21.655; CNY /TWD: 4.469.

December 31, 2017	(USD)	(JPY)	(EUR)	(AUD)	(CNY)	Other	Total
Foreign currency financial assets							
Cash and cash equivalents	15,892,276	179,124	369,186	56,792	10,747,976	289,856	27,535,210
Due from the Central Bank and call loans to banks	118,979,222	-	-	3,366,143	30,175,309	2,420,077	154,940,751
Financial assets at fair value through profit or loss	1,689,703	-	-	-	-	526,137	2,215,840
Available for sale financial assets	27,905,020	-	-	11,530,583	2,001,560	1,605,193	43,042,356
Loans and discounts	153,725,617	2,332,402	1,211,105	627,289	15,991,075	5,092,000	178,979,488
Receivables	6,781,079	228,514	28,395	51,928	679,088	72,338	7,841,342
Held-to-maturity financial assets	290,312	-	-	-	-	1,661,358	1,951,670
Other assets	13,329,296	7,836	36,432	43,115	3,225,995	184,110	16,826,784
Total assets	338,592,525	2,747,876	1,645,118	15,675,850	62,821,003	11,851,069	433,333,441

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2017	(USD)	(JPY)	(EUR)	(AUD)	(CNY)	Other	Total
Foreign currency financial liabilities							
Due to the Central Bank and call loans to banks	107,426,938	58,438	283,600	8,414,200	23,016,450	4,242,087	143,441,713
Deposits and remittances	196,551,442	2,954,448	2,031,158	4,776,204	27,051,747	4,673,179	238,038,178
Financial liabilities at fair value through profit or loss	13,499	-	-	-	-	34,180	47,679
Payables	21,267,334	424,005	499,434	2,399,217	1,011,389	2,714,706	28,316,085
Other liabilities-Refundable deposits	13,499,639	57,695	71,382	43,115	3,215,360	169,778	17,056,969
Total liabilities	338,758,852	3,494,586	2,885,574	15,632,736	54,294,946	11,833,930	426,900,624

Note: As of December 31, 2017 the exchange rates of different currencies against the TWD are as follows: USD/TWD:29.680; JPY /TWD: 0.2633; EUR /TWD: 35.450; AUD /TWD: 23.135; CNY /TWD: 4.549.

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, 2018					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest-rate-sensitive assets	$ 2,198,461,186	48,658,281	89,582,654	165,694,440	2,502,396,561
Interest-rate-sensitive liabilities	1,171,048,055	933,308,352	226,690,222	74,158,503	2,405,205,132
Interest rate sensitivity gap	1,027,413,131	(884,650,071)	(137,107,568)	91,535,937	97,191,429
Net worth					157,190,108
Ratio of interest-rate-sensitive assets to liabilities (%)					104.04
Ratio of interest rate sensitivity gap to net worth (%)					61.83

(Continued)

LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2017					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest-rate-sensitive assets	$ 2,128,936,724	50,465,403	74,567,795	168,231,799	2,422,201,721
Interest-rate-sensitive liabilities	1,193,824,899	837,141,626	245,619,421	67,630,294	2,344,216,240
Interest rate sensitivity gap	935,111,825	(786,676,223)	(171,051,626)	100,601,505	77,985,481
Net worth					144,642,263
Ratio of interest-rate-sensitive assets to liabilities (%)					103.33
Ratio of interest rate sensitivity gap to net worth (%)					53.92

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, 2018					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest-rate-sensitive assets	$ 10,932,921	488,445	112,427	351,526	11,885,319
Interest-rate-sensitive liabilities	7,971,187	2,116,973	661,842	519,000	11,269,002
Interest rate sensitivity gap	2,961,734	(1,628,528)	(549,415)	(167,474)	616,317
Net worth					5,114,368
Ratio of interest-rate-sensitive assets to liabilities (%)					105.47
Ratio of interest rate sensitivity gap to net worth (%)					12.05

(Continued)

LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2017					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest-rate-sensitive assets	$ 9,879,112	725,834	517,397	196,708	11,319,051
Interest-rate-sensitive liabilities	7,545,379	2,153,933	816,759	365,600	10,881,671
Interest rate sensitivity gap	2,333,733	(1,428,099)	(299,362)	(168,892)	437,380
Net worth					4,873,392
Ratio of interest-rate-sensitive assets to liabilities (%)					104.02
Ratio of interest rate sensitivity gap to net worth (%)					8.97

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 Section42 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.

(Continued)

LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

December 31, 2018

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	$ -	-	-	-	-	-
Reverse and Securities lending agreement	389,212	-	389,212	-	-	389,212
Total	$ 389,212	-	389,212	-	-	389,212

December 31, 2018

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 assets	$ -	-	-	-	-	-

December 31, 2017

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	$ 801,600	758,494	43,106	-	-	43,106
Reverse repurchase and securities borrowing agreement	8,029,166	-	8,029,166	-	-	8,029,166
Total	$ 8,830,766	758,494	8,072,272	-	-	8,072,272

(Continued)

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2017					
	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)	The related amount not set off in balance sheet (d): cash collateral received	net amount (e)=(c)-(d)
Derivative financial assets	$ -	-	-	-	-	-

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

13) Transfers of Financialy 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, 2018				
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	$ -	9,740,281	-	-	-

	December 31, 2017				
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	$ -	15,157,816	-	-	-

(al) Capital management

(i) Introduction

Objectives for managing capital are as follows:

1) The objective of capital management is to ensure there is sufficient capital to support the overall operating risks in accordance with Risk Management Policies and Procedures.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated 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 Banks. The capital adequacy ratio of the Banks has reached the legal ratio and an additional 2% is set as an objective to the Banks.

(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 Banks, 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 Banks includes common stock, capital reserve (stock premium on common stock), legal reserve, special reserve, unappropriated earnings and other equities and should be deducted from the project, including intangible assets, prepaid pension plan or employee benefit liabilities (in the case of insufficient defined benefit plan), fair value or revalued amounts (the costs incurred to increase the number of retained earnings of the real estate that applied the IAS for the first time) , unrealized interest of the available-for-sale financial assets, and financial-related business investments (classified as the book value of the bank) of 25%.

   b) Other Tier 1 capital: There is no capital in this category.

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) on available-for-sale financial assets, provisions for operations and provision for bad debts and excludes 50% of investments in financing activities (classified as banking book).

(iii) Capital adequacy ratio

The following table shows the Banks' capital, risk-weighted assets and the calculation of capital adequacy ratio. The calculation of capital adequacy ratio is in accordance with the Banking Bureau letter No. 10200362920 Regulations Governing the Capital Adequacy and Capital Category of Bank. The capital adequacy ratio as of December 31, 2018 and 2017 are in compliance with regulations of local authorities.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(in thousands of New Taiwan dollars)

Items		Year	December 31, 2018	December 31, 2017
Eligible Capital	Common equity tier 1 capital		139,677,883	131,218,449
	Additional tier 1 capital		15,315,736	15,281,997
	Tier 2 capital		42,629,828	44,376,216
	Eligible capital		197,623,447	190,876,662
Risk-weighted Assets	Credit risk	Standardized approach	1,557,174,438	1,455,557,758
		Internal rating-based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	-	-
		Standardized approach/Alternative standardized approach	51,195,395	50,332,428
		Advanced measurement approach	-	-
	Market risk	Standardized approach	25,093,997	42,341,623
		Internal model approach	-	-
	Risk-weighted assets		1,633,463,830	1,548,231,809
Capital adequacy ratio			12.10	12.33
Ratio of common stock equity to risk-weighted assets (%)			8.55	8.48
Ratio of tier 1 capital to risk-weighted assets (%)			9.49	9.46
Leverage (%)			4.99	4.90

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.

(Continued)

LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Ratio of tier 1 capital to risk-weighted assets = (Common equity capital + additional tier 1 capital) ÷ Risk-weighted assets.

5) Ratio of common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.

6) Leverage = Tier 1 capital ÷ Exposure measurement.

(7) Related-party transactions:

(a) Name and relation of related parties

Name of related parties	Relationship
Others	Director, supervisors managers of the Bank and their relatives

(b) Transactions with Key Management Personnel

Key management personnel compensation comprised:

	2018	2017
Short-term employee benefits	$ 22,264	26,171
Post-employment benefits	2,604	2,850
	$ 24,868	29,021

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

(i) Deposits

	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Land Bank Insurance Brokerage Co., Ltd.	$ 1,005,699	0.04	1,022,961	0.04

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, 2018		December 31, 2017	
	Amount	%	Amount	%
Land Bank Insurance Brokerage Co., Ltd.	$ 581,514	0.02	492,425	0.02

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.

(Continued)

LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(in thousands of New Taiwan dollars)

December 31, 2018							
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	34	$ 21,708	21,682	21,682	-	Credit etc.	None
Private housing mortgage loan	101	380,695	380,146	380,146	-	Real estate	None
Other loans	44	179,685	179,685	179,685	-	Real estate etc.	None

(in thousands of New Taiwan dollars)

December 31, 2017							
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	24	$ 25,044	19,118	19,118	-	Credit etc.	None
Private housing mortgage loan	88	334,104	329,869	329,869	-	Real estate	None
Other loans	34	143,438	143,438	143,438	-	Real estate etc.	None

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

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

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Pledged assets:

Pledged assets	December 31, 2018	December 31, 2017	Guarantee pledged
Government bonds (recorded as financial assets at FVOCI)	$ 1,192,159	-	Guarantee of court leave or guarantee of tax claim
Negotiable certificates of deposit (recorded as financial assets at amortized cost)	4,800,000	-	Guarantee deposits for overdraft
Government bonds (recorded as available-for-sale financial assets)	-	1,257,843	Guarantee deposits pledged with court and guarantees for tax litigation
Government bonds (recorded as available-for-sale financial assets)	-	21,418	Operating guarantees of securities department
Government bonds (recorded as available-for-sale financial assets)	-	148,364	Reserve for trust business losses
Negotiable certificate of time deposits (recorded as available-for-sale financial assets)	-	297,150	Guarantee for settlement funds from Central Bank and other banks
Government bonds (recorded as available-for-sale financial assets)	-	261,540	Operating guarantees of securities
Government bonds (recorded as available-for-sale financial assets)	-	313,539	Reserve for the Electronic Bond Trading System
Government bonds (recorded as available-for-sale financial assets)	-	53,545	Operating guarantees of U.S. FINRA
Negotiable certificate of time deposits (recorded as available-for-sale financial assets)	-	5,720,000	Operating guarantees of U.S. FINRA
Negotiable certificate of time deposits (recorded as available-for-sale financial assets)	-	18,000,307	Operating guarantees of U.S. FINRA
Negotiable certificate of time deposits (recorded as financial assets at FVOCI)	303,766	-	Operating guarantees of the Central Bank
Government bonds (recorded as financial assets at FVOCI)	307,058	-	Operating guarantees of the Central Bank
Government bonds (recorded as financial assets at FVOCI)	50,832	-	Guarantees for asset exchange valuation
Government bonds (recorded as financial assets at FVOCI)	20,333	-	Guarantees for asset exchange valuation
Government bonds (recorded as debt investment at amortized cost)	255,725	-	Guarantees for asset exchange valuation
Government bonds(recorded as debt investment at amortized cost)	300,000	-	Guarantees for asset exchange valuation
Negotiable certificates of deposit (recorded as debt investment at amortized cost)	18,000,000	-	Guarantees for asset exchange valuation
Government bonds(recorded as hold-to-maturity- financial assets)	-	3,175	Guarantees for asset exchange valuation
Government bonds(recorded as debt investment at amortized cost)	3,147	-	Guarantees for asset exchange valuation
Asset swap (recorded as other assets)	-	186,687	Guarantees for asset exchange valuation
Time deposits (recorded as other assets)	1,787,600	2,047,050	Guarantee deposits for CNY overdraft
Total	$ 27,020,620	28,310,618	

(Continued)

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Commitments and contingencies:

(a) As of December 31, 2018, the Bank has the following contingent liabilities and commitments, which are not included in the above-mentioned financial statements:

	December 31, 2018	December 31, 2017
Loan commitments	$ 5,039,048	55,867,381
Credit card lines commitments	27,109,525	24,348,928
Unused commercial letters of credits	8,949,547	12,010,929
Cach card lines commitments	80,777	94,649
Guarantees	46,546,901	41,349,567
Trust liabilities	359,755,651	376,993,025
Travellers' checks consignment-in	12,187,317	14,556,536
Property under custody for customers	529,814	582,223
Travellers' checks consignment-in	96,231	110,392
Collections for customers	56,771,198	58,371,480
Agency loans	48,129,984	51,675,883
Government bond under custody for customers	156,688,400	141,597,100
Consigned manager of bills	13,678,177	28,067,257
Consigned manager of bonds	329,838	-
Consigned sales of goods	9,989	9,996
Securities sold under repurchase agreement	9,740,281	15,174,237
Total	$ 745,642,678	820,809,583

(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, 2018 and 2017

(in thousands of New Taiwan dollars)

Trust Assets	December 31, 2018	December 31, 2017
Cash in bank	$ 16,513,925	16,368,649
Investment	65,183,652	68,847,827
Receivable account	151,246	157,562
Prepaid account	19,052	19,244
Real property	195,203,151	195,026,338
Intangible assets	6,767,049	6,776,873
Other assets	8,189	862
Securities under custody	75,909,387	89,795,670
Total trust assets	$ 359,755,651	376,993,025

(Continued)

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Trust Liabilities		December 31, 2018	December 31, 2017
Accounts payable	$	51,456	49,399
Borrowed		1,943,333	1,974,000
Advance receipts		7,864	6,945
Tax payable		73	133
Guarantee deposits received		1,066,441	1,519,990
Withholding		3,093	5,837
Other liabilities		1,071,538	1,106,350
Trust capital		278,095,852	280,827,902
Reserve account		294,194	383,033
Accumulated loss		164,035	(573,084)
Net income		1,148,385	1,896,850
Securities under custody		75,909,387	89,795,670
Total trust liabilities	$	359,755,651	376,993,025

Trust Property List

December 31, 2018 and 2017

(in thousands of New Taiwan dollars)

Trust Assets		December 31, 2018	December 31, 2017
Cash in bank	$	16,513,925	16,368,649
Investment		65,183,652	68,847,827
Mutual funds		151,246	157,562
Bond		19,052	19,244
Stock		195,203,151	195,026,338
Beneficial securities		6,767,049	6,776,873
Asset-backed securities		8,189	862
Accounts receivable		75,909,387	89,795,670
Total	$	359,755,651	376,993,025

(Continued)

LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

Statements of Income on Trust Accounts
For the years ended December 31, 2018 and 2017
(in thousands of New Taiwan dollars)

	For the years ended December 31 2018	2017
Revenues		
Interest revenues	$ 443,724	1,650,866
Rental revenues	1,600,374	1,639,519
Revenues from cash dividend	11,139	9,198
Other revenues		
Others	25,204	30,587
Total	2,080,441	3,330,170
Expenses		
Interest fees	405,048	886,556
Insurance fees	23,432	23,726
Management and maintenance fees		
Management fees	132,749	141,309
Maintenance fees	87,671	93,179
Service charges	4,687	58,232
Levies	142,780	147,256
Other expenses		
Others	135,689	83,062
Total	932,056	1,433,320
Income before income tax	1,148,385	1,896,850
Income tax expense	-	-
Net income	$ 1,148,385	1,896,850

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.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) As of December 31, 2018, the Bank had various lawsuits, claims and proceedings from normal operation. The significant cases are summarized below:

Several clients ("plaintiffs") claim to refund their money which was stolen by the Banks' employees and the required payments were $154,627 for the case of deposits reimbursement and $143,627 for the case of compensation for damage by torts. In the case of deposits reimbursement, the District Court decided in favor of the Bank in the first trial, but for the second trial, the Bank partly lost the lawsuit and need to pay $18,100 thousand for compensation along with its interest. The Supreme Court ordered the Taiwan High Court of Tainan Branch to conduct a new trial. The Court asked the Bank to pay a compensation of $18,100 thousand along with its interest. However, the Bank and the plaintiffs both appealed again to the Supreme Court and the case is currently being reviewed by the Taiwan High Court of Tainan Branch. In the case of compensation for damage by torts, the District Court decided in favor of the Bank, but the plaintiffs appealed once more, and the case is currently being reviewed by the Supreme Court for the third trial.

The Banks considered the above lawsuits have no significant effects on its financial statements.

(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:

	For the years ended December 31	
	2018	2017
	Operating expenses	Operating expenses
Personnel expenses		
Salaries	7,554,531	7,304,435
Insurance	342,302	339,986
Pension	699,991	692,802
Employee benefit saving account	2,933	1,912,783
Other employee benefits expenses	112,488	138,863
Depreciation expenses	687,519	724,758
Amortization expenses	300,860	271,311

For 2018 and 2017, the Bank has 5,691 and 5,701 employees, respectively.

(b) Government audit adjustments

The financial statements for 2016 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:

(Continued)

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated 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, 2018		December 31, 2017	
	Average balance	Average rates (%)	Average balance	Average rates (%)
Interest-earning assets:				
Due from the Central Bank	$ 138,228,001	0.45	142,666,866	0.48
Due from banks and call loans to banks	176,570,648	1.53	178,096,467	1.30
Loans	1,940,564,159	2.00	1,861,130,517	1.89
Financial assets at fair value through profit or loss	2,739,887	2.24	3,205,456	1.56
Securities bought under resale agreements	5,830,296	0.44	4,796,160	0.39
Available-for-sale financial assets	-	-	387,142,030	0.92
Held-to-maturity financial assets	-	-	172,868,606	0.50
Bond investments without active market	87,341,837	2.34	-	-
Financial assets	578,091,058	0.70	-	-
Interest-bearing liabilities:				
Due to banks and call loans from banks	166,068,305	1.30	153,137,402	0.77
Funds borrowed from the Central Bank and other banks	2,014,979	2.16	2,179,321	1.38
Demand deposits	321,758,325	0.16	309,690,774	0.15
Time deposits	890,744,575	1.06	836,550,688	0.90
Due to Taiwan Post Co., Ltd.	141,186,875	0.70	66,889,290	0.73
Saving deposits	1,026,835,294	0.85	989,775,513	0.87
Government deposits	147,936,891	0.48	153,540,449	0.46
Financial debentures	65,318,904	2.02	79,233,425	1.91

(ii) Net Position of Main Foreign Currencies

(in thousands of New Taiwan dollars)

December 31, 2018			December 31, 2017		
Currency	Original currency amount	TWD amount	Currency	Original currency amount	TWD amount
(USD)	$ 444,488	13,661,346	(USD)	437,089	12,972,812
(CNY)	694,272	3,102,701	(CNY)	706,581	3,214,238
(EUR)	6,025	211,975	(SGD)	4,196	93,160
(AUD)	1,100	23,811	(AUD)	1,864	43,115
(SGD)	1,005	22,554	(EUR)	1,003	35,562

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.

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES
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(iii) Profitability

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	0.41	0.43
	After income tax	0.33	0.35
Return on equity	Before income tax	8.06	8.51
	After income tax	6.43	6.90
Net income ratio		30.40	33.48

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.

(iv) The Bank has obtained approval from the FSC (Ruling No. 10400177950, issued on August 19, 2015) to engage in the business of electronic payment which started its operation in 2016. According to Article 4 of the Regulations Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions, the Bank shall appropriate $2,000 thousand to be contributed to the Sinking Fund in the first fiscal year. The Bank's fee income generated from payment business for the year 2017 were $2 thousand, as well as interest revenue and other revenue were both $17 thousand. The Bank proposed to appropriate the amount of $0 into the Sinking Fund before May 2018.

(13) Segment information:

For management purposes, the Banks are organized into business units based on its products and service. The Banks 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.

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(e) Other: The assets, liabilities, revenues and expenses which cannot be attributed to only one operating department may be Bank under this category.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. The accounting policies of operating segments are the same as note 4 described in the significant accounting policies paragraph.

(i) Segment Financial Information

For the year ended December 31, 2018

	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 (External customers)	$ 5,328,902	14,441,749	16,268,670	(13,655,735)	4,239,347	-	26,622,933
Net segment profit (loss)	(5,287,056)	(7,068,067)	(10,136,875)	21,045,856	1,446,142	-	-
Net fee income (loss)	(20,999)	896,525	359,922	157,942	1,567,230	(6)	2,960,614
Net other income (loss)	1,413,203	-	-	(94,775)	(769,799)	(93,189)	455,440
Net operating income (loss)	1,434,050	8,270,207	6,491,717	7,453,288	6,482,920	(93,195)	30,038,987
Operating expenses	-	-	-	-	(14,690,386)	4,325	(14,686,061)
Provision for loan losses and credit related losses	-	-	-	-	(3,173,158)	-	(3,173,158)
Inter expenses allocated	(119,805)	(2,475,138)	(4,058,492)	(5,604,072)	12,257,507	-	-
Income tax expenses	-	-	-	-	(2,483,225)	-	(2,483,225)
	$ 1,314,245	5,795,069	2,433,225	1,849,216	(1,606,342)	(88,870)	9,696,543

For the year ended December 31, 2017

	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 (External customers)	$ 3,240,730	13,639,934	15,386,113	(12,631,082)	5,103,300	-	24,738,995
Net segment profit (loss)	(9,579,219)	(6,639,124)	(10,208,924)	19,516,396	6,910,871	-	-
Net fee income (loss)	(18,519)	787,134	380,051	151,012	1,531,619	(7)	2,831,290
Net other income (loss)	731,058	-	-	(95,678)	(1,252,158)	(87,882)	(704,660)
Net operating income (loss)	(5,625,950)	7,787,944	5,557,240	6,940,648	12,293,632	(87,889)	26,865,625
Operating expenses	-	-	-	-	(14,495,135)	4,031	(14,491,104)
Provision for loan losses and credit related losses	-	-	-	-	(492,992)	-	(492,992)
Inter expenses allocated	(93,404)	(2,269,652)	(3,880,343)	(5,481,899)	11,725,298	-	-
Income tax expenses	-	-	-	-	(2,212,092)	(35,814)	(2,247,906)
	$ (5,719,354)	5,518,292	1,676,897	1,458,749	6,818,711	(119,672)	9,633,623

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(ii) Region

Areas type	For the years ended December 31	
	2018	2017
Net revenue:		
Taiwan	$ 27,722,647	26,689,959
U.S.A	999,308	890,491
Singapore	205,413	220,758
Hong Kong	313,310	248,900
China	798,309	728,299
Total	$ 30,038,987	28,778,407

(iii) Main customer information

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

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臺灣土地銀行
LAND BANK OF TAIWAN

Chairperson

Huang, Bor-Chang

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